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Banking, Financial Services & Insurance (BFSI)
E-Bulletin

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

DEPARTMENT OF BANKING & FINANCIAL SERVICES

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SPEECHES

Rajeshwar Rao: Ownership and Governance – Building the Edifice for Digital Innovations

Remarks by Shri Rajeshwar Rao, Deputy Governor of the Reserve Bank of India
Mint Annual Banking Conclave, Mumbai, 15 December 2021

The technological and digital innovations have improved the efficiency, productivity, and competitiveness in the delivery of financial services. Their role in furthering the financial inclusion and reducing the cost of financial intermediation is well recognised. However, such innovations have also given rise to newer challenges for all stakeholders. While customers face issues of mis selling, data security and privacy as well as identity theft problems, regulators and supervisors need to increasingly engage with issues around customer protection, ethical conduct, regulatory arbitrage, and concerns about financial stability.

Licensing and ownership of private banks in India

It is generally accepted that a deep, stable, and sound financial system contributes to economic growth. But for growth to be truly inclusive, broadening and deepening the reach of formal finance is a pre-requisite. Access to formal finance is especially critical for the lower income groups as it provides them with the opportunities to save, invest, avail of credit, and grow their incomes through productive enterprises and activities.

Importance of Governance in Financial Institutions

A sound, efficient and robust financial intermediation structure facilitates optimal allocation of financial resources in the economy.

For this, the trust of all stakeholders, especially of depositors in case of banks, is a pre-requisite. While legal and regulatory architectures provide a broad framework to maintain this trust, the trust needs to be grounded in good governance and ethical conduct of the institutions and their functionaries. The banks tend to be well regulated and are intensively supervised but any erosion of public trust in financial institutions cannot be countered with regulatory prescriptions or supervisory rigours alone.

Conclusion

As we collectively aspire for an efficient financial intermediation with positive spill over to the real sectors, we need to remind ourselves that these aspirations are set in an increasingly competitive, diverse, interconnected and market driven ecosystem. It is important in this context to gain and retain the trust of other stakeholders such as depositors and various providers of financial resources. This is best ensured by the governance, control, and assurance functions in financial institutions. Governance frameworks can be pictured of as a complex mesh of nuts and bolts holding the financial pillars of capital, assets, deposits, and investments in place and keeping the structure of the bank upright. As we strive to recover from the pandemic, financial institutions will need extraordinary amounts of financial resources to support growth to realise our visions for a brighter tomorrow.

Source : https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1141

Governance and Prudential Supervision of Financial Institutions: Recent Initiatives

Address by Shri M K Jain, Deputy Governor, Reserve Bank of India
November 2, 2021, Business Standard BFSI Summit

The Reserve Bank's regulatory and supervisory approach has largely been driven by ownership neutral approach with focus on ensuring financial stability and resilience of its financial entities. Banking practices evolved rapidly post liberalisation. The ever changing financial landscape of the country and advent of Information Technology posed newer challenges for the banks as well as its regulator and supervisor. Banks being the engine of growth for the Indian economy, quickly adopted to this new reality of competitive environment and resorted to various new practices to maintain their bottom line. The adoption of new business models without adequate risk management and weakness in internal controls at times resulted in weak underwriting standards.

Governance

Corporate Governance is the corner stone for any enterprise, but for banks, it assumes a distinctly different undertone and importance. It is well-known that banks are special in terms of services they render and the segments they touch while rendering these functions. By providing financial intermediation and maturity transformation, payment and settlement services, reducing information asymmetries, and engaging in deposit mobilisation, banks act as catalysts in growth of the economy. Most importantly, they enjoy the privilege of

mobilizing uncollateralized public deposits and operating with high levels of leverage. The negative externalities of banks and NBFCs are also much higher than those for any non-financial entity due to their inter-connectedness.

Supervisory Initiatives

Improving the governance practices and internal defenses in supervised entities, including an assessment of business model adopted. Identifying early warning signals, increasing the focus on root cause of vulnerabilities and initiating corrective actions, as also refining supervisory processes and communications. In order to ensure a unified and systemic approach, a unified Department of Supervision (DoS) was created bringing all SEs, namely, Scheduled Commercial Banks, NBFCs and UCBs under one umbrella. Unifying the supervisory functions shall reduce the supervisory arbitrage and information asymmetries across SEs and address the complexities arising from their inter-connectedness

Conclusion

Globally, banking is seeing rapid transformations and questions on the traditional bank model are being raised. Technology players are challenging banks with offerings which provide more convenience, better reach and lower cost to customers. Developments in

AI/ML, robotics and chat advisory, digitalisation, Distributed Ledger Technology (DLT), quant computing, cloud arrangements, data analytics, new ways of remote working, etc are giving benefits but also generating new risks. Climate change, KYC / AML, cyber security, virtual currencies as well as increasing reliance on outsourcing are some of the other major challenges that will need to be addressed.

Agile and creative thinking is going to be essential in staying ahead of the digital curve when it comes to the evolution of financial services. Financial institutions would need to experiment with new technologies and tailor their products and services in alignment with business strategy and competitive

considerations as well as in compliance with existing laws and regulations. Leveraging on technology will also require enhanced financial investments, building expertise and capacities, proper resource allocation and further strengthening of the operational capabilities.

Lastly, in this ever evolving and challenging environment, ultimately it is the operations of a financial entity in terms of its governance standards, business model, risk culture, and assurance functions that will decide how well it fares in the long run. Reserve Bank would expect all its supervised entities to give due weightage and consideration to these elements.

Source : https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1138

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

ASSOCHAM - EGROW Shadow Monetary Policy Committee

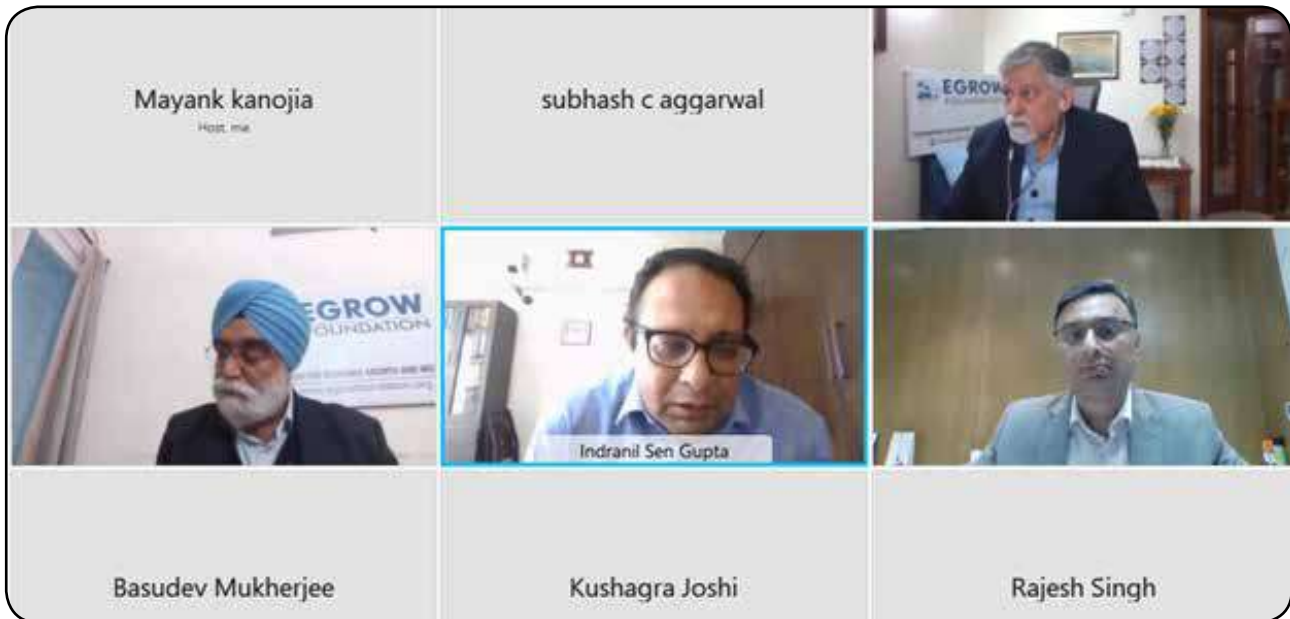
“Discussion on Monetary Policy” Thursday, 02nd December 2021 (04:00 PM – 05:00 PM)

Eminent Panellists

- Dr. Arvind Virmani, Former Chief Economic Advisor, Government of India & Chairman, EGROW Foundation
- Dr Charan Singh, Chairman, National Council for banking
- Shri S.C Aggarwal, Chairman & Managing Director, SMC Group
- Shri Ashish Jain, CFO, Loantap Financial Technologies
- Shri Indranil Sen gupta, Head of Research, CLSA India
- Shri Abheek Barua, Chief Economist and Executive Vice President HDFC Bank
- Ms. Upasna Bhardwaj, Senior Economist & Senior Vice – President , Kotak Mahindra Bank
- Shri Siddharth Sanyal, Chief Economist & Head of research, Bandhan Bank
- Robust GST collection of Rs.1,30,000 crore in November is healthy sign
- India’s merchants’ exports are performing well.
- India’s focus for the medium term would be to reiterate jobs and trade
- Inflationary pressures are persisting
- Build up of reserves helps to stabilize INR
- Omicron has raised downside risk to global GDP.
- Given the previous problems of virus, we can expect a lower global demand which can lead to supply demand shift.
- Informal sector needs to be looked at comprises of wages and income recovery. Very strangely rural wages have gone down.
- CMI data is related to migrant workers moving back to their workplace.
- Government should ensure there is place for modern MSMEs.

Key Takeaway’s

- Indian economy is on path to achieve double digit GDP growth in FY22
- Q2 GDP data and IIP suggest that recovery level is strong
- MPC should be accommodative to neutral stance.



ASSOCHAM 8th National E-Summit on Non-Banking Finance companies & Infrastructure Financing “Transforming the Financial Lending landscape”
Thursday, 23rd December 2021 from 11:00 AM – 02:00 PM

Eminent Panellists

- Shri Jayant Sinha, Hon’ble Member, Parliament & Chairperson, Parliamentary Standing committee for Finance
- Shri S Ramann, CMD, Small Industries Development Bank of India
- Shri Ajit Pai, Distinguished Expert-Economics & Finance, NITI Aayog
- Shri Ashok Soni, ED, Pension Fund Regulatory and Development Authority
- Shri Ramesh Iyer, Chairman, ASSOCHAM National Council for NBFCs & Infrastructure financing, Vice-Chairman & MD, Mahindra & Mahindra Financial services limited
- Shri Phani Shankar S., President & Co Head, Treasury & Global Markets; Kotak Mahindra Bank
- Shri Krishnan Sitaraman, Sr. Director & Deputy Chief Ratings officer
- Shri Basudev Mukherjee, Assistant Secretary General, ASSOCHAM
- Shri Alexander Muthoot, MD, The Muthoot Group
- Shri Amit Gaiinda, CEO, Avanse Financial Services Ltd
- Shri Amit Gupta, CFO UGRO Capital
- Ms. Hardika Shah, Founder & CEO; Kinara Capital
- Shri Ketan Doshi, MD, Pay Point India Network Pvt. Ltd.
- Shri Rajkumar Muthukumar, Chief Risk Officer, Orange Retail Finance Private limited

- Shri T. Bijoy Idicheriah, Deputy Editor; Informist Media Pvt. Ltd.
- Shri S.C Aggarwal, Member, ASSOCHAM & CMD, SMC Group
- Shri Sumit Mehrotra, Head – Supply Chain Finance; ICICI Bank
- Shri Umesh Revankar, Co-Chairman, ASSOCHAM National Council for NBFCs & Infrastructure financing, Vice-Chairman & MD; Shriram Transport Finance Company limited
- Shri Vijay Deshwal, Group chief Executive officer, Poonawala Fincorp Ltd.
- Shri Sanjay Rudra, General Manager, Large & Mid-Corporates; Bank of Maharashtra
- Shri Samik Dasgupta, General Manager & HOD, NPA Management and Legal; IIFCL
- Shri M. Narendra, Former CMD; Indian Overseas Bank

Key Takeaway's

Shri Jayant Sinha

- The government is working to bring changes in the GST Act and other public platforms so that companies can utilize data to grow big in size and scale.
- The target is for a \$10 trillion economy, we need to build an Atmanirbhar economy where we control our own destiny.
- "For \$10 trillion economy, we need to have an economy that is, at the competitive frontier, as competitive and capable in its ability to deliver products and services both to domestic as well as export market. We need to improve the financial system that we have today, the nature of credit flow if we are to take \$10 trillion or global competitiveness as the benchmark.
- Based on various operational parameters, the trajectory we are on right now is not one that will lead to a globally competitive \$10 trillion economy. To be on the right trajectory, we must use technology. We have made giant strides in the last few years, and we need to build on that.
- Public platforms and private innovations with appropriate regulatory and policy interventions as required has enabled us to achieve incredibly terrific things such as the roll out of UPI. Aadhar is now the largest biometric based identification system. We've got digital identities and digital payments worked out. As we move forward, we have to do more in terms of public platforms".
- When the Factoring Bill came to the Standing Committee on Finance, the government was opening up factoring to more non-banking financial companies and enabling more NBFCs to participate in that.
- "But even as we were doing that we were not addressing some important platform and data related issues. That is why we suggested that anything that is on GST as an invoice should automatically be gone to TReDS as well. Then it can be used on TReDS to finance receivables and so on. "So, that was the recommendation of the committee, and I am very happy to tell you it was accepted by the government,"

- However, he said, any change will need statutory backing through legislation, as the GSTN (GST Network) does not enable the usage of data within GSTN for any other purpose.
- So, there is a need to change not only the central GST Act but all the state GSTN Acts to enable GSTN invoices to automatically get on to TReDS or other platforms.
- TReDS is a platform that facilitates discounting of invoices for MSMEs from corporate buyers through multiple financiers.
- For India to leapfrog and become a globally competitive economy of the size of USD 10 trillion, public platforms, as well as private innovation, need to work in tandem.
- While making public platforms frictionless is 10 per cent of the story, 90 per cent of the story lies with the private players and businesses to innovate.
- “So, those are the kind of things we are working on right now, and there is a report that we will be putting out on strengthening credit flow to MSMEs, and we would welcome input from NBFCs on that..
- “Private sector innovation is required on top of these public platforms. The good news today is that there is ample capital available. Because of the great exits and tremendous capital that we have in the market right now, there is plenty of capital available to support high-quality businesses”.



**ASSOCHAM – PFRDA Webinar On National Pension System (NPS)
for Corporates “Securing Future with NPS & Insights For Employer”
Tuesday, 28th December 2021 from 03:00 PM – 05:00 PM**

Eminent Panellists

- Ms. Nipa Sheth, Chairperson, ASSOCHAM National Council for Corporate Bond Market and Founder & MD, Trust Group.
- Shri Supratim Bandyopadhyay, Hon'ble Chairman, Pension Fund Regulatory and Development Authority (PFRDA).
- Shri Suranjan Banerjee, Associate Director-Retirement, Willis Tower Watson.
- Shri Mono Phukon, Chief General Manager, Pension Fund Regulatory and Development Authority (PFRDA).
- Ms. Smita Parulkar, Partner- Tax, Global Business Tax.

Key takeaway's

Shri Supratim Bandyopadhyay

- Population of country is increasing with its age as well.
- Medical facility as well has increased a lot due to which people are having higher age limit. In current times, after a certain period we are getting a pay scale for our work.
- Post 60 most of our expenses are medical, which is quite high and unavoidable.
- Old age population is increasing and without proper financial planning it will be very difficult to survive.
- Government schemes cover only fragment of population so it is high time that all of us should start planning for our retirement.
- There are insurance schemes and pension schemes along with NPS under PFRDA which helps in this process.
- Atal Pension Yojana provides pension between Rs. 1,000/- to Rs. 5,000/- which can benefit you at age of 60 years.
- As per recent information total pension base of Rs. 33 trillion which is 14-15% of GDP.
- Unless we make it, mandatory people try to push it back under the impression that we are quite young and there is no need for such planning.
- Informal support system which comes through joint family system has crumbled.
- We need to start early and as our cash flow increases, we should set aside a set amount for retirement.
- One must think of the inflation rate and tax bracket while calculating their retirement.
- More than 9600 corporates have registered under PFS.
- Since old pension scheme has abolished, banks are participating in it largely.
- Earlier it was 10% now IBA has passed resolution to make it 14% of employee's salary and 10% will be made from employee side as well.

- Not all corporate not under provident fund as one of the options, similarly it should give NPS as an option as well.
- We have covered a lot of corporate, but we do not have depth for which corporate needs to handhold their employees for showing it as an option.
- Onboarding process is majorly physical but still around 40% is done under the digital platform.
- Any person who is investing under NPS can go upto 70 years with an option to start withdrawal option at the age of 60 years.
- For last two years we are seeing the impact of pandemic, but our sector was not affected. Lowest growth rate was 10% during pandemic. It shows some sort of awareness being created in the market.



TOP BANKING NEWS

- **Create UPI like platform for credit: Ashwini Vaishnaw to banks**

With the aim of addressing the needs of the bottom of the pyramid, union minister for electronics and IT, Ashwini Vaishnaw asked financial services firms and banks to create a UPI like platform for providing quick and easy credit to small and medium enterprise, industries and small businessmen. Speaking at the concluding day of the week-long AzadiKaAmritMahotsav organised by the ministry of electronics and IT, Vaishnaw said that firms have instruments such as Aadhaar, UPI, mobile, digiLocker etc at their disposal, and they should come up with proof of concepts in the next three months.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/create-upi-like-platform-for-credit-ashwini-vaishnaw-to-banks/articleshow/88106965.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **SBI Chairman says consolidation of PSU banks is good for the banking industry**

Consolidation among public sector banks (PSBs) is good for the banking industry as it will ensure that consortiums lending to projects are not too big and there is optimum utilisation of capital, according to State Bank of India Chairman Dinesh Kumar Khara. According to the Business Line; among banks to operate in all the niche segments, Khara said small size banks may not have the ability to absorb losses that might come up.

Source: <https://www.thehindubusinessline.com/money-and-banking/consolidation-is-good-for-the-banking-industry-sbi-chairman/article37857497.ece>

- **Asset Monetization Expected to be a Key Theme Of Budget 2022-23**

According to Hon'ble Finance minister Nirmala Sitharaman a Rs 6-lakh crore National Monetisation Pipeline (NMP) that would look to unlock value in infrastructure assets across sectors ranging from power to road and railways. In addition to that asset monetisation would not involve the selling of land and would entail monetising brownfield assets. Projects have been identified across sectors, with roads, railways and power being the top segments. In the upcoming budget, the government is looking to fix targets for achieving the monetization programme, as it does for tax and divestment targets.

Source: <https://www.outlookindia.com/website/story/business-news-asset-monetization-expected-to-be-a-key-theme-of-budget-2022-23/404030>

- **ICICI Bank offers instant overdraft facility to sellers registered on Flipkart**

ICICI Bank on Monday, 6th November announced that it has partnered with Flipkart to offer an instant and completely digital overdraft (OD) facility of up to ₹25 lakh to individual sellers and businesses registered on the e-commerce platform. Enabled by API integration, the partnership helps sellers to avail an OD from the Bank

instantly in a process- from application to sanction to disbursement - that is entirely digital.

Source: <https://www.livemint.com/industry/banking/icici-bank-offers-instant-overdraft-facility-to-sellers-registered-on-flipkart-11638859093674.html>

- **Why the Reserve Bank wants to have its own digital currency**

The Cryptocurrency and Official Digital Currency Bill, 2021, is scheduled to be introduced in the ongoing winter session of Parliament. Further, as per an answer to a recent question in the Lok Sabha, the government received a proposal from the Reserve Bank of India (RBI) in October to amend the RBI Act, 1934, in order to enhance the scope of the definition of a 'bank note' and include currency in digital form.

Source: <https://www.livemint.com/industry/banking/why-rbi-wants-a-digital-currency-11638806987714.html>

- **RBI monetary policy outcome: Rate-sensitive stocks end higher; auto, banks, realty extend gains**

The Indian stock market ended on a robust note for the second consecutive day on December 8. Benchmark indices ended strong after Reserve Bank of India (RBI) kept the key rates unchanged. At close, the Sensex was up 1,016.03 points or 1.76% at 58,649.68, and the Nifty was up 293.10 points or 1.71% at 17,469.80. The announcement came in the context of fresh threats from the Omicron variant. So far, India has reported over two dozen Omicron cases.

Source: <https://www.moneycontrol.com/news/business/stocks/rbi-monetary-policy-rate-sensitive-stocks-edge-higher-banks-auto-realty-rise-7802531.html>

- **Paytm Payments Bank gets scheduled bank status from RBI**

Paytm Payments Bank Limited (PPBL), an associate entity of Paytm, has gained the central bank's approval to function as a scheduled payments bank, it announced on Thursday, December 14, 2021, helping it to widen its financial services operations. Paytm Payments Bank, a niche bank that cannot lend on its own, can now explore new business opportunities. It had over 6.4 crore savings accounts and more than ₹5,200 crore deposits, including savings accounts, current accounts and fixed deposits with partner banks at the end of March this year.

Source: <https://www.livemint.com/industry/banking/paytm-payments-bank-gets-scheduled-bank-status-from-rbi-11639045475568.html>

- **Banking: The impossible trinity of India's banking policy**

Last November, a storm brewed in stock markets over an RBI Internal Working Group (IWG) report, constituted to review the ownership structure of Indian Private Sector Banks. The storm was due to one IWG recommendation that the RBI could consider allowing large corporates/industrial houses to become promoters of private banks.

Source: <https://www.moneycontrol.com/news/opinion/banking-the-impossible-trinity-of-indias-banking-policy-7808161.html>

- **To save banks, we have to protect depositors: PM Modi**

According to Hon'ble Prime Minister Shri Narendra Modi, the move to increase deposit insurance cover to ₹5 lakhs from ₹1 lakh, will fully insure ₹76 lakh crore of savings. "Such a comprehensive insurance cover is not there even in developed nations,". "This will cover almost 98% of all banking accounts."

Source: <https://www.thehindu.com/business/Economy/to-save-banks-we-have-to-protect-depositors-pm-modi/article37938000.ece>

- **RBI Governor, PM signal reforms in trouble-prone urban co-operative banks**

According to Reserve Bank of India (RBI) Governor Shaktikanta Das, indicated that the banking regulator will ring in sweeping regulatory changes to reform urban co-operative banks that have been plagued by a spate of failures, and warned people against parking their savings in banks offering high returns. While terming the government's decision to raise the insured limit for bank deposits to ₹5 lakh from ₹1 lakh with a 90-day time limit to pay out such deposits as 'landmark' developments.

Source: <https://www.thehindu.com/news/national/rbi-governor-pm-signal-reforms-in-trouble-prone-urban-co-operative-banks/article37940271.ece>

- **India's Banking Revolution Has Started Without the Banks**

No deposit-taking institution in the world is trusted more by savers and enjoys bigger cachet with investors than HDFC Bank Ltd. What this plenitude has done to

India's most valuable lender is make it so lethargic – literally, with its digital services suffering repeated tech outages – that it had to be banned from issuing new credit cards for eight months. But a regulatory slap on the wrist is no durable solution. Bank licenses are permits to make money out of thin air.

Source: <https://www.bloombergquint.com/opinion/fintech-is-leading-india-s-banking-revolution-but-it-s-hampered-by-old-rules>

- **Depositors should be careful while chasing high returns: RBI Governor Shaktikanta Das**

According to Reserve Bank of India (RBI) Governor Shaktikanta Das, cautioned depositors to be careful while chasing high returns as it comes with greater risk. Observing that depositors themselves also need to be very discerning, he said it is important to keep in mind that higher returns or higher interest rates are usually associated with higher risks.

Source: <https://www.financialexpress.com/industry/banking-finance/depositors-should-be-careful-while-chasing-high-returns-rbi-governor-shaktikanta-das/2387017/>

- **Cabinet committee on privatisation yet to take decision on two banks: FM**

According to the Hon'ble Finance Minister Nirmala Sitharaman, the cabinet committee on privatisation is yet to take a decision with regard to divesting two public sector banks. The government had in Budget 2021-22 announced its intent to take up privatisation of two public sector banks (PSBs) during the year and approval of a policy of strategic

disinvestment of public sector enterprises, she said in the Lok Sabha.

Source: https://www.business-standard.com/article/finance/cabinet-committee-on-privatisation-yet-to-take-decision-on-two-banks-fm-121121301366_1.html

- **Private bank branches bloom as PSBs throttle back**

India's private banks are rushing in to fill the void left by the shrinking branch network of state-owned banks that had to rationalize presence and avoid overlaps caused by a spate of mergers. Public sector banks saw branch network start to decline after peaking in March quarter of 2017

Source: <https://www.livemint.com/industry/banking/new-pvt-bank-branches-close-void-left-by-shrinking-psb-net-11639419383435.html>

- **Power ministry tells banks to be cautious when lending to discoms**

The power ministry has urged banks to exercise caution while giving loans to state power distribution utilities to avoid putting the financial system at risk. This is the first time that the Centre has warned banks, expressing concern about the financial position of distribution companies and potential adverse impact on the banking system.

Source: https://economictimes.indiatimes.com/industry/energy/power/power-ministry-tells-banks-to-be-cautious-when-lending-to-discoms/articleshow/88329473.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Axis Bank likely to bag Citi's India retail business**

Axis Bank has emerged as the top contender to acquire Citibank India's retail assets, three people with knowledge of the matter told CNBC-TV18 on the condition of anonymity as the deal has not been made public yet. The deal could be an all-cash transaction, with a valuation of around \$2 billion including incentives, as per people in the know. Axis Bank is likely to sign an exclusivity agreement with Citi for the deal very soon. Kotak Mahindra Bank and IndusInd Bank were the other two players who had been in the race to acquire Citi's India retail business, but Axis Bank emerged as the top contender.

Source: <https://www.cnbctv18.com/finance/axis-bank-likely-to-bag-citis-india-retail-business-11875782.htm>

- **What is holding up Jio Payments Bank launch?**

According to the officials, nearly four years after it was formed, Jio Payments Bank, the 70:30 joint venture between Reliance Industries Ltd (RIL) and State Bank of India (SBI), could see its formal launch delayed further as the company is still working on its business model.

Source: <https://www.livemint.com/industry/banking/what-is-holding-up-jio-payments-bank-launch-11639939503889.html>

- **'Connected ecosystem banking will emerge soon'**

Banks are gradually moving towards platforms and application programming interface (API)-led ecosystems to build innovative business models. Amid the rapid digital transformation, regulations and

compliance norms set by the government will define how banking evolves. According to Biswabrata Chakravorty, head, IT, IndusInd Bank, spoke about how the private sector lender has created differentiated customer experience offerings through APIs.

Source: <https://www.livemint.com/companies/news/connected-ecosystem-banking-will-emerge-soon-11640085507208.html>

- **Technology is causing disruptions in banking, says K V Kamath**

According to Veteran banker K V Kamath on December 15, 2021, exhorted the banking industry to pitch for a level-playing field with technology-driven new age players, saying that the rise of technology has led to disruption in the financial services sector. According to the bankers, should make a case with the regulator for a level-playing field and the requirement of regulatory reporting should be extended to new age players. "We now have a digital mindset at all levels, there is the rise of technology and the bank customers are now receptive to change.

Source: https://www.business-standard.com/article/finance/technology-is-causing-disruptions-in-banking-says-k-v-kamath-121122200851_1.html

- **Banking sector set to witness significant reforms in the new year**

The banking sector is set to witness significant reforms in the coming year with privatization of public sector banks and strategic disinvestment of IDBI Bank on the agenda of the government for 2022. The emerging coronavirus situation, especially in the wake of the Omicron variant, might pose headwinds in the pace of reforms. Going by

the numbers, the banking sector has done reasonably well in 2021, notwithstanding the impact of the second wave of the pandemic.

Source: https://www.business-standard.com/article/economy-policy/banking-sector-set-to-witness-significant-reforms-in-the-new-year-121122600694_1.html

- **HDFC Bank ties up with IPPB to deliver banking services in semi-urban, rural areas**

HDFC Bank has tied up with India Post Payments Bank (IPPB) to offer its banking services to the unbanked and underserved segments in semi-urban and rural areas. A memorandum of understanding was signed between HDFC Bank and IPPB to cater to the majority of over 4.7 crore customer base of IPPB. About 90 per cent of IPPB customers reside in rural areas, which may benefit from this tie-up.

Source: <https://www.financialexpress.com/industry/banking-finance/hdfc-bank-ties-up-with-ippb-to-deliver-banking-services-in-semi-urban-rural-areas/2391130/>

- **New RBI rules in the making may allow neo banks, digital platforms to flourish and deepen inclusion**

The Reserve Bank of India (RBI) sprang into action and constituted a working group (WG) to study all aspects of digital lending, so that appropriate regulations can be put in place. We are a country of 1.25 billion with only about 35 to 40 million credit cards. Digital lenders can expand the credit base just like NBFCs did at one point in time. According to Anuj Kacker, Co-

Founder; Moneytap Unfortunately, a few bad apples have spoiled the party. But it has also brought a sector into the regulatory spotlight,” It is a credit platform that helps RBL Bank and HDB Financial among others to acquire customers.

Source: https://economictimes.indiatimes.com/news/economy/policy/new-rbi-rules-in-the-making-may-allow-neo-banks-digital-platforms-to-flourish-and-deepen-inclusion/articleshow/88556591.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bank NPAs ease to nearly six-year low: RBI Trends & Progress report**

Proving sceptics wrong, 2020-21 turned out to be the best in recent years for Indian banks in terms of their financial performance. The pandemic-hit financial year was marked by a “discernible increase” in profitability, as banks’ income remained stable but expenditure declined, the Reserve Bank of India (RBI) observed in the annual Trends & Progress Report. During the year, total income of banks remained stable, despite a marginal decline in the largest component – interest income – in an environment characterised by low credit offtake and interest rates.

Source: https://www.business-standard.com/article/markets/bank-npas-ease-to-nearly-six-year-low-rbi-trends-progress-report-121122900021_1.html

SELECT RBI CIRCULAR'S

Date of issue	Circular name	Subject
30.12.2021	https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12213	Periodic Updation of KYC – Restrictions on Account Operations for Non-compliance
24.12.2021	https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12212	Amendment to General Notification for sale of Government of India Treasury Bills/ Cash Management Bills by Auction
23.12.2021	https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12211	Restriction on storage of actual card data [i.e. Card-on-File (CoF)]
23.12.2021	https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12210	Exim Bank Government of India supported Line of Credit (LoC) of USD 40 million to the Government of the Togolese Republic
15.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12209	Government Agency Business Arrangement – Appointment of Scheduled Private Sector Banks as Agency Banks of Reserve Bank of India (RBI)
14.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12208	Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs)
10.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12207	Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility (MSF) - return to the normal dispensation
10.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12206	Introduction of Legal Entity Identifier for Cross-border Transactions
08.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12205	General permission for infusion of capital in overseas branches and subsidiaries and retention/ repatriation/ transfer of profits in these centres by banks incorporated in India
08.12.2021	https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12204	External Commercial Borrowings (ECB) and Trade Credits (TC) Policy – Changes due to LIBOR transition

WEEKLY STATISTICAL SUPPLEMENT – RBI

Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
(₹ Crore)					
Item	2020	2021		Variation	
	Dec. 25	Dec. 17	Dec. 24	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	3946	13574	5188	-8387	1242

* Data are provisional.

2. Foreign Exchange Reserves								
Item	As on December 24, 2021		Variation over					
			Week		End-March 2021		Year	
	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	4765329	635080	-70668	-587	546377	58096	492997	54239
1.1 Foreign Currency Assets	4287220	571369	-66008	-847	363052	34675	333883	33895
1.2 Gold	295562	39390	-2529	207	47839	5510	25537	2679
1.3 SDRs	143418	19114	-1808	24	132554	17628	132310	17604
1.4 Reserve Position in the IMF	39129	5207	-323	28	2931	282	1267	62

*Difference, if any, is due to rounding off

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Dec. 17, 2021	Variation over				
		Fortnight	Financial year so far		Year-on-year	
			2020-21	2021-22	2020	2021
			1	2	3	4
2 Liabilities to Others						
2.1 Aggregate Deposits	15866885	-85282	911469	753373	1470080	1387924
2.1a Growth (Per cent)		-0.5	6.7	5.0	11.3	9.6
2.1.1 Demand	1836675	-31458	-52405	-24517	209798	272077
2.1.2 Time	14030210	-53824	963873	777890	1260282	1115847
2.2 Borrowings	270303	8429	-57894	26278	-67456	18758
2.3 Other Demand and Time Liabilities	622738	4545	10976	-33869	54699	8086
7 Bank Credit	11314234	43484	176176	364725	599593	767197
7.1a Growth (Per cent)		0.4	1.7	3.3	6.0	7.3
7a.1 Food Credit	85580	-857	41388	24326	8009	-7572
7a.2 Non-food credit	11228654	44341	134788	340399	591583	774769

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on 2021		Variation over									
			Fortnight		Financial Year so far				Year-on-Year			
					2020-21		2021-22		2020		2021	
	Mar. 31	Dec. 17	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	2751828	2894258	18113	0.6	331764	14.1	142430	5.2	500911	23.0	212746	7.9
1.2 Demand Deposits with Banks	1995120	1972703	-34142	-1.7	-51064	-2.9	-22417	-1.1	212672	14.4	286075	17.0
1.3 Time Deposits with Banks	14050278	14826450	-60597	-0.4	971428	7.7	776172	5.5	1271001	10.3	1181007	8.7
1.4 'Other' Deposits with Reserve Bank	47351	48456	221	0.5	3281	8.5	1105	2.3	7810	23.0	6668	16.0
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	5850374	6025162	-262057	-4.2	676874	13.6	174788	3.0	717554	14.6	387926	6.9
2.1.1 Reserve Bank	1099686	1127230	-182716		-11719		27545		552		146757	
2.1.2 Other Banks	4750689	4897932	-79341	-1.6	688593	17.4	147244	3.1	717002	18.2	241169	5.2
2.2 Bank Credit to Commercial Sector	11668466	12023505	45881	0.4	166182	1.5	355039	3.0	605184	5.7	818679	7.3
2.2.1 Reserve Bank	8709	1945	-122		-1961		-6764		4503		-9260	
2.2.2 Other Banks	11659757	12021560	46003	0.4	168143	1.5	361803	3.1	600681	5.7	827939	7.4

5. Liquidity Operations By RBI

(₹ Crore)

Date	Liquidity Adjustment Facility				MSF*	Standing Liquidity Facilities	Market Stabilisation Scheme	OMO (Outright)		Long Term Repo Operations	Targeted Long Term Repo Operations#	Special Long-Term Repo Operations for Small Finance Banks	Special Reverse Repo₹	Net Injection (+)/ Absorption (-) (1+3+5+6+9+10+11+12-2-4-7-8-13)
	Repo	Reverse Repo*	Variable Rate Repo	Variable Rate Reverse Repo				Sale	Purchase					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Dec. 20, 2021	-	97266	-	81160	104	-	-	330	-	-	-	100	-	-178552
Dec. 21, 2021	-	116282	-	155438	304	4399	-	225	-	-	-1281	-	-	-268523
Dec. 22, 2021	-	113494	-	-	570	-	-	255	-	-	-1153	-	-	-114332
Dec. 23, 2021	-	93518	-	133332	272	-	-	765	-	-	-	-	-	-227343
Dec. 24, 2021	-	93955	-	-	6508	-	-	570	-	-	-	-	-	-88017
Dec. 25, 2021	-	3829	-	-	55	-	-	-	-	-	-	-	-	-3774
Dec. 26, 2021	-	1981	-	-	199	-	-	-	-	-	-	-	-	-1782

TOP NBFC'S-MFI NEWS

- **Business gains momentum for leading NBFCs in November**

Leading non-banking finance companies have reported gaining traction with the bouncing back of the economy even as consumer demand is yet to recover to its potential. According to Mahindra & Mahindra Financial Services, loan disbursement rose 17% year-on-year to Rs 2,500 crore expecting the traction to continue in December. Shriram City Union Finance, a Chennai-based leading two-wheeler financier, disbursed Rs 1022 crore to finance 1.6 lakhs two-wheelers in November, its highest ever in a month.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/business-gains-momentum-for-leading-nbfc-in-november/articleshow/88053406>.

[cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/business-gains-momentum-for-leading-nbfc-in-november/articleshow/88053406)

- **Raise provisions for Omicron hit: Auditors to NBFCs**

Omicron, supposedly more infectious than earlier Covid variants, could put pressure on the financials of several non-banking finance companies (NBFC) as auditors seek higher loan provisions on asset quality concerns. Auditors have started asking NBFCs to increase provisioning in the third and fourth quarters, with provisions rising 5 per cent-15 per cent.

Source: <https://economictimes.indiatimes.com/markets/stocks/news/raise-provisions-for-omicron-hit-auditors-to-nbfc/articleshow/88154722>.

[cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](https://economictimes.indiatimes.com/markets/stocks/news/raise-provisions-for-omicron-hit-auditors-to-nbfc/articleshow/88154722)

- **RBI retains three-member Advisory Committee of Reliance Capital**

A day after NCLT admitted RBI's petition for insolvency resolution of Reliance Capital, the central bank on Tuesday, December 14, 2021 said it has retained the three-member Advisory Committee to assist the newly appointed administrator of the crisis-ridden NBFC. The Mumbai bench of the National Company Law Tribunal (NCLT) on Monday admitted the Reserve Bank's plea to initiate insolvency resolution proceedings against Reliance Capital.

Source: https://www.business-standard.com/article/economy-policy/rbi-retains-three-member-advisory-committee-of-reliance-capital-121120701241_1.html

- **Bank-NBFC co-lending: how it works, and the concerns it raises**

Several banks have entered into co-lending 'master agreements' with NBFCs, and more are in the pipeline. This, however, has come in for criticism from several quarters. In September 2018, the RBI had announced "co-origination of loans" by banks and Non-Banking Financial Companies (NBFCs) for lending to the priority sector. According to RBI, "The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards".

Source: <https://indianexpress.com/article/explained/explained-co-lending-rbi-criticism-7670354/>

- **Shriram to merge all financial services business**

Shriram Group will consolidate its financial services businesses under a single entity as part of an expansive restructuring that is expected to lead to exits of Piramal Group and US private equity giant TPG Capital from the group's unlisted holding firm, Shriram Capital Ltd. The deal will create India's largest non-banking financial firm for consumers. The deal will result in the exits of Ajay Piramal-led Piramal Group and TPG from Shriram Capital

Source: <https://www.livemint.com/companies/news/shriram-group-to-merge-all-financial-services-biz-to-create-india-s-largest-retail-finance-nbfc-11639400759109.html>

- **NBFCs AUM likely to grow 8-10% in FY23: Crisil**

Non-banking financial companies' (NBFCs) asset under management (AUM) is likely to grow 8-10 per cent in the fiscal 2023, helped by improvement in economic activity and strengthened balance sheet buffers, according to a report by Crisil Ratings. The agency expects AUM growth to be at 6-8 per cent in fiscal 2022. The growth in the previous fiscal was 2 per cent.

Source: <https://www.zeebiz.com/companies/news-nbfc-aum-likely-to-grow-8-10-in-fy23-crisil-171953>

- **RBI introduces tough PCA framework for large NBFCs, effective October 2022**

The Reserve Bank of India (RBI) on Tuesday, December 14, 2021 introduced a prompt corrective action (PCA) framework for large non-banking financial companies

(NBFCs), putting restrictions on para-banks whenever vital financial metrics dip below the prescribed threshold. This brings them almost on a par with banks in terms of supervision and regulatory reach. This follows the scale-based regulations and revision in non-performing asset (NPA) norms brought in by the regulator for the sector.

Source: https://www.business-standard.com/article/finance/rbi-introduces-tough-pca-framework-for-large-nbfc-effective-october-2022-121121400881_1.html

- **Tight regulations await top NBFCs looking for entry into banking**

The Reserve Bank of India (RBI) on November 26 accepted 21 out of 33 recommendations of an internal working group on the ownership guidelines and corporate structure of private sector banks. For non-banking financial companies (NBFCs) looking to convert into a universal bank, minimum requirement on the track record of the experience of promoting entity, including for a converting NBFC, may continue at ten years for universal banks. On the eligibility of promoters, the RBI said it may, as part of the framework for scale-based regulation of NBFCs, consider putting in place a tighter, bank-like regulatory framework for large NBFCs.

Source: <https://www.moneycontrol.com/news/business/tight-regulations-await-top-nbfc-looking-for-entry-into-banking-7769061.html>

- **RBI will rein in fragile NBFCs to avert busts**

Nearly two decades after introducing the prompt corrective action framework to

nurse wobbly banks back to health, the banking regulator on Tuesday, December 14, 2021, similar rules would soon apply to non-banking financial companies following several high-profile shadow lenders collapsing in recent years. New regulations seek to increase supervision of shadow lenders. The framework will cover all deposit-taking NBFCs, and middle, upper, and top non-deposit taking NBFCs.

Source: <https://www.livemint.com/industry/banking/rbi-will-rein-in-fragile-nbfc-to-avert-busts-11639508089153.html>

- **Govt exploring public financing for road infra projects: Gadkar**

The government is working on a scheme to raise funds from the public at 6 per cent annual interest rate for road infrastructure projects, union minister Nitin Gadkari said on Wednesday in the Rajya Sabha. "... We are working on a scheme to raise funds from the poor and ordinary persons for road projects. We will raise funds at 6 per cent annual interest rate which is higher than what banks provide,"

Source: https://economictimes.indiatimes.com/news/economy/infrastructure/govt-exploring-public-financing-for-road-infra-projects-gadkari/articleshow/88299524.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Funding into NBFC-MFIs grow as the sector bounces back**

Funding into India's microfinance sector grew with institutional investors turning

bullish as the sector regained its stability since the outbreak of Covid-19 pandemic with higher loan disbursement as well as repayment collection from the borrowers. According to the Microfinance Institution's, Total equity for NBFC-MFIs rose by 12.2 per cent year-on-year to Rs 19,139 crore at the end of September,

Source: https://economictimes.indiatimes.com/industry/banking/finance/funding-into-nbfc-mfis-grow-as-the-sector-bounces-back/articleshow/88300062.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Microfinance loan portfolio grows 5.16 pc to Rs 2.43 lakh crore as on September-end: Report**

The gross loan portfolio (GLP) of microfinance industry grew by 5.16 per cent to Rs 2.43 lakh crore as on September 30, 2021 from Rs 2.31 lakh crore in the year-ago period, according to a report by Microfinance Institutions Network (MFIN) on Wednesday. MFIN is an industry association comprising of 58 NBFC-MFIs and 39 associates including banks, small finance banks (SFBs) and NBFCs. The industry served 5.65 crore unique borrowers, through 10.52 crore loan accounts as of September-end.

Source: https://economictimes.indiatimes.com/industry/banking/finance/microfinance-loan-portfolio-grows-5-16-pc-to-rs-2-43-lakh-crore-as-on-september-end-report/articleshow/88297097.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **MFI industry shows improvement after 2nd wave, caution needed on asset quality: Report**

According to the report on Tuesday, December 14, After the setbacks during the second wave of the pandemic, the microfinance industry showed an improvement in disbursements, asset quality and new loan inquiries in the September quarter. The portfolio outstanding for the industry, which typically provides small ticket loans to micro entrepreneurs and women borrowers, increased to Rs 249 lakh crore as of September, up 2.1 per cent when compared with the figure in June and 6 per cent when compared with the year.

Source: https://economictimes.indiatimes.com/industry/banking/finance/mfi-industry-shows-improvement-after-2nd-wave-caution-needed-on-asset-quality-report/articleshow/88144121.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NaBFID to start lending operation in first quarter of next financial year: Kamath**

According to National Bank for Financing Infrastructure and Development (NaBFID) Chairman KV Kamath, the newly created Rs 20,000-crore DFI would commence its lending operation in the first quarter of the next financial year. In October, the government had appointed Kamath as the chairperson of the development finance institution (DFI) for three years. “Realistically, we are a bank, and we need to get the nuts and bolts of a bank right... we are well into that.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/nabfid-to-start-lending-operation-in-first-quarter-of-next-financial-year-kamath/articleshow/88342119>.

[cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/nabfid-to-start-lending-operation-in-first-quarter-of-next-financial-year-kamath/articleshow/88342119.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **Reserve Bank Turns Down NBFC Plea For Relaxing Asset Quality Norms**

The Reserve Bank of India has rejected a plea by the non-banking finance companies (NBFCs) to relax asset classification and provisioning norms. Finance Industry Development Council (FIDC), the NBFC lobby group, had approached the RBI to offer relaxation in the NPA norms, however, the central bank has declined to comply with the request.

Source: <https://news.abplive.com/business/reserve-bank-turns-down-nbfc-plea-for-relaxing-asset-quality-norms-1500287>

- **RBI rejects NBFCs’ plea to relax prudential asset quality norms**

The Reserve Bank of India (RBI) has turned down a plea by non-banking finance companies (NBFCs) for the easing of norms on income recognition, asset classification and provisioning. This will likely lead to a rise in bad loans at NBFCs. The central bank told the NBFC lobby group Finance Industry Development Council (FIDC) that it intends to impose uniform prudential asset quality norms on all lending institutions and the demand for leeway can’t be accepted.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-rejects-nbfc-plea-to-relax-prudential-asset-quality-norms/articleshow/88329606.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NBFC MFIs, SBFs, lead in fresh micro loan disbursements in Q2: CRIF Report**

CRIF Report NBFC MFI & Small finance banks lead I fresh micro loan disbursements in the July – September quarter, 2021. Driven by a 300% QoQ growth in fresh loans and disbursements by NBFC's and Small Finance Bank's, microfinance loan book recovered in the second quarter .

Source : <https://timesofindia.indiatimes.com/business/india-business/nbfc-mfis-sbfs-lead-in-fresh-micro-loan-disbursements-in-q2-crif-report/articleshow/88173252.cms>

- **Corporate-promoted NBFCs can have 15% stake in banks, with increase in cap**

Corporate houses, which are not allowed to own a bank, can now pick up 15 per cent stake in commercial banks through their non-banking financial companies (NBFCs). This is because the Reserve Bank of India (RBI) has allowed non-promoters to hold up to 15 per cent in private sector banks, following the recommendation of an internal working group (IWG) that was set up to review the existing guidelines on ownership and corporate structure for these entities.

Source: https://www.business-standard.com/article/finance/corporate-promoted-nbfc-can-have-15-stake-in-banks-with-increase-in-cap-121122401318_1.html

- **Banks & NBFCs need to adopt co-lending to reach unserved**

According to Union Bank of India managing director and chief executive officer (MD& CEO) Rajkiran Rai G, Banks and non-

banking finance companies (NBFCs) need to evolve co-lending specific loan products for the share of such assets to meaningfully increase in size. Speaking at the virtual FICCI-IBA banking conference, Rai said the co-lending model enables lenders to reach the unserved, NBFCs to tap banks' high capital base at lower costs and at the same time serves customers' interest.

Source: <https://knnindia.co.in/news/newsdetails/economy/banks-nbfc-need-to-adopt-co-lending-to-reach-unserved>

- **NBFCs, HFCs ask RBI for clarity on asset norms**

Non-bank lenders and housing finance companies racing to meet the Reserve Bank of India's (RBI) latest deadline on asset classification norms have sought clarifications yet again from the regulator on defining due dates to compute "days-past-due", or DPD, for all customer segments. The broad consensus within the industry is that the due date has to be fixed 30 days after the loan is disbursed.

Source: https://economictimes.indiatimes.com/markets/stocks/news/nbfc-hfcs-ask-rbi-for-clarity-on-asset-norms/articleshow/88533704.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NBFC sector expected to remain buoyant, says RBI report**

Non-banking financial companies (NBFCs) are expected to remain buoyant going ahead, helped by the revival in the economy and increased pace of vaccinations, the Reserve Bank of India (RBI) said in its

Report on Trend and Progress of Banking in India 2020-21. According to the Report released on Tuesday, 27 December, the pandemic has tested the resilience of NBFCs, but so far, the sector has emerged stronger with reasonable balance sheet growth, increased credit intermediation, higher capital, lower delinquency ratio and enlarged liquidity cushions.

Source: https://www.business-standard.com/article/finance/nbfc-sector-expected-to-remain-buoyant-says-rbi-report-121122800996_1.html

- **RBI new norms likely to increase NBFCs bad loans by one-third: Study**

The recent clarification by the Reserve Bank of India on non-performing advances (NPA) may increase non-banking financial companies' (NBFC) bad loans by one-third, says a report. Last month, the RBI had provided clarification on income recognition asset classification and provisioning (IRAC) norms for banks, NBFCs and All-India Financial Institutions.

Source: <https://economictimes.indiatimes.com/news/economy/policy/rbi-new-norms-likely-to-increase-nbfc-bad-loans-by-one-third-study/articleshow/88071412.cms>

- **NBFCs raise over Rs 42,000 crore via ultra-short-term CPs in one week to finance IPOs**

Non-banking finance companies (NBFC) raised more than Rs 42,000 crore in the last one week through ultra-short-term debt commercial papers to fund High Networth Individuals (HNIs) for subscription in the ongoing initial public offerings (IPOs) of the companies. NBFCs have raised Rs 42,340 crore in the last one week having a value date of December 3 and December 6, according to the data from IDBI Capital Markets and Securities.

Source: <https://www.financialexpress.com/market/ipo-news/nbfc-raise-over-rs-42000-crore-via-ultra-short-term-cps-in-one-week-to-finance-ipo/2384159/>

TOP INSURANCE NEWS

- **No proposal under consideration to reduce GST on health insurance premium: MoS Finance**

According to Minister of State for Finance Bhagwat K Karad, there is no recommendation under consideration of the GST Council to reduce Goods and Services Tax (GST) on health insurance premium. The GST levied on health insurance premium is 18 per cent. "The rate of GST is decided on the recommendations of the GST Council, which is a constitutional body comprising members from the central government and state governments.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/no-proposal-under-consideration-to-reduce-gst-on-health-insurance-premium-mos-finance/articleshow/88122722.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Tata AIA Life Insurance bets on 40% growth over next 3 years**

Tata AIA Life Insurance expects a 30-40 per cent growth in business over the next three years backed by a strong push to protection and pension plans, ramping up of distribution network and with renewed emphasis on branding. According to Naveen Tahilyani, MD and Chief Executive Officer, Tata AIA Life Insurance, pension as a category is currently a small part of their total portfolio. But the company plans to launch new products starting this month to tap into the potential growth in the segment.

Source: <https://www.thehindubusinessline.com/money-and-banking/tata-aia-life-insurance-bets-on-40-growth-over-next-3-years/article37829004.ece>

- **Will Zerodha-backed insurance agent Ditto disrupt the insurance market?**

The co-founders of Finshots -- Pawan Kumar Rai, Shrehith Karkera, Bhanu Harish Gurram and Lokesh Gurram -- founded insurance advisory platform Ditto in February 2021. The platform raised ₹4 crore from Zerodha in an initial funding round and the latter has a majority stake in it.

Source: <https://www.livemint.com/insurance/news/will-zero-dha-owned-insurance-agent-ditto-disrupt-the-insurance-market-11638953520695.html>

- **KVGB ties up with Liberty General Insurance to offer cheap vehicle and health insurance**

Karnataka Vikas Grameena Bank (KVGB), a leading regional rural bank with 629 branches, has signed a memorandum of understanding (MoU) with Liberty General Insurance Co. Ltd. for selling general insurance products through its branches. In a formal ceremony held in Dharwad on Tuesday, General Manager of KVG Bank Chandrashekar D. Moro and Senior Vice-President of Liberty General Insurance Manish Kotian signed and exchanged the MoU in the presence of Chairman of the bank P. Gopi Krishna.

- **Covid spurs biggest rise in life-insurance payouts in a century**

The Covid-19 pandemic last year drove the biggest increase in death benefits paid by U.S. life insurers since the 1918 influenza epidemic, an industry trade group said. Death-benefits payments jumped 15% last year, biggest increase since 1918 flu epidemic

Source: <https://www.livemint.com/insurance/news/covid-spurs-biggest-rise-in-life-insurance-payouts-in-a-century-11639053088664.html>

- **RBI allows LIC to double its stake in IndusInd Bank**

IndusInd Bank on Tuesday, December 10, 2021 informed that the bank has received an intimation from the Reserve Bank of India (RBI) that it has granted its approval to Life Insurance Corporation (LIC), shareholder of the bank, to raise stake in the private lender to up to 9.99%. LIC currently holds 4.95% of the total issued and paid up capital of IndusInd.

Source: <https://www.livemint.com/insurance/news/covid-spurs-biggest-rise-in-life-insurance-payouts-in-a-century-11639053088664.html>

- **Bank deposit insurance cover upped from Rs 1 lakh to Rs 5 lakh, refund in 90 days: Piyush Goyal**

According to Union Commerce and Industry Minister Piyush Goyal on December 12 that the government has increased the bank deposit insurance cover from Rs 1 lakh to Rs 5 lakh. The amount has to be refunded to the depositor within 90 days. "Earlier there used to be a bank deposit insurance cover of Rs 1 lakh for the deposit of the same amount or more under the 'Deposit Insurance Credit Guarantee Scheme'. It took nearly 10 years. When Prime Minister

Narendra Modi was the Chief Minister of Gujarat, he had written to the then Prime Minister Manmohan Singh to extend this limit to Rs 5 lakh.

Source: <https://www.moneycontrol.com/news/business/economy/bank-deposit-insurance-cover-upped-from-rs-1-lakh-to-rs-5-lakh-refund-in-90-days-piyush-goyal-7817101.html>

- **Insurance industry joins push to decarbonise global shipping**

Leading companies in the marine insurance industry have joined an initiative linking their underwriting activities with the cutting of carbon emissions from global shipping as pressure builds on the sector to go fully green. Leading companies in the marine insurance industry have joined an initiative linking their underwriting activities with the cutting of carbon emissions from global shipping as pressure builds on the sector to go fully green.

Source: https://economictimes.indiatimes.com/small-biz/trade/exports/insights/insurance-industry-joins-push-to-decarbonise-global-shipping/articleshow/88310269.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bajaj Allianz General Insurance launches Health Prime rider**

'Our aim is to provide a total wellness ecosystem and encourage a preventive rather than curative approach' Bajaj Allianz General Insurance announced the launch of a 'Health Prime' rider, which can be availed along with the insurer's health insurance and personal accident policies. "The idea behind this rider is to provide holistic

healthcare solutions,” it said in a statement, adding that it has tied up with Bajaj Finserv Health, a health-tech company which will leverage its extensive network of more than 2,500 lab chains and 90,000 doctors with various specialties to serve the customers of Bajaj Allianz General Insurance.

Source: <https://www.thehindubusinessline.com/money-and-banking/bajaj-allianz-general-insurance-launches-health-prime-rider/article37976375.ece>

- **Life Insurance Corporation IPO plans on course: Government**

There has been speculation that the mega issue could be deferred to the next fiscal as the lengthy valuation process and regulatory approvals are still pending. The government has kept its hopes alive of an IPO of the Life Insurance Corporation by stating that plans are on course for the issue to be floated in the last quarter of the current fiscal. Quashing rumours that the LIC IPO might be held up. “It is reiterated that plan is on course for the IPO in the last quarter of this fiscal”.

Source: <https://www.telegraphindia.com/business/life-insurance-corporation-ipo-plans-on-course-government/cid/1844177>

- **Decoding digital disruption in the modern insurance landscape**

The digital revolution in India has disrupted business practices across industries and the insurance industry has been no exception. With internet penetration rising at the rate of close to 18% annually, digital technology has improved several aspects of the insurance business such as customer touchpoints,

transparency in product features, service availability and payments. There has been a spike in digital adoption by insurers over the last few years.

Source: <https://cio.economictimes.indiatimes.com/news/strategy-and-management/decoding-digital-disruption-in-the-modern-insurance-landscape/88402686>

- **RS Filmcraft infuses Rs 378 crore in Go Digit General Insurance**

Go Digit General Insurance has received capital infusion of nearly Rs 378 crore from R S Filmcraft, the new-age general insurance company. RS Filmcraft (OPC) has invested Rs 50 million (Rs 377.91 crore) in Go Digit General Insurance, the insurer said in a release. Go Digit is a four-year-old general insurance company which has crossed the 20 million (2 crore) customer mark. According to Kamlesh Goyal, Chairman & Founder of Digit Insurance., “RS Filmcraft believes in Digit’s mission of making insurance simple, especially for laypersons who may not understand legal jargon or complicated paperwork,”

Source: <https://www.zeebiz.com/small-business/news-rs-filmcraft-infuses-rs-378-crore-in-go-digit-general-insurance-174049>

- **Kerala govt nod for MEDISEP, new insurance scheme to commence from New Year**

The Kerala Council of Minister has approved its new medical insurance scheme, named MEDISEP, which ensures free treatment up to Rs 3 lakh yearly for government employees and pensioners. The insurance

scheme will be effective from January 1. But it may take two more months to get reimbursement and cashless services at hospitals due to procedural delay.

Source: <https://www.onmanorama.com/news/kerala/2021/12/23/medisep-insurance-health-scheme.html>

- **No data on MSMEs covered by insurance maintained with IRDAI: FinMin**

The government doesn't have data to gauge the insurance penetration in India's vast MSME sector. According to Minister of State for Finance Ministry Bhagwat Karad, Even as the steps have been announced to improve insurance coverage for risk management in the MSME sector, "The Insurance Regulatory and Development Authority of India (IRDAI) has informed that data on the number of businesses under the MSME sector that are covered by insurance is not maintained by it,".

Source: <https://www.financialexpress.com/industry/sme/msme-eodb-no-data-on-msmes-covered-by-insurance-maintained-with-irdai-finmin/2390016/>

TOP CORPORATE BOND MARKET NEWS

- **Evening Wrap - Currency & Bond Market**

The Reserve Bank of India's (RBI) monetary policy committee on December 8 maintained the status quo on key rates - repo rate remained unchanged at 4%, reverse repo rate at 3.35%, and MSF at 4.25%. The committee decided to maintain an 'accommodative' stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy while ensuring that inflation remains within the target going forward.

Source: <https://www.moneycontrol.com/news/business/markets/evening-wrap-currency-bond-markets-7804321.html>

- **'Equity risk premium of Indian markets is near historic lows'**

Equity risk premium of Indian markets is still near historic lows, indicating that the strong medium-term prospects for Indian economy are more than priced in, said Neelkanth Mishra, co-head of Asia-Pacific strategy and India equity strategist at Credit Suisse. In an interview, Mishra said policymakers may not be in a position to support growth, given the fears of heightening inflation.

Source: <https://www.livemint.com/companies/people/equity-risk-premium-of-indian-markets-is-near-historic-lows-11639330786515.html>

- **Finmin report: 'Recovery to gain more traction in H2**

According to the Finance Ministry, India's real gross domestic product (GDP), which

grew 8.4% in the September quarter and even exceeded the pre-pandemic output level, will likely gain further traction in the remaining quarters of this fiscal. The strong recovery is evident from 19 of 22 high-frequency indicators in September, October and November, as they crossed the pre-Covid (the corresponding months of FY20) levels, the department of economic affairs said in its report for November.

Source: <https://www.financialexpress.com/economy/finmin-report-recovery-to-gain-more-traction-in-h2/2386857/>

- **Don't get your hopes high, bond market development could be a mirage**

Fond hopes of bond market development arise every time issuances go up. But step out of easing and negative real interest rate cycles and look at the trend. This time may be no different. Corporate bond issues as a proportion of national income have ranged 3-3.5 percent of the GDP from the time since policy attention focused on developing this market to replace the closure of development finance institutions. Corporates shift from banks to bond financing whenever interest rates are ultra-low or negative as now. A rational response but never lasting enough to become a trend.

Source: <https://www.moneycontrol.com/news/opinion/dont-get-your-hopes-high-bond-market-development-could-be-a-mirage-7730861.html>

- **285 firms face bankruptcy action in April-September**

Lenders took 285 companies to bankruptcy tribunals in the six months to September

after a year-long moratorium on bankruptcy action was lifted in March, official data showed. Data showed the largest class of persons that initiated bankruptcy cases till end of September is operational creditors such as vendors

Source: <https://www.livemint.com/companies/news/285-firms-face-bankruptcy-action-in-aprsep-11639075442329.html>

- **2021, the risk-taking investor's year: Demat accounts and NFO collections set new record**

From just 50 lakh demat accounts in 2019, we have 1.87 crore accounts as of October 2021, according to SEBI data. Clearly, there is a rush to invest in equities directly. Low-yield bonds were back in favour with smart investors. Many also invested in cryptocurrencies. Here are four key trends that shaped investments in India during 2021. The broader market recovery since March 2020 meant that mid-cap funds (45.97 percent return) and small-cap schemes (62.3 percent return) delivered returns than large-caps (26.63 percent). Those who took risks were rewarded.

Source: <https://www.moneycontrol.com/news/business/personal-finance/2021-the-risk-taking-investors-year-demat-accounts-and-nfo-collections-set-new-records-7831141.html>

- **India Inc pitches for more reforms and tax stability in Budget 2022-23**

India Inc on Thursday pitched for continuation of reforms while ensuring tax and policy stability in the forthcoming Budget to prop up the economy hit hard

by the COVID-19 pandemic. In the virtual pre-budget consultation held with Finance Minister Nirmala Sitharaman, industry chambers said that government measures will help firmly entrench the nascent signs of recovery being currently seen in private investment

Source: https://economictimes.indiatimes.com/news/company/corporate-trends/india-inc-pitches-for-more-reforms-and-tax-stability-in-budget-2022-23/articleshow/88325448.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Sebi extends deadline for comment submission for proposals on market making mechanism**

Markets regulator Sebi on December 17, 2021 extended the timeline for submission of comments on proposals related to market-making mechanism in the corporate bond market to January 16, 2022. In a bid to enhance liquidity in the secondary market for corporate bonds, Sebi proposed a market-making mechanism in the corporate bond market in November 2021. It had sought public comments by December 16, 2021, but now the deadline has been extended to January 16, 2022. The comments have to be sent to the regulator in the prescribed format.

Source: https://economictimes.indiatimes.com/markets/stocks/news/sebi-extends-deadline-for-comment-submission-for-proposals-on-market-making-mechanism/articleshow/88347797.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **JM Financial floats digital investment platform for corporate bonds**

JM Financial group has floated digital investment platform for bonds called Bondskart.com, to enhance the participation of retail investors in the corporate securities market. The move comes close on the heels of Reserve Bank of India's Retail Direct Scheme that seeks to widen the investor base for g-secs. The platform aims to create an ecosystem whereby retail investors can easily participate in the securities market, which has so far been dominated by institutional investors.

Source: https://www.business-standard.com/article/finance/jm-finance-floats-digital-investment-platform-for-corporate-bonds-121112400798_1.html

- **Sebi overhauls advisory committees on secondary mkts, mutual funds, corporate bonds**

Markets regulator Sebi has restructured its three advisory committees pertaining to the secondary market, mutual funds, and corporate bonds and securitisation. Rejigging its secondary market committee, Sebi has listed Zerodha's co-founder and chief executive officer (CEO) Nithin Kamath among the new inductees in the 17-member panel, latest information on the regulator's website showed. The advisory committee will now be chaired by Madhabi Puri Buch, ex-whole time member of Sebi.

Source: https://economictimes.indiatimes.com/markets/stocks/news/sebi-overhauls-advisory-committees-on-secondary-mkts-mutual-funds-corporate-bonds/articleshow/88461518.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Amid struggle for carry, FMP, state bond-oriented portfolios are sensible picks, SBI MF's CIO**

One of the principal methods through which the Reserve Bank of India has anchored borrowing costs in the economy during the coronavirus crisis is infusion of record amounts of liquidity in the banking system. According to Radhakrishnan, there is no doubt that the central bank's response was commensurate to the magnitude of the task at hand, but one of the consequences of the surplus cash sloshing around in the system was a decline in returns on fixed-income products as real interest rates turned deeply negative.

Source: https://economictimes.indiatimes.com/markets/expert-view/amid-struggle-for-carry-fmp-state-bond-oriented-portfolios-are-sensible-picks-says-sbi-mfs-cio/articleshow/88521610.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India Inc raises over Rs 9 lakh crore through equity, debt issuances in 2021**

Indian companies have mopped up more than Rs 9 lakh crore through equity and debt routes in 2021 to meet their renewed thirst for business expansion in a buoyant stock market brimming with liquidity and helped by recovering macroeconomic indicators after pandemic-ravaged first few months. Unless the still-evolving Omicron situation plays spoilsport, the next year is expected to be much more robust in terms of fund-raising activities and there seems to be no dearth of funds.

Source: https://economictimes.indiatimes.com/markets/stocks/news/india-inc-raises-over-rs-9-lakh-crore-through-equity-debt-issuances-in-2021/articleshow/88502152.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **FPIs pump more money into Indian bonds than stocks**

This year marked the ‘coming the age’ for the average Indian Saver, with Nifty’s climb past Mount 18k dominating the airwaves and column inches. But what has gone virtually unnoticed is that overseas funds, which own the bulk of Indian equity assets, quietly bought more of local debt than stock in a year that shattered all records - of IPO proceeds, unicorn valuations or SIPs. Foreign funds bought bonds worth around \$4.5 billion under Voluntary Retention Route (VRR). By contrast, their net stock purchases amounted to \$3.9 billion this year, showed data from NSDL.

Source: <https://economictimes.indiatimes.com/markets/bonds/overseas-investment-in-debt->

[outpaces-equities-in-2021/articleshow/88529476.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](https://economictimes.indiatimes.com/markets/bonds/overseas-investment-in-debt-outpaces-equities-in-2021/articleshow/88529476.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **How should retail investors maximise pension returns? ICICI Pension Funds’ Sumit Mohindra explains**

When it comes to maximising returns in the pension and retirement space, the Indian market is a nascent one, with the percentage of individuals availing of pensions or annuities still quite small. One investment avenue which presents retail players with both a safe and relatively lucrative option is subscription in NPS (National Pension Scheme) corporate bonds, “The oncoming credit cycle would see many corporates tapping the corporate bond market to fund their capital expenditure requirements.

Source: https://economictimes.indiatimes.com/markets/expert-view/how-should-retail-investors-maximise-pension-returns-icici-pension-funds-sumit-mohindra-explains/articleshow/88431402.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Department of Banking & Financial Services Upcoming Programme

Vibrant Gujarat Global Summit, 2022	10 th January 2022 – 12 th January 2022
ASSOCHAM Virtual Interactive Session on Shadow Union Budget	Friday, 28 th January 2022

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