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TOP SPEECHES

Address by Governor, Reserve Bank of India at the Digital Payments Awareness Week Celebrations,

March 4, 2024, RBI, Mumbai

It gives me immense pleasure to be here to celebrate the Digital Payments Awareness Week organised by the Reserve Bank of India. Over the years, we have not only navigated through the fast-evolving technological innovations but also played a pivotal role, as a catalyst, in developing one of the most modern payment systems in the world, be they large value, retail or fast payments. This has been made possible by nurturing diverse payment systems in the country, namely, the bill payments, merchant payments, vendor payments, transit payments, or recurring payments.

We have seen retail digital payments in India growing from 162 crore transactions in FY2012-13 to over 14,726 crore transactions in 2023-24 (till February 2024) i.e., approximately 90-fold increase over 12 years. Today, India accounts for nearly 46% of the world's digital transactions (as per 2022 data)1. The extraordinary growth in digital payments is also evident in the Reserve Bank's Digital Payment Index, which has witnessed a four-fold rise in the last five years.

The flagship of our payment systems, the 'UPI', has become the most talked about fast payment system not only in India but across the world. It is the biggest contributor to the growth of digital payments in India. The share of UPI in digital payments has reached close to 80 per cent in 2023. At a macro level, the volume of UPI transactions increased from 43 crore in CY-2017 to 11,761 crore in CY-2023. Apart from being a user-friendly interface and facilitating QR code-based payments, the UPI has evolved to include advanced functionalities such as offline payments through near field communication (NFC) technology (UPI Lite X), payments through feature phones (UPI 123Pay), AI based conversational payments (hello! UPI), etc.

It is also worth noting that progressively it has taken less time for reaching tipping point of next 1000 crore transactions in UPI. While reaching the first 1000 crore UPI P2M transactions, it took 1668 days (~4.56 years), the latest 1000 crore transactions took just 45 days. Similarly, for UPI P2P transactions, while reaching the first 1000 crore UPI P2P transactions took 1329 days (~3.63 years), the latest 1000 crore transactions took 65 days or just over two months2. The recent progress of the UPI has thus been enormous. Currently, UPI is processing close to 42 crore transactions in a day.

There is, however, considerable scope for expanding the use of digital payments in India. Last year, we had embarked on a mission to make every person in India a user of digital payments - "Har Payment Digital". It was aimed at reinforcing the ease and convenience of digital payments and thereby facilitate onboarding of new consumers into the digital fold. Since the start of the mission in March 2023, the number of new UPI users added has been 6.65 crore between March 1, 2023 to January 31, 2024. The Reserve Bank's Payments Infrastructure Development Fund (PIDF) has also further aided this growth, with additional deployment of over 1.2 crore digital payment touch points.

Trust in digital payments is built on the pillars of transparency, ease of use and above all, security. Hence, reinforcing the notion of safety and security of the system is very important. With today's message of – "Digital Payment, Safe Payment" – "Digital Payment, Surakshit Payment", we are aiming to create awareness around safety and security of Digital Payments. The goal is to reach out and empower every individual with the knowledge and tools necessary to navigate this digital payments landscape with confidence and ease.

Currently, the Reserve Bank, through its regional offices, conducts Electronic Banking Awareness and Training (e-BAAT) programmes across the country. The main thrust of e-BAAT programme comprises of:

i. Awareness about Digital Payment Products;

ii. Awareness about Frauds and Risk Mitigation; and

iii. Awareness about redress of grievances.

In addition, the Reserve Bank conducts 360-degree, multimedia and platform based public awareness campaigns under the tag of 'RBI Says' or 'RBI Kehta Hai'. Going forward, all the regional offices of the Reserve Bank will start regional campaigns to develop marketplaces like vegetable markets / mandis and public transport infrastructure like auto/ taxi drivers as digitally enabled clusters in their chosen areas.

Historically, the Reserve Bank has been a trendsetter in ensuring security of digital payment transactions. We were one of the first countries to fully adopt additional factor of authentication (AFA). Since then a host of measures such as EMV3 Chip and PIN based cards; transaction alerts; facility to switch on and off and set or modify transaction limits for all types of transactions; tokenisation of cards; restrictions on storage of actual card data; localisation of payments data etc., have been implemented to enhance the security of digital payments.

All operators and participants of authorised payment systems are required to do time-bound resolution of failed transactions. Failure to do so may lead to payment of compensation to the users. Similarly, we have also implemented a web-based payment-related fraud reporting solution - Central Payments Fraud Information Registry (CPFIR) for reporting4 of all payments related frauds.

Internet Banking is one of the oldest modes for online merchant payment transactions. It is a preferred channel for payments like income tax, insurance premium, mutual fund payments, e-commerce, etc. At present, such transactions processed through Payment Aggregators (PAs) are not interoperable, i.e., a bank is required to separately integrate with each PA of different online merchants. As a result, if a customer wants to make payment from his bank account to a certain merchant, the merchant's PA and customer's bank must have an arrangement. Given the multiple number of payment aggregators, it is difficult for each bank to integrate with each PA. Further, due to lack of a payment system and a set of rules for these transactions, there are delays in actual receipt of payments by merchants and settlement risks.

Keeping in view these bottlenecks, in our Payments Vision 2025, we had envisaged an interoperable payment system for internet banking transactions. In pursuance of this objective, we have given approval for implementing such an interoperable system to NPCI Bharat BillPay Ltd (NBBL). We expect the launch of this interoperable payment system for internet banking during the current calendar year. The new system will facilitate quicker settlement of funds for merchants.

This measure will further boost the user confidence in Digital Payments. As a regulator, we are committed to play our part in India's journey in digital payments. I urge all stakeholders like industry, payment system operators, media, digital payment users, and others to take up the responsibility of fulfilling the mission of 'Har Payment Digital'. It is a mission not just for the Reserve Bank but for the entire country.

Thank You, Namaskar

Source- https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1422

Safe Banking Practices – Protecting the Young

(Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India March 18, 2024 - at the Global Money Week 2024 in Paris, France)

Mr. Yoshiki Takeuchi, Deputy Secretary General, OECD, Ms. Mairead McGuiness, European Commissioner for Financial Services, Ms. Magda Bianco, Chair of OECD INFE and G20 GPFI, Mr. Connor Graham, youth representative from Enactus, assembled regulators from across the world, ladies and gentlemen. A very warm good morning to all of you. It gives me immense pleasure to speak to you today on a highly relevant topic - safe banking practices and protecting the young.

As we are all aware, the COVID-19 pandemic accelerated digitalisation in financial services, prompting a swift transition to online mode by service providers and customers. Accompanying this surge in digitalisation was also the proliferation of fintech platforms. Often operating outside the regulatory envelope and unconstrained by legacy systems that typically encumber traditional banks, fintech companies exhibit remarkable agility and adaptability in offering customised financial products.

These developments are indeed welcome. However, while they offer immense benefits such as accessibility and hyper-personalization, they also heighten the risk of misuse and fraud. They can expose consumers to risk of cyberattacks, data breaches, and often times, some financial harm. Consumers may struggle to resolve disputes or obtain compensation due to lack of transparency on the part of such players. These new risks must be addressed through robust regulatory frameworks, enhanced cybersecurity measures, and increased consumer awareness initiatives.

In this context, I would like to share some of the approaches adopted in India through regulation, supervision and most importantly, enhanced consumer awareness.

Regulation and Supervision

In India, regulated entities are required1 to implement multi-factor authentication for all payments through electronic modes and fund transfers, except for some explicitly exempted small value transactions. At least one of the authentication methodologies should be generally dynamic or non-replicable such as one-time password, mobile device binding, biometric, etc. Regulated entities are required to put in place security controls for internet banking, mobile payments application and card payments security.

Regulated Entities are also required to conduct risk assessment of the safety of digital payment products as well as suitability and appropriateness of the same vis-a-vis the target users, both prior to establishing the service and regularly thereafter. Further, they are required to have systems to identify suspicious transaction behaviour and mechanisms in place to alert customers of the same.

To protect customers, regulations2 provide for zero liability for customers for losses due to negligence by the bank or a third-party breach. Where it is due to customer negligence, the liability is limited to the point of reporting.

RBI has also issued Guidelines on Digital Lending3 which require regulated entities to provide a Key Fact Statement to the borrower before the execution of the contract. This statement must disclose the Annual Percentage Rate, the recovery mechanism, the grievance redressal mechanism, etc. Any fees or charges, including penal charges, which are not mentioned in the Key Fact Statement cannot be charged to the borrower.

Regulatory requirements are backed by a strong supervisory framework that inter-alia evaluates business conduct and IT system controls. Where warranted, RBI takes appropriate supervisory actions including imposition of business restrictions.

One of the notable initiatives of the Government of India is the Indian Cyber Crime Co-ordination Centre (I4C) for better coordination amongst law enforcement agencies. Under this initiative a National Cyber Crime Reporting Portal4 has been set up with a 24x7x365 national helpline number to allow victims of cyber-fraud to report such crimes.

Customer awareness

Despite all these measures, instances of unauthorised transactions due to compromised credentials from phishing attacks or customer negligence are not uncommon.

RBI therefore, makes concerted efforts to foster a culture of financial prudence and resilience through customer awareness and education campaigns. In consultation with other financial sector regulators, a National Strategy for Financial Education has been drawn up to enhance financial literacy. We have intensive awareness campaigns running across multiple mediums including print, radio and television under the banner of 'RBI Kehta Hai' ('RBI says'). Apart from integration with school curricula, initiatives such as the RBI All-India Quiz for school children on financial literacy aim to instil financial acumen from an early age. The RBI website hosts a microsite5 on Financial Education in English, Hindi, and 11 vernacular languages, offering comic books, films, games, messages on financial planning, etc.

In collaboration with our regulated entities, innovative approaches such as street plays ('nukkad nataks'), flash mobs, folk arts, sports rallies and marathons have also been tried with much success. In partnership with banks and NGOs, Centres for Financial Literacy are being established at grassroot levels to boost community driven financial literacy.

Last month, RBI organised a 'Financial Literacy Week' on the theme "Make a Right Start – Become Financially Smart' targeted towards young adults, mainly students. The idea was to increase awareness on the advantages of inculcating financial discipline from an early age with inputs on saving, budgeting, power of compounding, banking essentials and cyber hygiene.

As we focus on safeguarding the young, let us not forget the vulnerability of our senior citizens to financial frauds and cybercrime. It is incumbent upon us to extend our efforts to ensure their financial security and well-being as well.

In conclusion, it is imperative that we remain vigilant and proactive in addressing the emerging risks and challenges. By implementing robust regulatory frameworks, enhancing cybersecurity measures, and promoting consumer awareness and financial literacy, we can mitigate the risks associated with digitalization and protect consumers from exploitation and fraud. Thank you for this opportunity, and I wish you fruitful discussions at the Global Money Week.

Source- https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1425

The Indian Economy: Opportunities and Challenges

(Keynote Address delivered by Michael Debabrata Patra, Deputy Governor, Reserve Bank of India March 25, 2024 - at the Nomura's 40th Central Bankers Seminar at Kyoto, Japan)

I am honoured to be invited to Nomura's 40th Central Bankers Seminar. The discussions here assume topical relevance in the context of the tectonic shifts underway in the global economy that present new challenges for the conduct of central banking. Besides divergent growth pathways and the varying speeds and magnitudes of disinflation, regime shifts impart their own layers of uncertainty.

In the parlance of the game of cricket, with which India is seen as synonymous and this also true of the game of baseball, there is a spot in the middle of the blade of a bat from which the ball rebounds with maximum acceleration and minimal vibration in the batter's hands to usually race across the field or sail over it. It's called the sweet spot. The Indian economy is at a sweet spot in its evolution. Real GDP is growing at the fastest pace among major economies. Inflation is approaching its target albeit unevenly. The external balance sheet is stronger than ever before, underpinned by ebullient capital inflows, a modest current account deficit and large foreign exchange reserves. Fiscal consolidation is into its third consecutive year after the pandemic. The corporate sector has deleveraged and is poised to launch a new cycle of capital investment. The financial sector is sounder and more resilient, as it prepares for intermediating the resource requirements of a rising growth trajectory over the next few decades. Reflecting these developments, financial markets are ignited with robust optimism even as investors are already positioning themselves to buy into the unfolding India narrative.

Against this backdrop, I thought I would present to you a few facets of the state of the Indian economy, some exciting opportunities and the main challenges to India's aspirational goals. In the interest of time, I will be selective rather than enumerative. For instance, I will not speak of the transformative social change that is taking place in lifting 415 million (the combined population of the US and Japan) of its people out of poverty between 2005 and 2021, or the world leadership India has already attained in the production of a wide range from various agricultural commodities to tractors to smartphones to IT services, digital payments and satellite launching space technology.

The State of the Economy

India's growth trend is on the cusp of a post-pandemic upshift, with early signs of it rising above 7 per cent recorded during the 2000s before COVID-19 struck. While private consumption typically accounts for about 60 per cent of India's GDP, it is investment and exports that provide the turning points. In the period 2021-24, the export lever has been muted by global headwinds, but public expenditure on infrastructure is taking over as the locomotive of the step-up in the growth trend. Recent surveys indicate that private investment is getting crowded in.

India's recent growth performance has surprised many, triggering a flurry of upgrades. For instance, the International Monetary Fund (IMF) has cumulatively revised its forecast for 2023 upwards by 80 basis points between April 2023 and January 2024. In its latest update, it expects India to contribute 16 per cent of global growth, the second largest share in the world in terms of market exchange rates by which metric, India is the fifth largest economy in the world and positioned to overtake Germany and Japan within the ensuing decade. In purchasing power parity (PPP) terms the Indian economy is already the third largest in the world. According to the OECD's December 2023 update, India will overtake the US by 2045 in PPP terms to become the world's second largest economy. This underlying strength will also be reflected in the PPP value of the Indian rupee (INR).

Opportunities

In this setting, let me cite a few tailwinds that will likely power India's take-off.

First, demographics favour the rising profile of growth. Currently, India has the world's largest population and the youngest. The median age is around 28 years; not until the mid-2050s will aging set in. Thus, India will enjoy a demographic dividend window of more than three decades, driven by a rising working age population rates and labour force participation rate. This is a striking contrast to a world widely confronted with the challenge of aging.

Second, India's growth performance has been historically anchored by domestic resources, with foreign savings playing a minor and supplementary role. In fact, India bears out the puzzle of high correlation between domestic saving and investment rates that was observed by Martin Feldstein and Charles Horioka way back in 1980. This is also reflected in the current account deficit (CAD) which remains within a sustainable threshold of about 2.5 per cent of GDP. Currently, the CAD averages about 1 per cent and this is associated with various indicators of external sector resilience – illustratively, external debt is below 20 per cent of GDP and net international investment liabilities are below 12 per cent. Debt servicing absorbs less than 7 per cent of current receipts, with principal repayments due over 12 months accounting for less than 48 per cent of international reserves. Reflecting these innate strengths, the INR has been among the least volatile currencies in 2023; it has, in fact, been appreciating in both nominal and real terms during the early part of 2024.

Third, the response to the COVID-19 pandemic through a large fiscal stimulus took the general government fiscal deficit to 13.1 per cent of GDP and public debt to 89.3 per cent of GDP in 2020. A gradualistic path of fiscal consolidation was adopted beginning 2021-22 that has brought the general government deficit to 8.6 per cent of GDP and public debt to 81.6 per cent of GDP by March 2024. Employing a dynamic stochastic general equilibrium (DSGE) model, it is estimated that reprioritising fiscal spending by targeting productive employment-generating sectors, embracing energy-efficient transition and investing in digitalisation could lead to a decline in general government debt to 73.4 per cent of GDP by 2030-31. In contrast, the debt-GDP ratio is projected by the IMF to rise to 116.3 per cent in 2028 for advanced economies and to 75.4 per cent for emerging and middle-income countries.

Fourth, India's financial sector is predominantly bank-based. In 2015-2016, the overhang of asset impairment in the wake of the global financial crisis and the ensuing years was addressed through a deep surgery in the form of asset quality review (AQR). A massive recapitalisation was undertaken during 2017-2022. The beneficial effects started to show up from 2018 – gross and net non-performing assets ratios declined to 3.9 per cent and 1 per cent, respectively, by March 2023, with large capital buffers and liquidity coverage ratios well above 100 per cent. An Insolvency and Bankruptcy Code (IBC) has created the institutional environment for addressing stress in banks' balance sheets. On-site supervision is complemented with off-site surveillance, which harnesses SupTech, big data analytics and cyber security drills. More recently, a virtuous credit upswing has taken root alongside a strong improvement in bank profitability. Stress tests for credit risk and interest rate risk reveal that banks would remain above minimum capital requirements even under severe stress scenarios. Macroeconomic and financial stability are providing the foundation for medium-term growth prospects.

Fifth, India is undergoing a transformative change leveraged on technology. The trinity of JAM – Jan Dhan (basic no-frills accounts); Aadhaar (universal unique identification); and Mobile phone connections – is expanding the ambit of formal finance, boosting tech start-ups and enabling the targeting of direct benefit transfers. India's Unified Payments' Interface (UPI), an open-ended system that powers multiple bank accounts into a single mobile application of any participating bank, is propelling inter-bank, peer-to-peer, and person-to-merchant transactions seamlessly. Payment systems in India operate on a 24 by 7 by 365 basis. Functionalities like offline payments, feature phone payments and conversational payments have been incorporated. The internationalisation of the UPI is progressing rapidly.

Sixth, inflation in India is moderating after surging on multiple and overlapping supply shocks from the pandemic, weather-induced food price spikes, supply chain disruptions and global commodity price pressures following the Russia-Ukraine conflict. Notably, however, inflation in India peaked early in response to coordinated monetary-fiscal policies to anchor inflation expectations and dissipate idiosyncratic food price pressures. As a result, inflation has fallen back into the tolerance band since September 2023, with core inflation steadily ebbing to even below the target. The coordinated approach allowed the RBI to look through the first-round effects of food price shocks so that supply management balanced supply with demand. This minimised the financial stability and growth risks of monetary policy tightening.

Challenges

India has emerged from the pandemic scarred but resilient and poised to make a tryst with its developmental ambitions by riding the thermals that these opportunities are generating. Take-off will have to contend with the headwinds posed by several challenges. Again, I propose to be selective in the interest of time.

Reaping the demographic dividend hinges around expanding the contribution of the workforce to GDP growth. Currently, the contribution of labour to value added in India compares poorly in a cross-country perspective – in terms of appropriate skills for a specific job, only 51 per cent is employable, highlighting the criticality of the upskilling missions that are underway such as Skill India that aims to bridge the skill gap and enhance employability. Startup and entrepreneurship support initiatives foster innovation and job creation. Digital transformation through the Digital India campaign opens up new avenues for employment. Rural employment programmes and women empowerment schemes also promote the contribution of labour to value added. More than 80 per cent of the workforce is employed in the informal sector, which I shall address shortly. Furthermore, India ranks low in women's participation in the workforce2. Increasing female labour participation is a key challenge, needing social norms in favour of working women; incentivising diversity in educational institutions and work places; flexible working hours and women friendly policies and facilities at work places; and promoting work-life balance – metaverse3 may offer exciting opportunities.

A qualified labour force contributes best when supported by high quality infrastructure. India's per capita investment in infrastructure at US $ 90.6 in constant 2015 dollars terms in 2020 needs to be scaled up by lifting infrastructure investment growth from around 3.5 per cent to at least 6 per cent to achieve world class standards. This will require transparent regulations, faster clearances, smooth land acquisition and climate clearance policies, and adequate finance. The sustained infrastructure spending and logistics push across successive union budgets is creating the environment for financing India's infrastructure goal. Infrastructure creation has been a key focus of public policy, with flagship schemes like the National Infrastructure Pipeline (NIP) and PM Gati-Shakti Mission, complemented by a jump in the share of public investment in total investment 2015-16 onwards. Sub-national governments and the private sector have also been empowered through interest free loans for capex and through the Production Linked Incentive (PLI) Scheme to step up their capital expenditure. The infrastructure push encompasses roads, railways, ports, electricity, digital infrastructure, and rooftop solarisation.

The essence of expanding the role of the workforce in India's future lies in the formalisation of jobs, which bring the role of the manufacturing sector to centre-stage. India largely bypassed manufacturing in its developmental journey - services account for two-thirds of India's economy today. India's manufacturing sector as a proportion to GDP (in constant 2015 US dollar terms) remains much below the world average. Since the 1990s, the average growth of manufacturing has been 7 per cent4. With 8.5 per cent growth, manufacturing's share would rise to 20 per cent of

GVA by 2030-31, and to 25 per cent if the growth rate can be pushed up to 12.5 per cent – making India a global manufacturing hub with forward and backward linkages for other sectors of the economy. To achieve this, India must adapt to the fourth industrial revolution (automation; data exchange; cyber-physical systems, the Internet of things; cloud computing; cognitive computing and creating the smart factory, advanced robotics). A skilled labour force will hold the key.

India's manufacturing and services must find expression in global markets – make in India for the world. Intensified efforts need to be made to raise India's exports of goods and services from US $ 768 billion or 2.4 per cent of the world total to US $ 1 trillion each for merchandise and service exports or 5 per cent of the global total by 2030. The potential exists in the form of sectors such as IT and digital services, value-added agricultural products; high-value tourism; financial services; retail and e-commerce. Global Capability Centers (GCCs) are already exploiting this potential by offering unique opportunities to multinational enterprises (MNEs) to lead product innovation, drive technological advancements, create next-gen intellectual property (IP) and spearhead digitalisation initiatives on a global scale. India is preparing for this export thrust through initiatives such as its production-linked incentive scheme, districts as export hubs; and by supporting the export potential of micro, small and medium enterprises (MSMEs).

As India emerges as an export powerhouse backed by a strong manufacturing base, a natural corollary will be the full internationalisation of the Indian rupee. Several factors are already in place. The Indian diaspora is the biggest in the world and India is the top recipient of remittances. The Indian rupee trades three times more offshore than onshore. India has local currency settlement arrangements with several countries in Asia and the middle east and interlinking of payment systems is underway. Deep and liquid financial markets are developing. The international financial centre in GIFT city, Gujarat is emerging as global financial and technology hub with a thriving financial ecosystem. The imminent inclusion of Indian sovereign bonds in global bond indices is also likely to spur demand for exposure to India. The policy emphasis on macroeconomic and financial stability is also a positive for the INR. If the INR's turnover equals the share of non-US non-Euro currencies in global forex turnover (4 per cent), the INR will have arrived as an international currency.

The last challenge I will dwell upon is the greening of the Indian economy for sustainable development. At the Conference of the Parties 26 (COP26), India's commitment towards the environment by 2030 included: (i) 500 GW non-fossil energy capacity; (ii) energy mix comprising 50 percent renewable energy; (iii) reducing total projected carbon emissions by one billion tonnes; (iv) reducing the carbon intensity of its economy by 45 per cent; and (v) achieving net zero by 2070. It is estimated that a cumulative investment of US$ 10.1 trillion is needed along with adequate access to technology to meet the net zero target.

Conclusion

According to the distinguished British economist, Angus Maddison, who specialised in the measurement and analysis of economic growth and development, India was the largest economy of the world with the highest share in world GDP during 1 to 1000 AD. Over the next 600 years, India intermittently fell to the second position, but reclaimed the position of the world's largest economy by 1700 AD with a share of 24.4 per cent of world GDP. After that came the colonial rule and a long retrogression.

Given the innate strengths I described and the energies and transformation that are driving the nation to overcome its challenges and achieve its aspirational goals, it is possible to imagine India striking out into the next decade with a growth rate of 10 per cent. If this is achieved, India will become the second largest economy in the world not by 2045 as shown earlier, but by 2032 and the largest economy by 2050.

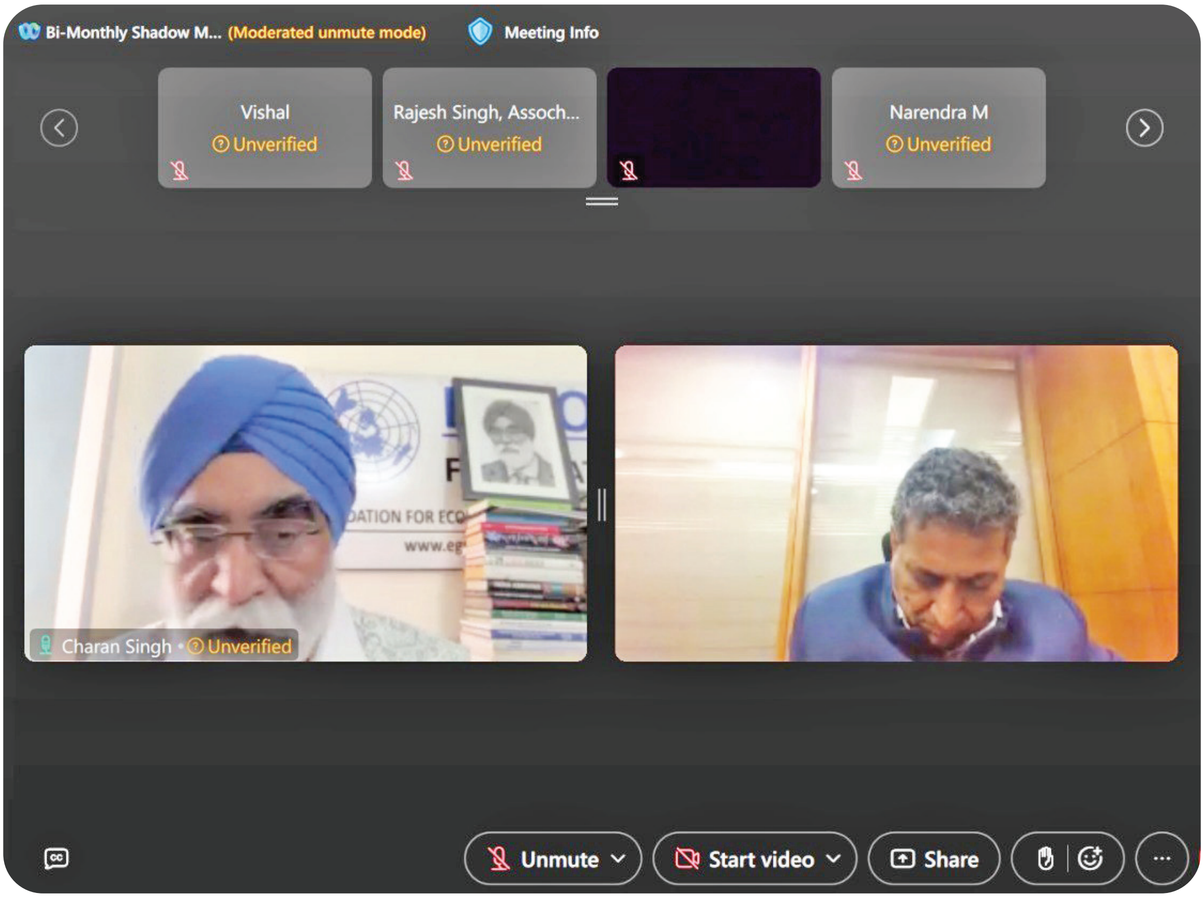
Thank you.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1426

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

Shadow Monetary Policy Committee

Thursday, 28th March 2024



Key Takeaways

Dr. Surjit Bhalla, Former Executive Director, International Monetary Fund

To take any further action, necessary to wait for more clarity on inflation, and inflation dynamics, which will only be possible once unit level CES (Consumption Expenditure Survey) data are released

Dr. Charan Singh, CEO and Director, EGROW Foundation

The monetary policy announcement in April is very important as it lays the foundation for the year ahead. In the election year this becomes a bigger challenge due to additional uncertainties. Further, India is integrating rapidly with rest of the world and as the global economy is charting an uneven growth path, with some economies fearing a recession.

The Indian economy is performing better than expected in the last few months. In Q4 of 2023-24, growth rate of 8.4 percent exceeded the best expectations. This high growth rate is expected to strengthen further in future with Gross fixed capital formation higher at 34 percent. The growth rate in industry is high based on data on core industries and index of industrial production. In the case of core industries, coal, steel, cement, natural gas, electricity and crude oil are recording higher growth than the previous year. In the case of coal and steel, the growth is in double digits. The combined index of core industries increased by 3.6 percent in January 2024 as compared with January 2023 and growth during 10-months, April to January, is 7.7 percent. The index for industrial production also recorded a growth of 5.9 percent as against 5.5 percent in the previous year. However, the Agriculture sector could be a cause of concern as water level in the reservoirs is low and monsoon could be impacted due to El Nino effect. In the economy, construction, trade, hotels, financial sector and real estate are performing well. In terms of high frequency data, sales of private vehicles, 2- wheelers, passenger vehicles, and cargo handled at different ports, sea and air, are also recording high growth. The specific sectors recording high growth are jewelry, sports goods, footwear, consumer durables, and restaurants.

The headline consumer price index in February 2024 is within the stipulated band but for food items at 8.7 percent is a matter of concern. The prices of vegetables, pulses, eggs, and spices are high in the month of February 2024. In contrast, the wholesale price index continues to be benign.

The fiscal situation is robust with GST collection at Rs. 1.7 lakh crore in February 2024 and Rs.18.4 lakh crore during the last eleven months. GST collection from domestic sources has increased by 13.9 per cent while from external sector, growth rate was 8.5 percent.

The external sector poses a challenge as growth rates of GDP in most of the advanced countries is below the pre-Covid rates. This implies that India's exports will continue to face stiff challenges. This was substantiated by the trend of exports in the overall BOP data where exports were lower than imports, leading to higher trade deficit. Higher exports of services and IT related activities helped to restrict current account deficit to 1.2 percent of GDP. In the case of main items recording robust growth are engineering goods, electronics, chemicals and pharmaceuticals amongst exports, and gold, silver and machinery in imports.

The expenditure on MGNREGA in recent months is higher because of low demand for labor in agriculture. In recent months, there has been normalization of global supply chains which is leading to easing of commodity price pressures in the country.

There are different types of risks that the economy has to be prepared for: slower than anticipated global economic growth; high commodity prices with price of oil turning northwards; and tight financial markets. India also needs to strengthen the infrastructure, develop skill for its manpower and help the labor force to achieve its growth potential.

In view of the election cycle in India followed by that in the USA, changes in the policy rate could be a challenge for the economy. While in general, inflation is lower than the heightened peaks of yester months, it is still not ranging within the prescribed band. Hence, the anticipated lowering of the policy rate can be paused for trends to stabilize.

TOP BANKING NEWS

- **RBI approves AU-Fincare merger, to take effect on 1 April**

  The Reserve Bank of India has approved the proposed merger of Fincare Small Finance Bank Ltd with AU Small Finance Bank Ltd, a little over four months after it was first announced. "All branches of Fincare Small Finance Bank will function as branches of AU Small Finance Bank with effect from 1 April," the RBI said on Monday. AU Small Finance Bank had said in October it would bring Fincare Small Finance Bank into its fold in what would be the first merger of two such institutions. On 29 October, it said that the appointed date of the scheme would be 1 February 2024, or a date agreed to by both companies and approved by the RBI.

  Under the merger agreement, shareholders of Fincare Small Finance Bank will get 579 equity shares of AU Small Finance Bank Ltd for every 2,000 fully paid-up equity shares they own.

  These banks were set up under an RBI policy from 2014 that aimed to boost financial inclusion by providing an outlet for savings and by access to credit for small businesses, small and marginal farmers, micro and small industries, and other unorganised-sector entities.

  While AU Small Finance Bank started operations in April 2017, Disha Microfin (which later became Fincare SFB after a merger with Future Financial Services) commenced operations in July 2017.

  As of 31 December 2024, AU Small Finance Bank had assets totalling ₹1.01 trillion. While AU Small Finance Bank is a listed company, Fincare Small Finance Bank is not. Shares of AU Small Finance Bank closed at ₹579.8 on the BSE on Monday, up 0.34% from their previous close.

  Source: https://www.livemint.com/industry/banking/rbi-approves-au-fincare-merger-to-take-effect-on-1-april-11709564266399.html

- **RBI on IIFL Finance, JM Financial: Actions to ensure ethical business practice, analysts say**

  The Reserve Bank of India (RBI) seems to be in on a system clean-up mission after its recent orders on companies like IIFL Finance, JM Financial and even Paytm Payments Bank.

  The central bank on March 4 had imposed an embargo on IIFL Finance's gold loan business and then on JM Financial Products' loan against shares & IPO financing business the next day, citing persistent regulatory non-compliance and governance issues.

  Earlier on January 31, RBI had barred Paytm Payments Bank from accepting fresh deposits and doing credit transactions after February 29 citing repeated violations of norms and non-compliance with multiple rules. This deadline was later extended to March 15.

  Analysts had earlier flagged that the Paytm Paytment Bank saga would have ramifications for the overall sector. They said that the list of financial penalties, and even of business embargos, was likely to scale up and should thus keep regulated entities and fintech companies on edge.

  While RBI's actions indicate that it has zero tolerance for persistent regulatory non-compliance or misgovernance, its unrelenting clean-up drive is expected to impact growth, but also foster an environment for ethical lending and business practice.

  "We believe these punitive actions will impact systemic growth for NBFCs in the near term, but will hopefully curb unethical business practices, avert systemic collapse as seen in the past, and enhance stakeholder confidence in the long run," said analysts at Emkay Global Financial Services.

Deepak Shenoy, CEO of Capitalmind, in an interview with a news channel, also said RBI's crackdown will now hit the whole industry and not just JM Financial.

The central bank had put an embargo on fresh sanctions, disbursements and securitization of gold loans by IIFL Finance on March 4, citing multiple supervisory concerns, including deviation in assaying and certifying purity of gold during sanction of loan and at the time of auctions, no adherence to the standard auction process, breaches in LTV ratio, unfair charges, and cash collections higher than the prescribed limit.

IIFL management conveyed that majority of the concerns were operational in nature, and not an outcome of any unethical practices by the company. As per management, Gold Loan asset under management (AUM) stands at ₹24,700 crore as of December 2023 and forms a sizable around 31% of IIFL's overall AUM.

Source: https://www.livemint.com/industry/banking/rbi-on-iifl-finance-jm-financial-actions-to-ensure-ethical-business-practice-analysts-say-11709715167469.html

- **Exchange and deposit facility of ₹2000 banknotes at RBI offices temporarily unavailable on April 1**

The Reserve Bank of India (RBI) has announced that the facility for exchanging and depositing ₹2000 banknotes will not be available on April 1 at 19 of its issuing offices. The central bank cited operations associated with the annual closing of accounts as the reason for this temporary suspension.

The exchange of ₹2000 banknotes has been available at the 19 RBI issue offices since May 19, 2023. Additionally, from October 9, 2023, these offices began accepting ₹2000 banknotes from individuals and entities for deposit into their bank accounts.

According to the RBI's statistics, as of March 1, 2024, 97.62 per cent of the ₹2,000 currency notes in circulation as of May 19, 2023, have been returned to the banking system. The total value of ₹2000 banknotes in circulation declined from ₹3.56 lakh crore at the close of business on May 19, 2023, to ₹8,470 crore as of the close of business on February 29, 2024.

The RBI announced the withdrawal of ₹2,000 banknotes on May 19, 2023, as part of its clean note policy. These high-denomination notes were introduced in November 2016, following the withdrawal of the legal tender status of all ₹500 and ₹1,000 banknotes in circulation at the time.

While the temporary suspension of the exchange and deposit facility may cause some inconvenience, the RBI's move is a routine annual procedure related to its account closing operations. The central bank assured that the facility will resume on April 2, allowing the public to continue exchanging and depositing the ₹2000 banknotes.

Source: https://www.livemint.com/industry/banking/exchange-and-deposit-facility-of-2000-banknotes-at-rbi-offices-temporarily-unavailable-on-april-1-11711686444163.html

- **JM Financial in RBI's crosshairs after Paytm Payments Bank, IIFL Finance**

The Reserve bank of India has barred JM Financial Products Ltd from advancing loans against shares and debentures citing regulatory and governance lapses, following its recent crackdowns on Paytm Payments Bank Ltd and IIFL Finance Ltd.

“This action is necessitated due to certain serious deficiencies observed in respect of loans sanctioned by the company for IPO financing as well as (non-convertible debenture) subscriptions," the regulator said.

“Apart from being in violation of regulatory guidelines, there are serious concerns on governance issues in the company, which in our assessment are detrimental to the interest of the customers," RBI said.

The regulator said it had conducted a limited review of JM Financial’s books on the basis of information shared by the Securities and Exchange Board of India, and found the company had repeatedly helped a group of customers bid for various IPOs and NCD offerings by using loaned funds.

Credit underwriting was found to be perfunctory, and financing was done against meagre margins, the regulator said.

“The RBI has taken a series of steps which when viewed in toto seem to suggest a crackdown on relentless money flow being routed to stock markets, leading to excessive froth building up in micro-, small- and certain midcap stocks," said a fund manager on condition of anonymity, citing increase in the risk weight of unsecured retail loans disbursed by banks and non-banking financial companies.

According to RBI, JM Financial operated applications for subscription as well as demat and bank accounts by using power of attorney and master agreements obtained from customers without their involvement in subsequent operations.

“Consequently, the company was able to effectively act as both lender as well as borrower. The company also acted as the arranger of bank account opening as well as operator of the said bank accounts using the POA," RBI said.

The regulator said it will review its business restrictions on JM Financial following a special audit and after the company rectifies lapses in its operations. JM Financial, meanwhile, can continue to service its existing loan accounts through the usual collection and recovery process.

JM Financial’s capital market loan book was worth ₹978 crore at the end of December, which is about 6% of its overall loan book that’s worth ₹15,111 crore.

On 4 March, the central bank asked IIFL Finance to stop sanctioning or disbursing gold loans after observing certain material supervisory concerns in the company’s gold loan portfolio.

Source: https://www.livemint.com/industry/banking/rbi-directs-jm-financial-to-cease-financing-against-shares-debentures-11709642299958.html

- **RBI deputy governor urges banks to exercise prudent risk management**

Banks must ensure that their growing reliance on fintech companies does not result in poor underwriting standards and improper pricing of risk, cautioned M Rajeshwar Rao, deputy governor, Reserve Bank of India (RBI).

“The increased reliance of banks and non-banking financial companies to identify and onboard customers through fintech partners should not mean lowering underwriting standards and improper pricing of risks," Rao said at the Mint India Investment Summit on Saturday

The deputy governor said that the central bank is actively reviewing existing models to ascertain how fintech collaborations can enhance credit delivery without compromising risk management or prudential underwriting standards.

“As a regulator and supervisors, we are examining the prevailing models and practices to see how best we can leverage for effective credit delivery without compromising on risk management and prudential credit underwriting standards," he added.

In recent months, the RBI has intensified its oversight of bank-fintech partnerships. Paytm Payments Bank was directed to halt deposit acceptance after the central bank found inter-related party transactions with its parent entity One97 Communications. Also, Federal Bank and South Indian Bank were asked to cease issuing co-branded credit cards after it was discovered that the process of customer acquisition via their fintech partners failed to adhere to RBI standards.

Despite these concerns, Rao affirmed the RBI's support for responsible innovation but underscored the necessity of vigilance over the development and market impact of new financial solutions.

Source: https://www.livemint.com/industry/banking/rbi-deputy-governor-urges-banks-to-exercise-prudent-risk-management-11711809781155.html

- **RBI asks Federal Bank, South Indian Bank to stop new co-branded credit card issuances**

The Reserve Bank of India has asked Federal Bank and South Indian Bank to stop issuing new co-branded credit cards, marking a step towards increased regulatory scrutiny.

In a stock exchange filing on Wednesday, Federal Bank said it is rectifying the deficiencies, and will await regulatory approval before issuing new cards. Nevertheless, the bank will continue offering credit cards to both new and existing customers in the non-co-branded segment.

Likewise, South Indian Bank also informed the stock exchanges that it will not enroll new customers for its co-branded products till regulatory requirements are complied with.

Both banks also clarified that they will continue to serve existing customers with co-branded credit cards.

Co-branded credit cards have witnessed significant growth in recent years, with most banks entering into arrangements with merchants and fintech companies. As of January, the number of credit cards in circulation reached 99 million, up from 97.9 million in December 2023.

On 7 March, RBI revised the master direction on credit and debit cards, simplifying the process for NBFCs and banks to become co-branded partners of card issuers without prior approval.

Additionally, the central bank said that for cardholder convenience, transaction data may be securely retrieved from a card issuer's system in an encrypted form and displayed on a co-branding partner (CBP)'s platform.

In another circular on 6 March, RBI prohibited banks from entering into exclusive arrangements with card networks such as Visa, American Express, and Mastercard, to ensure customers have access to multiple card network options.

Customers will now have the opportunity to select from multiple card networks during the issuance process. Existing cardholders may be offered a choice at the time of renewal.

In February, the central bank had instructed a card network to temporarily halt commercial payments made via credit cards.

Business-to-business vendor payments through credit cards amounted to ₹20,000 crore per month, or about 12.5% of total credit card spending.

Source: https://www.livemint.com/industry/banking/rbi-asks-federal-bank-south-indian-bank-to-stop-new-co-branded-credit-card-issuances-11710338996052.html

- **Ujjivan SFB raises fixed deposit rates, offers up to 9% interest for senior citizens**

Ujjivan Small Finance Bank (SFB) has announced a significant revision in its fixed deposit (FD) interest rates, aiming to attract more customers and strengthen its deposit base. The revised rates, effective from March 7, 2024, offer attractive returns for regular customers, Non-Resident Ordinary (NRO) and Non-Resident External (NRE) accounts, as well as senior citizens.

For regular customers, NRO, and NRE accounts, Ujjivan SFB has set the highest interest rate at 8.50% for a 15-month tenure. Senior citizens can enjoy an even higher rate of 9.00% for the same tenure, making it one of the most lucrative offerings in the market.

For Platina FDs (deposits above ₹1 crore and below ₹2 crores), the interest rate is 8.45% p.a. for tenures between 12 to 15 months, 8.70% for 15 months, 8.45% for 15 months 1 day to 560 days, 7.70% for 561 to 989 days, 7.95% for 990 days, and 7.40% for 991 days to 60 months.

For domestic fixed deposits and Sampoorna Nidhi, the interest rates range from 3.75% for 7 to 29 days to 8.50% for 15 months, with an additional 0.50% for resident senior citizens.

For NRO fixed deposits, the rates are the same as domestic fixed deposits, ranging from 3.75% to 8.50%.

For recurring deposits and Sampoorna Lakshya, the interest rates vary from 5.50% for 6 to 9 months to 8.50% for 15 months, with an additional 0.50% for senior citizens.

For NRE fixed deposits, the interest rates range from 8.25% for 12 to less than 15 months to 6.50% for 60 months 1 day to 120 months.

Ujjivan SFB offers flexible interest payout options, including monthly, quarterly, and at maturity. The bank also provides Tax Saver Fixed Deposits with a five-year lock-in period, catering to customers seeking tax benefits.

"We are pleased to announce the revision in fixed deposit interest rates for our customers seeking a higher interest rate for the short-term tenure," said Ittira Davis, Managing Director and Chief Executive Officer of Ujjivan SFB, as quoted by PTI. "Our primary objective is to create a stronger deposit base that aligns with our overall strategy, reinforcing our position as the leading retail mass market bank."

Ujjivan Small Finance Bank has been at the forefront of financial inclusion, serving over 82 lakh customers through its 729 branches and 21,000+ employees across 26 states and union territories in India. As of December 30, 2023, the bank's gross loan book stood at ₹27,791 crore, with a deposit base of ₹29,869 crore, as per ANI.

Source: https://www.livemint.com/industry/banking/ujjivan-sfb-raises-fixed-deposit-rates-offers-up-to-9-interest-for-senior-citizens-check-latest-fd-rates-here-11710827894700.html

- **Bank of Maharashtra, among 5 PSUs to reduce govt shareholding amid MPS norms**

Bank of Maharashtra, Indian Overseas Bank (IOB) and three other public-sector undertakings (PSUs) are planning to reduce their government stake to less than 75 per cent to comply with the minimum public shareholding (MPS) norms set by capital markets regulator Securities and Exchange Board of India (SEBI)

Financial Services Secretary Vivek Joshi told news agency PTI that out of 12 public sector banks (PSBs), four were complying with MPS norms as on March 31, 2023. Three more PSBs have complied with minimum 25 per cent public float during the current financial year, and the remaining five PSBs have laid out action plans to comply with the MPS requirement, Joshi told PTI

Presently, the government holding in Delhi-based Punjab & Sind Bank is 98.25 per cent, followed by Chennai-based IOB at 96.38 per cent, UCO Bank at 95.39 per cent, Central Bank of India at 93.08 per cent, Bank of Maharashtra at 86.46 per cent.

According to SEBI, all listed companies must maintain an MPS of 25 per cent. However, the regulator had given special extension to the state-owned banks. They have time till August 2024 to meet the requirement of 25 per cent MPS. Joshi added that banks have various options to bring down the stake, including follow on initial public offering (IPO) or a Qualified Institutional Placement (QIP).

Depending upon the market condition, each of these banks will take a call in the best interest of shareholders. Joshi also said the finance ministry has directed all state-owned banks to review their gold loan portfolio as instances of non-compliance with regulatory norms have been noticed by the government.

The Department of Financial Services (DFS) asked the heads of PSBs to look at their system and processes related to gold loan. A directive in this regard was issued last month advising them to fix anomalies relating to collection of fees and interest and closure of gold loan accounts.

The letter flagged various concerns, including disbursement of gold loans without requisite gold collateral, anomalies regarding collection of fees and repayment in cash. The DFS urged banks to undertake a thorough review of the last two-year period from January 1, 2022 to January 31, 2024 so as to ensure that all gold loans were disbursed in compliance with regulatory requirements and internal policies of banks.

It is to be noted that the price of the yellow metal has surged to a record level. Price of 10 gm gold in the last one month jumped from ₹63,365 to ₹67,605. According to the letter, the department has come across instances of non-compliance regarding the gold loan portfolio and hence issued the advisory.

The country's biggest lender, State Bank of India (SBI) alone has a gold loan portfolio of ₹30,881 crore as of December 2023. Punjab National Bank's gold loan exposure stood at ₹5,315 crore while Bank of Baroda was at ₹3,682 crore at the end of the third quarter, according to news agency PTI.

Source: https://www.livemint.com/industry/banking/bank-of-maharashtra-uco-bank-among-5-psus-to-reduce-govt-shareholding-amid-mps-norms-11710415110205.html

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2023-2024/142 DCM (CC) No. S3425/03.41.01/ 2023-24	27.3.2024	Department of Currency Management	Currency Chests (CCs) operations on March 31, 2024	All Currency Chest holding banks
RBI/2023-2024/141 CO.DPSS.RPPD. No.S1193/03-01-002/ 2023-2024	27.3.2024	Department of Payment and Settlement Systems	Special Clearing Operations on March 30 & 31, 2024	The Chairman and Managing Director / Chief Executive Officer All Scheduled Commercial Banks including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks / Local Area Banks / Payment Banks / Small Finance Banks / National Payments Corporation of India
RBI/2023-2024/140 DOR.STR. REC.85/21.04.048/ 2023-24	27.3.2024	Department of Regulation	Investments in Alternative Investment Funds (AIFs)	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks All All-India Financial Institutions All Non-Banking Financial Companies (including Housing Finance Companies)

RBI/2023-2024/139 FIDD.CO.LBS. BC.No.16/ 02.08.001/ 2023-24	22.3.2024	Financial Inclusion and Development Department	Reassignment of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks Concerned
RBI/2023-2024/138 CO.DGBA.GBD. No.S1252/42-01-029/ 2023-2024	22.3.2024	Department of Government and Bank Accounts	Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2023-24)	All Agency Banks
RBI/2023-2024/137 DOR.SOG (LEG). REC/84/09.08.024/ 2023-24	20.3.2024	Department of Regulation	All Agency Banks to remain open for public on March 31, 2024 (Sunday)	All Agency Banks
RBI/2023-2024/136 CO.DGBA.GBD. No.S1234/31-12-010/ 2023-2024	13.3.2024	Department of Government and Bank Accounts	Cut-off time for uploading of GST, ICEGATE and TIN 2.0 luggage files	All Agency banks
RBI/2023-2024/135 DGBA.GBD. No.S1217/42-01-029/ 2023-2024	13.3.2024	Department of Government and Bank Accounts	Reporting and Accounting of Central Government transactions for March 2024	All Agency Banks
RBI/2023-2024/134 DOR. AML. REC.83/14.06.001/ 2023-24	11.3.2024	Department of Regulation	Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)	The Chairpersons/ CEOs of all the Regulated Entities

RBI/2023-2024/133 DOR.AML. REC.82/14.06.001/ 2023-24	08.3.2024	Department of Regulation	Designation of an individual under clause (a) of Sub-section (1) and Sub-section (2) of Section 35 of the Unlawful Activities (Prevention) Act (UAPA), 1967 and listing in the Fourth Schedule of the Act-Reg.	The Chairpersons / CEOs of all the Regulated Entities
RBI/2023-2024/132 DOR.RAUG. AUT.REC.No.81/ 24.01.041/2023-24	07.3.2024	Department of Regulation	Amendment to the Master Direction - Credit Card and Debit Card – Issuance and Conduct Directions, 2022	The Chairperson / Managing Director / Chief Executive Officer Banks and Non-Banking Financial Companies
RBI/2023-2024/131 CO.DPSS.POLC. No.S1133/02-14-003/2023-24	06.3.2024	Department of Payment and Settlement Systems	Arrangements with Card Networks for issue of Credit Cards	The Chairman / Managing Director / Chief Executive Officer Authorised Payment System Providers / Participants (Banks and Non-banks)
RBI/2023-2024/130 A.P. (DIR Series) Circular No.15	05.3.2024	Foreign Exchange Department	Money Transfer Service Scheme - Submission of Statement on CIMS	All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme
RBI/2023-2024/129 DoS.CO.ARG/ SEC.11/08.91.001/ 2023-24	01.3.2024	Department of Regulation	Review of Guidelines - Withdrawal of Circulars	The Chairman / Managing Director / Chief Executive Officer, All Commercial Banks (Excluding RRBs) All Primary (Urban) Co-operative Banks (UCBs)

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
					(₹ Crore)
Item	**2023**	**2024**		**Variation**	
	Mar. 24	**Mar. 15**	**Mar. 22**	**Week**	**Year**
	1	**2**	**3**	**4**	**5**
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	7625	19929	13251	-6678	5626

** Data are provisional; difference, if any, is due to rounding off.*

2. Foreign Exchange Reserves*								
Item	**As on March 22, 2024**		**Variation over**					
			Week		**End-March 2023**		**Year**	
	₹ Cr.	**US$ Mn.**	**₹ Cr.**	**US$ Mn.**	**₹ Cr.**	**US$ Mn.**	**₹ Cr.**	**US$ Mn.**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1 Total Reserves	5359608	642631	33906	140	605344	64182	585959	63853
1.1 Foreign Currency Assets #	4739393	568264	27958	-123	550260	58572	535148	58536
1.2 Gold	429410	51487	5500	347	57910	6287	54293	6008
1.3 SDRs	151946	18219	453	-57	782	-173	23	-201
1.4 Reserve Position in the IMF	38859	4662	-5	-27	-3609	-503	-3505	-489

** Difference, if any, is due to rounding off.*
 # Excludes (a) SDR holdings of the Reserve Bank, as they are included under the SDR holdings; (b) investment in bonds issued by IIFC (UK); and (c) amounts lent under the SAARC and ACU currency swap arrangements.

3. Scheduled Commercial Banks - Business in India						
(₹ Crore)						
Item	Outstanding as on Mar. 8, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2022-23	2023-24	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	20420083	215253	1493011	2376169	1681638	2461759
	(20309588)			(2265675)		(2351265)
2.1a Growth (Per cent)		1.07	9.1	13.2	10.3	13.7
				(12.6)		(13.1)
2.1.1 Demand	2374549	6241	46406	194118	214458	255397
2.1.2 Time	18045534	209012	1446605	2182051	1467180	2206362
2.2 Borrowings	762288	-16731	176746	316959	165818	310948
2.3 Other Demand and Time Liabilities	949619	28232	169000	159968	163189	139771
7 Bank Credit	16313735	99600	1657279	2638500	1836251	2765142
	(15781804)			(2106569)		(2233211)
7.1a Growth (Per cent)		0.6	13.9	19.3	15.7	20.4
				(15.4)		(16.5)
7a.1 Food Credit	31703	-8798	-26732	11798	-32629	3425
7a.2 Non-food credit	16282032	108398	1684011	2626702	1868881	2761717

1. Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.
2. Figures in parentheses exclude the impact of the merger.
3. '-': Nil/Negligible.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2023	2024	Fortnight		Financial Year so far				Year-on-Year			
					2022-23		2023-24		2023		2024	
	Mar. 31	Mar. 8	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	22343760	24737003	243091	1.0	1729992	8.4	2393243	10.7	1944746	9.6	2513282	11.3
		(24847497)	(240798)	(1.0)			(2503737)	(11.2)			(2623776)	(11.8)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3276436	3382592	21160	0.6	222404	7.3	106156	3.2	239213	7.9	124499	3.8
1.2 Demand Deposits with Banks	2320598	2519149	8630	0.3	45859	2.1	198551	8.6	214779	10.5	260298	11.5
1.3 Time Deposits with Banks	16668966	18751711	213568	1.2	1455911	9.6	2082745	12.5	1478172	9.7	2109195	12.7
		(18862205)	(211275)	(1.1)			(2193239)	(13.2)			(2219690)	(13.3)
1.4 'Other' Deposits with Reserve Bank	77761	83552	-267	-0.3	5818	10.0	5791	7.4	12582	24.3	19290	30.0
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7165533	7449602	225808	3.1	502367	7.8	284069	4.0	640071	10.1	469606	6.7
		(7541317)	(225850)	(3.1)			(375785)	(5.2)			(561321)	(8.0)
2.1.1 Reserve Bank	1451126	1134272	169276		-159296		-316854		-3184		-157029	
2.1.2 Other Banks	5714407	6315330	56532	0.9	661663	13.2	600923	10.5	643255	12.7	626635	11.0
		(6407045)	(56574)	(0.9)			(692638)	(12.1)			(718350)	(12.6)
2.2 Bank Credit to Commercial Sector	14429636	16541761	107189	0.7	1677012	13.3	2112125	14.6	1872456	15.1	2248229	15.7
		(17073692)	(102715)	(0.6)			(2644056)	(18.3)			(2780160)	(19.5)
2.2.1 Reserve Bank	26549	11401	280		2149		-15148		16633		-7319	
2.2.2 Other Banks	14403087	16530360	106909	0.7	1674863	13.3	2127273	14.8	1855822	14.9	2255547	15.8
		(17062291)	(102435)	(0.6)			(2659204)	(18.5)			(2787478)	(19.5)

Note: Figures in parentheses include the impact of merger of a non-bank with a bank.

5. Liquidity Operations By RBI

(₹ Crore)

Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Mar. 18, 2024	-	-	-	-	4699	77776	-454	-	-	-73531
Mar. 19, 2024	-	-	-	-	3542	95016	-237	-	-	-91711
Mar. 20, 2024	-	-	-	-	12251	60480	-	-	-	-48229
Mar. 21, 2024	-	-	50001	-	15829	68279	342	10	10	-2107
Mar. 22, 2024	-	-	115709	-	49906	95152	818	-	-	71281
Mar. 23, 2024	-	-	-	-	4508	52944	-	-	-	-48436
Mar. 24, 2024	-	-	-	-	4365	55170	-	-	-	-50805

SDF: Standing Deposit Facility; MSF: Marginal Standing Facility.

Source:- https://rbi.org.in/scripts/PublicationsView.aspx?id=15762

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **MFI portfolio touches Rs 4 lakh crore across India**

Micro-finance Institutions portfolio has touched almost Rs four lakh crore during the third quarter of the current financial year, according to the self-regulatory organisation Microfinance Industry Network (MFIN) report. The report said that the industry saw a robust growth of 24.6 per cent over the last financial year, while portfolio delinquency has reached pre-COVID levels indicating improving health of the sector.

It said there has been a significant change in the portfolio distribution across regions.

South India has emerged as the largest contributor to the MFI portfolio with a share of 31.06 per cent, followed by east and northeast contributing 31.06 per cent.

Assets under management (AUM) of the MFI-NBFC members of MFIN stood at Rs 1,41,980 crore as on December 2023, a rise of 36 per cent year-on-year over Rs 1,04,361 crore in the similar previous period.

The average loan disbursed per account during the third quarter of the current fiscal stood 8.2 per cent higher at Rs 45,705.

The report said that during the third quarter of the current fiscal, NBFC-MFIS received total debt funding of Rs 21,847 crore, which is higher by 57.3 per cent over the similar previous period.

The total equity base of the NBFC-MFIs grew 37.7 per cent to Rs 31,825 crore, a rise of 37.7 per cent year-on-year at the end of the third quarter, according to the report.

Source: https://economictimes.indiatimes.com/industry/banking/finance/mfi-portfolio-touches-rs-4-lakh-crore-across-india/articleshow/108137026.cms?from=mdr

- **Microfinance industry may clock 25% growth in FY24 on positive momentum**

The microfinance industry is expected to end this fiscal year with a growth rate of about 25 per cent, aided by the sustained positive momentum in the industry.

In FY23, the microfinance sector recorded 21 per cent growth with a total outstanding of ₹3.52-lakh crore as of March 31, 2023.

"As per the information available to us, the industry is doing similar to FY23's performance. But we may see a slightly higher growth of about 25 per cent in this fiscal. The total outstanding is expected to cross ₹4.25-lakh crore in FY24," Jiji Mammen, Executive Director & CEO, Sa-Dhan, an association of microfinance institutions, told businessline.

Expanding reach

He said there are efforts to spread the financial inclusion exercise through the microfinance sector to several unreached areas in the country. Currently, the majority of lending is concentrated in a few areas. About 82-84 per cent of the microfinance portfolio is concentrated only in 10 States. Also, about 56 per cent of the portfolio is accounted for by the top 5 States: Bihar, Tamil Nadu, Uttar Pradesh, West Bengal, and Karnataka. But these states account for about 35-40 per cent of the total population of the country.

"There could be some other reasons, too. The kind of deprivation and poverty seen in Bihar, West Bengal, and Eastern Uttar Pradesh may not be there in some of the western States. However, we have been seriously debating on how to expand the reach to more areas," he said.

Currently, 200 districts in the country account for 70 per cent of the microfinance portfolio, though the microfinance sector is reported to have reached more than 700 districts in the country.

"With the help of SIDBI, we have commissioned a study that will look into the factors or challenges that prevent companies from penetrating deeper into several districts of the country. For this study, we have identified about 130 districts where credit penetration is lower," said Mammen.

While there are challenges in going to hilly terrain, there are areas where there could be law and order issues. We also learned that areas that are located near State borders are not being seriously considered for expansion due to migration issues. These are some of the initial indications we have, though the study is yet to be completed. We have also requested the RBI work out a mechanism to reach out to these areas, he added.

Sa-Dhan has mooted the idea of developing smaller institutions in those areas where the mainstream MFI players may find it difficult to reach.

"Some of the current small finance banks originally started their operations as NGOs and later became lending institutions. In early 2000, SIDBI had a programme to support some of the NGOs to transform themselves into MFIs. SIDBI supported those NGOs by way of capacity building, infusion of capital, and other measures," he explained.

A similar model could be attempted to develop local institutions in areas where MFI penetration has not been reached. "We are in touch with NABARD and SIDBI on this. We also had a meeting with the Union Ministry of Finance regarding this," said Mammen.

Source: https://www.thehindubusinessline.com/money-and-banking/microfinance-industry-may-clock-25-growth-in-fy24-on-positive-momentum/article67917049.ece

- **NBFCs predict tighter RBI rules for IPO financing**

Non-banking finance companies expect the Reserve Bank of Bank of India to tighten rules for financing of initial public offerings in the coming days, industry sources told Moneycontrol. A standard minimum upfront margin is likely to be in place that customers would have to deposit with NBFCs while borrowing funds to apply in IPOs.

In case of loan against shares, NBFCs cannot fund more than 50 percent of the value of the shares pledged as collateral. In the case of IPO financing, they cannot lend more than Rs 1 crore per borrower. But the NBFC has the discretion on how much money it wants to collect from its IPO funding customer as upfront margin. The amount would vary depending on the customer's creditworthiness, the amount of business earned from him, the length of the relationship and the number of times the IPO is likely to be subscribed.

Last week, the RBI had asked JM Financial to stop financing IPOs and non-convertible debenture offerings. The central bank's review of JM's processes found that the process of assessing creditworthiness was shallow and that financing was done against meagre margins.

"NBFCs are so far comfortable financing IPOs on thin (upfront) margins because the arrangement with their (IPO funding) customers allows them access to their bank accounts as well as demat accounts," said an official at one of the NBFCs quite active in the IPO financing and loan against shares segment.

So, even if the stock debuts at a discount to the issue price, the NBFC can recover the interest costs and any potential decline in value of the stock from the upfront margin

NBFCs charge up to 13 percent for financing IPOs, a juicy stream of revenue given the low risk involved.

Another key factor driving the IPO funding frenzy has been the massive oversubscription in majority of the issues. This means that often the value of the shares allotted is equal to, less than, or not much higher than the money collected as margin.

For instance, if a client has put Rs 2 lakh as upfront margin, and has been allotted shares worth Rs 3 lakh, that is still good enough for the NBFC to recover its entire loan and interest charges, even if the stock lists at a 30 percent discount to the issue price.

According to industry sources, the problem could arise if the value of the shares allotted are substantially higher than the upfront margin deposited by the customer.

“Technically, there are three days to go from the time the shares are allotted till the time they list on the exchanges,” said the person. “So, if you have collected Rs 1 lakh as margin and the client is allotted Rs 3 lakh of shares, you are technically giving a loan in excess of the collateral. This could be a source of risk if market sentiment changes dramatically.”

If there is a clearly defined limit for loan against shares, it is only logical that there will shortly be something similar for IPO financing as well now that regulators are looking at this route of financing closely, according to the person.

The other cause for concern for regulators is the number of bids for IPOs being inflated using a legitimate cover. Sebi has already flagged it off in its order on JM Financial in the NCD offerings case.

“Sebi is also separately examining an issue in the SME segment of NSE where it was observed that certain entities placed huge bids under the HNI category and subsequently also placed bids under the retail category. This resulted in the issue being oversubscribed but the bids were rejected as multiple applications were made from the same PAN,” the market regulator said.

Market sources said this practice is rampant in the case of small and micro cap IPOs, and that it also happens in some of the mainboard IPOs.

In a bid to boost the subscriptions, merchant bankers are said to be funding clients and asking them to bid from both the non-institutional investor (NII) category as well as retail category. If somebody bids in both categories through the same PAN account, both bids get disqualified.

At the close of the bidding process, these bids will reflect as valid bids, giving the impression that the issue has been massively oversubscribed. But less highlighted is the number of duplicate bids that are rejected.

“This can cause a problem for NBFCs at some point if all the merchant bankers in the same issue follow this trick, as the number of shares allotted will go up sharply,” said another NBFC official. “In such an event, the NBFC’s margin of safety will go down considerably. Because issues have not listed at steep discounts it does not mean they cannot happen in future

Source: https://www.moneycontrol.com/news/business/nbfcs-predict-tighter-rbi-rules-for-ipo-financing-12458611.html

- **Concerns over asset quality, risk management may have prompted RBI's crackdown on NBFCs**

The recent regulatory action by the Reserve Bank of India (RBI) on some fintechs and non-banking financial companies (NBFC) could be due to concerns over asset quality, risk management, and credit underwriting standards, experts told Moneycontrol.

Over the past few months, the central bank has imposed restrictions on various companies, including Paytm Payments Bank, IIFL Finance, JM Financial, Bajaj Finance and M&M Finance. Industry experts and veterans opined that the RBI may have been alarmed by the aggressive growth in the unsecured loans of some entities.

"There could be some asset quality worries that the RBI would have seen mostly after the jump in unsecured lending by these entities. They (RBI) impose monetary penalties which these entities pay and get off with. Hence, the strict restrictions could be due to concerns over the risk management by the entities," said Shymala Gopinath, former Deputy Governor, RBI.

Additionally, Aseem Dhru, Chief Executive Officer and Managing Director of SBFC, a fintech, said regulators keep highlighting concerns and issues to companies. "The RBI has been proactively watching this financial space and it is clearly saying that we are not just watching and punishing, but we will come down heavily on anything that is not in line," Dhru said.

RBI's regulatory hammer

On March 5, the central bank barred JM Financial Products from issuing loans against shares and debentures, including sanctioning and disbursing loans against the Initial Public Offering (IPO) of shares. In addition, some media reports said the Securities and Exchange Board of India (SEBI) will soon come out with an order on JM Financial Products for its alleged role in inflating its IPO price.

A day earlier, RBI asked IIFL Finance to stop sanctioning or disbursing gold loans with immediate effect, noting "supervisory concerns" in the company's gold loan portfolio.

On January 31, the RBI imposed business restrictions on Paytm Payments Bank, citing repeated violations of norms and non-compliance with multiple rules. And on November 15, the RBI directed Bajaj Finance to stop sanctioning and disbursing loans under its two lending products, 'eCOM' and 'Insta EMI Card', with immediate effect.

Gopinath said that post the global financial crisis in 2008, RBI's focus has been more on strengthening supervision. "During the pandemic, there were a lot of complaints from borrowers about some fintechs and digital lenders. Some borrowers even committed suicide. Hence, there is a pattern in the actions of the RBI," Gopinath said.

Source: https://www.moneycontrol.com/news/business/concerns-over-asset-quality-risk-management-may-have-prompted-rbis-crackdown-on-nbfcs-experts-12410751.html

- **RBI's action against NBFCs to put investors in caution mode; bank stocks expected to benefit**

Reserve Bank of India's recent actions against NBFC entities have put the sector on guard. This could result in continued volatility in these stocks and benefit banking stocks, experts said.

In an interview with Moneycontrol in February, Hiren Ved, Director and CIO of Alchemy Capital called RBI's crackdown on financial companies as the "US FDA moment for Indian financials". He said RBI's crackdown will impact investor sentiment towards the banking and financial sector.

US Food and Drug Administration in 2014 started cracking down on Indian pharma companies supplying generic drugs to the US for a host of violations. Ved said regulatory intervention kept on increasing and pharma players had to take remedial measures, which impacted their businesses "for a long time".

After barring Paytm Payments Bank from accepting fresh deposits and credit transactions in January, RBI asked IIFL Finance to stop giving gold loans due to material supervisory concerns on March 4. On the next day, RBI restricted JM Financial from giving loans against shares and debentures, after observing deficiencies in the company's loan process.

NBFCs' shares have gained over 30 percent in the last one year as they displayed high growth in Assets Under Management (AUM) growth and sustained high Net Interest Margins (NIM). Stocks including JM Financial, Muthoot Finance, Manappuram Finance, Cholamandalam Finance and Investment have rallied between 30 and 50 percent in one year. IIFL Finance, before the stock price rout in the last 2 sessions, had gained almost 38 percent in the last 52 weeks

Experts say the consecutive actions against entities will dent investor confidence and outlook towards the NBFCs. Jignesh Shial, Director- Research, Head of BFSI Sector at Incred Capital said the actions will make the investors in the NBFC sector jittery in the short term as they will be worried about who will be exposed next.

In latest note on the sector, Emkay Global too said that RBI's "punitive actions will impact systemic growth for NBFCs in the near term".

Ashish Goel, Managing Partner and CEO of InvestSavvy, echoed similar sentiments as regulatory action will affect the perception of NBFCs as investors will be now cautious in approaching the sector due to the consecutive actions against Paytm, IIFL and JM Financial.

Source: https://www.moneycontrol.com/news/business/markets/rbis-action-against-nbfcs-to-put-investors-in-caution-mode-bank-stocks-expected-to-benefit-12417411.html

- **Indian infra lender considers bond sale to raise up to $4.8 billion**

National Bank for Financing Infrastructure and Development plans to raise up to 400 billion rupees ($4.8 billion) in local currency bonds, according to people familiar with the matter, as the newly created Indian lender aims to more than double its loans disbursement.

NaBFID, as the institution is called, is likely to sell bonds with tenors spanning from 10 to 20 years in the financial year starting April 1, the people said, asking not be identified because the details are private. The amount is expected to be in 300 billion rupees to 400 billion rupees range, they said.

The state-backed financier, which started operations in 2022, raised 195.2 billion rupees in the current fiscal year in two issuances, joining other Indian institutions in selling bonds amid a massive increase in government spending on roads, ports and railways. NaBFID has disbursed loans of more than 250 billion rupees since April last year, one of the people said.

NaBFID didn't immediately reply to Bloomberg's emailed request for comment on the fundraising proposal.

Prime Minister Narendra Modi's administration has doubled spending on roads, airports and urban infrastructure over the past three years, and allocated about 11 trillion rupees ($133 billion) to the sector for the coming fiscal year.

Source: https://www.moneycontrol.com/news/world/indian-infra-lender-considers-bond-sale-to-raise-up-to-4-8-billion-12490651.html

TOP INSURANCE NEWS

- **Insurance firms told to keep their offices open on March 30 and March 31.**

Apart from insurance firms, all branches of the banks dealing with government receipts and payments will also remain open for transactions on March 30 and March 31.

To avoid any hardship to policyholders, insurance firms have been directed to keep their offices open as per normal working hours on March 30 and March 31, IRDAI said in a release on Friday.

Banks open

Apart from insurance firms, all branches of the banks dealing with government receipts and payments will also remain open for transactions on March 30 and March 31. In a notification dated March 20, 2024, RBI said, "The Government of India has made a request to keep all branches of the banks dealing with Government receipts and payments open for transactions on March 31, 2024 (Sunday) so as to account for all the Government transactions relating to receipts and payments in the FY 2023-24 itself. Accordingly, Agency Banks are advised to keep all their branches dealing with government business open on March 31, 2024 (Sunday)."

In another press note dated March 22, 2024, RBI stated, "With a view to providing greater convenience to tax payers, it has been decided that RBI offices dealing with Government business and all designated branches of agency banks conducting government banking business will keep their counters open as per normal working hours on March 30, 2024 and March 31, 2024." The transactions through National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) system will continue upto 2400 hours as hitherto on March 31, 2024.

Tax department working too

The income tax department has also decided to cancel the long weekend for its employees. This financial year 2023-24 ends on March 31, 2024 which is a Sunday and March 30 is a Saturday and March 29 is Good Friday, which is a public holiday; this makes the last week of the month a long weekend.

Source: https://www.businesstoday.in/personal-finance/insurance/story/insurance-firms-told-to-keep-their-offices-open-on-march-30-and-march-31-heres-what-else-is-open-423328-2024-03-29

- **IIRDAI announces final rules on surrender value from April 1. A quick guide for policyholders**

The Insurance Regulatory and Development Authority of India (IRDAI) has announced the final set of rules on surrender value. From April 1, 2024, the surrender value is expected to remain the same or even lower if policies are surrendered up to a period of within three years.

A surrender value in insurance is the sum disbursed by the insurer to the policyholder when terminating the policy prematurely. If surrendered during the policy term, the policyholder receives the earnings and savings component. This provision offers a way to access funds in case of need before the policy matures.

The IRDAI has said that if policies are surrendered between the fourth and seventh years, the surrender value may see a marginal increase. For non-single premium life insurance policies, a guaranteed surrender value will be provided upon payment of premiums for at least two consecutive years.

The proposed slabs for the surrender value percentages are:

> 30% of total premiums paid if surrendered during the second year.

> 35% of total premiums paid if surrendered during the third year.

> 50% of total premiums paid if surrendered between the fourth and seventh years.

> 90% of total premiums paid if surrendered during the last two years

In December 2023, IRDAI had released a consultation paper proposing to increase the surrender value paid by life insurance companies to its policyholders.

IRDAI decided to retain the regulations after it suggested a hike in the initial proposals in the draft regulations in surrender values. This was not taken nicely by the industry players and raised worries about potential higher short-term exits by policyholders.

Besides this, the regulator has also permitted sale of Index Linked Insurance Products, where the Net Asset Value (NAV) is linked to publicly available indexes.

On non-linked insurance products, IRDAI has stated that benefits in non-linked insurance savings products should be guaranteed in terms of an absolute amount at the policy's inception to give policyholders clarity and certainty regarding the benefits they can expect.

For savings products, excluding terms with the return of insurance premium, the IRDAI has noted that survival & maturity benefits should be guaranteed and result in a non-zero positive return to policyholders to ensure that policyholders receive value from their savings products.

The regulator has also stated that pension products issued to individual customers should have defined assured benefits, which could be payable either on death or any health contingency, if covered.

Besides, the assured benefits should be payable upon vesting under non-linked pension products, with the exception of linked pension products where it is optional to pay the defined assured benefit upon vesting.

Source: https://www.businesstoday.in/personal-finance/insurance/story/irdai-announces-final-rules-on-surrender-value-from-april-1-a-quick-guide-for-policyholders-422868-2024-03-26

- **SBI General Insurance says Arogya Plus Health Policy available for subscription, renewal**

On Tuesday, a company spokesperson said that the policy is active and policyholders can purchase new policies and renew the existing ones. Due to a temporary technical glitch, the policy was not reflecting for renewal on the website, the spokesperson added.

SBI General Insurance on Tuesday stated that the Arogya Plus Health Policy is available for subscription. On Saturday, it was reported that SBI General Insurance Co. has discontinued its low-cost health plan, Arogya Plus Health Policy. It was reported that the policyholders have been asked either to exist the policy or switch to other health plans or more expensive ones.

Arogya Plus offers coverage on an indemnity basis up to a specified sum insured at a flat premium. Flat premium is irrespective of the age of the insured and family combination. The policy was available on an individual basis, Family Non-floater and Family Floater sum insured basis. The policy had no caps on room rent or age-related charges.

On Tuesday, a company spokesperson told CNBC TV18 that the policy is active and policyholders can purchase new policies and renew the existing ones.

"We are still selling thousands of policies per month. Due to a temporary technical glitch, the policy was not reflecting for renewal on the website, the issue has been resolved. We are continuously engaging with the intermediaries and stakeholders," the spokesperson said.

The policy is available for individuals or families. The family insurance policies include the spouse, dependent children, parents, and parents-in-law. For family floater insurance policies, "family" refers to the spouse and dependent children.

Sources- https://www.businesstoday.in/personal-finance/insurance/story/sbi-general-insurance-says-arogya-plus-health-policy-available-for-subscription-renewal-422110-2024-03-19

- **40% increase in women buying health insurance in FY24, shows Policybazaar data**

The survey, based on responses from over 23,000 respondents, also shows a 43% increase in the number of women purchasing individual coverage

There has been a significant surge in the number of women purchasing health insurance in FY24 compared to the previous year, according to data gathered from a survey conducted by insurance aggregator Policybazaar.com. It seems to signal an increase in health-consciousness and financial independence among women.

The survey, based on responses from over 23,000 respondents, showed that the proportion of women covered by health insurance rose by 40% compared to FY23. Additionally, the number of women purchasing individual coverage showed an increase of 43%.

Increasingly, women are recognising the importance of financial preparedness against eventualities, the survey indicated. This is evident in a substantial rise in women opting for a coverage higher than Rs 25 lacs, and a decline in the proportion of women choosing a sum insured less than 25 lacs, Policybazaar.com told BT.

The survey also highlighted an encouraging trend of health insurance coverage penetration beyond urban areas, with an increase in policyholders from Tier- 2 & 3 cities. This suggests a democratization of healthcare access, providing insurance benefits to women in previously underserved areas.

Particularly, younger women are demonstrating a proactive approach towards health, with a surge in policyholders below the age of 40. However, the proportion of policyholders in the 51-60 and 60+ age groups decreased, necessitating more effective awareness campaigns and products that cater to these age groups.

Meanwhile, coverage for critical illnesses and maternity insurance saw a significant increase as well. The claims data from policyholders flagged women-centric health issues like fibroids, breast and cervical cancer as the top few reasons for claims settlements, again underscoring the need for gender-specific plans.

This shift in health insurance trends among women, with robust growth in independent coverage and emphasis on proactive wellness, shows the rising demand for policies that address women-centric health risks. Health insurance experts hold that it also presents opportunities for the industry to customise offerings and broaden its scope to further empower women in their journey towards improved health and financial security.

"Women are increasingly focussing on their health and financial security. It is reflective in the 40% growth in independent health insurance adoption by women in the past year," Siddharth

Singhal, Business Head at Policybazaar.com, commented.

Singhal emphasised the importance of women-centric health insurance plans and recommended tailored coverage such as critical illness plans for enhancing protection. "Health insurance helps to ease the financial burden, particularly for women who face various health issues, including gender-specific illnesses. It ensures access to advanced medical treatments and ongoing care," Singhal said.

Source: https://www.businesstoday.in/personal-finance/insurance/story/40-increase-in-women-buying-health-insurance-in-fy24-shows-policybazaar-data-421559-2024-03-15

- **LIC's group premium doubles, total premium surges by 67% in February 2024**

LIC's group premium doubled to Rs 14,914.98 crore for February 2024 from Rs 7,434.27 crore for February 2023, while the total premium rose 67.48% to Rs 19,896.01 crore for February 2024 from Rs 11,879.49 crore for February 2023.

In February 2024, LIC saw a notable rise in group yearly renewable premium and individual premium, experiencing an increase of 36.10% and 11.69% respectively. The group yearly renewable premium collected for the first 11 months of FY24 rose 127.46% to Rs 1,577.35 crore, from Rs 693.47 crore collected during the same month last year. The individual premium collected for first 11 months of FY24 was Rs 48,548.24 crore, growing 0.55% from Rs 48,283.13 crore collected in the corresponding period last year.

Number of polices/schemes in February grew 10.93% to 2,639 from 2,379. In February 2024, LIC saw a sizeable rise in Individual Premium and Group Yearly Renewable Premium, experiencing an increase of 6.34% each respectively.

For the first 11 months of FY24, the Group Yearly Renewable Premium rose 3.90% to 27,719 from 26,679 in the corresponding period last year.

February 2024 vs February 2023

- In February 2024, LIC's policies and schemes for the individual category reached a total of 17,15,467 showing an increase of 6.34% compared to 16,13,178 policies and schemes recorded in the same month of the previous year.
- For the group's yearly renewable premium segment, the number of policies and schemes in February 2024 stood at 2,639 marking a 10.93% increase from 2,379 policies and schemes reported in February 2023.

The total number of policies in February 2024, across all categories, experienced an 6.34% increase, reaching a total of 17,18,560 policies, as compared to the 16,16,048 policies reported in the same month of the previous year.

Source: https://www.businesstoday.in/personal-finance/insurance/story/lics-group-premium-doubles-total-premium-surges-by-67-in-february-2024-421099-2024-03-12

- **AYUSH medicines and health insurance reimbursement:**

In recent years, there has been a growing interest in AYUSH (Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homeopathy) medicines as an alternative or as complementary healthcare options. With this increased popularity, many individuals have begun to explore the possibility of using Ayush treatments and medicines for various health concerns. However, one common question is whether health insurance policies cover these treatments and how reimbursement works.

This article will delve into Ayush medicines and insurance reimbursement nuances to provide a comprehensive understanding.

Inclusion in health insurance policies: "In recent years, many health insurance providers have started including coverage for Ayush treatments and medicines. However, the extent of coverage varies by insurer and policy. Some insurers offer comprehensive coverage for Ayush treatments, while others may offer it as an add-on or as part of specific health plans," said Rakesh Goyal, Director at Probusinsurance.com.

Eligibility for reimbursement: To avail reimbursement for Ayush treatments and medicines, certain criteria need to be met. Goyal says, "The treatment must be administered by a qualified practitioner registered under the relevant Ayush system. Additionally, the treatment should be prescribed for a condition covered under the policy, and valid bills and receipts should support the expenses incurred."

Documentation requirements: When seeking reimbursement for Ayush treatments, policyholders are typically required to submit relevant documents, including the doctor's prescription, bills from the healthcare provider, and diagnostic reports, if applicable. It's essential to maintain proper documentation to ensure a smooth reimbursement process.

Policy limitations and exclusions: While many health insurance policies offer coverage for Ayush treatments, it's crucial to review the policy documents carefully to understand any limitations or exclusions. "Some policies may have specific caps on Ayush coverage or exclude certain treatments or procedures," said Goyal.

Pre-authorization and claims process: In some cases, pre-authorization may be required to ensure coverage before undergoing Ayush treatments. Goyal said, "Policyholders should contact their insurance provider to understand the pre-authorization process and initiate it as necessary. Additionally, the claims process for Ayush treatments follows the standard procedure outlined by the insurer."

The bottom line: In conclusion, Ayush medicines and treatments are gradually gaining recognition as viable healthcare options. While health insurance coverage for Ayush treatments is available, understanding the terms, documentation requirements, and limitations is essential for policyholders. By staying informed and proactive, individuals can make the most of their health insurance coverage while availing Ayush treatments for their well-being.

Source: https://www.businesstoday.in/personal-finance/insurance/story/ayush-medicines-and-health-insurance-reimbursement-here-is-what-you-need-to-know-419615-2024-03-01

TOP CORPORATE BOND MARKET NEWS

- **'Lenders to chase corporate bonds as new investment rules kick in'**

Indian banks will gravitate towards corporate bonds they intend to hold until maturity once new central bank rules kick in next month, as yields are currently elevated and the investments would be spared from market-linked markdowns, treasury officials said.

From April 1, corporate bond investments will be allowed under held-to-maturity (HTM) category for the first time, provided the fair value is disclosed and investments protected from mark-to-market volatility, according to revised Reserve Bank of India rules.

Currently banks can hold up to 23% of their deposits under HTM as investments in government bonds and state debt and this cap will be removed in April.

The current yield spread of more than 50 basis points in favour of corporate bonds makes them an attractive investment.

"From April, for the HTM portfolios, the AAA-rated bonds especially of state-run companies are an attractive bet as they are yielding higher than the state bonds and do not carry much credit risk," VRC Reddy, treasury head at Karur Vysya Bank, said.

The three-year to five-year government bond yields were in the range of 7.06%-7.08%, while state bonds of similar duration yield around 7.38%-7.42%.

In contrast, LSEG's AAA-rated benchmark three-five year corporate bonds were yielding 7.62%-7.70%.

Major beneficiaries would be highly rated and reputed names as banks would avoid even the slightest of credit risk for the HTM segment, the treasury officials added.

The officials have said that bonds of AAA-rated state-run companies such as Power Finance Corp , REC and Power Grid Corp could be the preferred choice.

Alok Singh, group head of treasury at CSB Bank, expects the spread between government and corporate bond yields to ease below 50 basis points, also aided by improvement in liquidity condition.

"Some banks have already started increasing exposure to corporate bonds, and this is expected to rise further as they intend to capture the higher yields," Venkatakrishnan Srinivasan, founder and managing partner at Rockfort Fincap, said.

Corporate bonds of some sectors such as infrastructure companies could benefit further as banks try to meet their priority-sector lending targets by raising exposure to debt, a treasury head of a state-run bank said, requesting anonymity as he is not authorised to speak to the media.

Source: https://www.business-standard.com/finance/news/lenders-to-chase-corporate-bonds-as-new-investment-rules-kick-in-124032100427_1.html

- **Party Rages on for Corporate Bond Investors**

Risk premiums have been shrinking for most of the year, even if they edged higher in the latest week. The extra yield that investors demand for buying junk bonds instead of high-grade debt has been shrinking, signaling less fear of default. A key measure of that gap was just 1.02 percentage point on Thursday, according to data compiled by Bloomberg, close to the lowest in about two years.

Investors have found a series of reasons to buy corporate debt. Mixed economic data implies that the Federal Reserve won't have reason to hike further, even if hopes of rate cuts are fading. Insurance companies that have sold annuities and pension plans that are funding retirees are eager to lock in high yields and buy company bonds.

"What we are seeing is a general move toward a growing comfort with risk," said Richard Cheng, an investment-grade portfolio manager at Nuveen. "Expectations of a soft landing continue to grow and macro forecasts continue to remain optimistic," he said in a phone interview on Friday.

US consumer sentiment posted a surprise drop in late February as the outlook for the economy deteriorated. But in the latest week, the Fed's preferred inflation gauge posted its fastest acceleration in a year, implying a recession isn't near.

There are risks ahead. Investment-grade bonds have relatively long duration, making them sensitive to rates if the Fed, for example, is much slower to cut rates than investors hope for. And money managers are showing early signs of getting full on high-grade bond sales. Companies are having to offer higher yields relative to existing securities to convince fund managers to buy.

Still, for now, investors are deluging credit funds with money. Weekly inflows for US investment-grade debt in February, for example, have averaged $6.4 billion, up 10% versus $5.8 billion seen in January, JPMorgan Chase & Co. strategists led by Eric Beinstein wrote in a note Friday. Money has flowed into US junk bond funds seven out of nine weeks so far this year, according to LSEG Lipper data.

Bank of America Corp. forecasts a record $500 billion of flows into high-grade corporate debt this year, with one strategist at the firm describing conditions as "bubbly." Strategists at Barclays Plc say as much as $600 billion could shift out of money-market funds into riskier assets, with credit likely to be favored over stocks.

Insatiable investor demand has helped lift January and February high-grade corporate bond sales in the US to record levels, topping $387 billion as of Friday. The first quarter may end up being the busiest on record if issuance in March stays even moderately strong.

Amid that demand, the average spread for US investment-grade bonds traded at 96 basis points on Thursday. While risk premiums have widened over the past week, they have narrowed 0.03 percentage point since the start of the year. The average junk-bond spread was 3.12 percentage points, about 0.2 percentage point tighter than the end of last year.

Barclays has an index of fear in credit markets that it calls its Complacency Signal. That gauge remains elevated at 80%, the highest level since January 2022, strategist Andrew Johnson wrote in a note on Friday. The measure reflects a decrease in realized volatility of high-yield returns and a decrease in the distressed rate, which were partly offset by slight weakness in high-yield spreads.

Source: https://www.livemint.com/news/party-rages-on-for-corporate-bond-investors-11709411676143.html

- **Corporate bond issuances in FY25 to be over 10% higher on rising investor demand, say experts**

Fundraising through corporate bonds is likely to rise by an over 10 percent annualised rate in 2024-25 due to expectation of lower borrowing cost amid increased demand from foreign as well as domestic investors, experts said.

"We expect a 15 percent to 20 percent increase compared to FY24. Trends suggest potential growth driven by increased investor demand and companies issuing bonds to secure lower borrowing costs amid expected rate cuts," said Nagesh Chauhan, Head - DCM, Tipsons Group.

Further, Venkatakrishnan Srinivasan, founder and managing partner of Rockfort Fincap, said the heightened investor demand (from both foreign portfolio investors and domestic ones) could make it more attractive for companies and banks to tap the bond market for their funding needs.

In the last few months, demand from long-term domestic investors picked up, which helped corporates and banks to raise more funds at affordable rates in the debt market. This was in tandem with rising demand from foreign players too, experts said.

The surge in foreign investors' demand was also seen in the government securities market, especially after the announcement that Indian bonds would be included in global bond indices. In FY25, FPI flows are likely to increase in the bond market, experts added.

Source: https://www.moneycontrol.com/news/business/corporate-bond-issuances-in-fy25-to-be-over-10-higher-on-rising-investor-demand-say-experts-12567581.html

- **India's inclusion in global bond indices to up foreign investor interest in corp debt as well**

The inclusion of the India in the global bond indices is also expected to increase the interest of investors in corporate paper, Sebi Chairperson Madhabi Puri Buch said here on Wednesday. Speaking at a research conference organised by Sebi and its education-focused capacity-building body NISM, Buch said the regulator will further reduce the minimum investment size of bets on real estate investments trusts and infrastructure investment trusts to ensure that common people are able to take bets on such assets.

"We are all delighted that now, government of India bonds will be part of the global indices,

"We are expecting that on the back of the inclusion of the sovereign debt on the global indices, there will be a significant interest in corporate debt," she added.

J P Morgan and Bloomberg have included securities issued by the Indian government to take care of its funds in their indices, which is expected to lead to inflow of up to USD 40 billion into Indian debt from foreign investors.

Buch said the young generation, which is keen to spot the next best money multiplier, should look at REITS and InvITs, which help an investor take a fractional ownership in major real estate and infrastructure assets.

"The level of investor interest, particularly from foreign investors, in the InvIT space is very very significant," she said, listing out the strategies to be deployed by Sebi to make it more popular going ahead.

The regulator is comfortable with the level of disclosures and governance standards in the instruments now, and has already decreased the minimum investment amount in such asset classes as the risk in such assets has gone down, she said.

We have steadily brought it down and the intention, the commitment to the industry is that down the line we will bring it down even further making it very much affordable," she said.

This is a part of the "sachetisation" of financial products strategy adopted earlier, Buch said, adding that such a move should help even the smallest of investors own a fractional ownership of such assets.

Meanwhile, speaking at the same event, Sebi's Whole-Time Member Ananth Narayan said the regulator will be launching a survey on the level of investor awareness and what are the mediums through which they get their information.

Stating that it will take some time, he said, "This is something that we are consciously trying to do, to actually figure out scientifically on where are the gaps, how can they be addressed, what is the best medium of doing so. Its worth the exercise rather than us assuming what the investor wants."

Source: https://economictimes.indiatimes.com/markets/bonds/indias-inclusion-in-global-bond-indices-to-up-foreign-investor-interest-in-corp-debt-as-well-buch/articleshow/108468838.cms

- **National Highways Infra to debut private bond placement by April, sources say**

India's National Highways Infra Trust (NHIT) is set to tap the domestic corporate bond market via a debut private placement of bonds in the next two months, four sources directly aware of the matter said on Friday.

The company is likely to opt for longer-duration bonds of more than 15 years and would look to raise around 20 billion rupees to 30 billion rupees ($241 million-$362 million), the sources said.

"NHIT will go for zero-coupon bonds of maybe 17-year or 18-year duration as that becomes an attractive proposition for long-term investors who do not want to get involved in re-investments for regular receivables for a longer period of time," one of the sources said.

The company is a wholly-owned subsidiary of National Highways Authority of India and manages toll road projects.

Another source said that the company would conduct a board meeting next week and more details on the timing and exact duration for the issue would be finalised at that time.

The sources requested anonymity as they are not authorised to speak to media, while the company did not immediately respond to a Reuters email seeking comment.

Long-term investors are looking to aggressively invest funds in higher-rated securities as they are witnessing heavy inflows, coinciding with some slowdown in overall debt supply.

The company's bonds are rated AAA by rating agencies, which implies the highest amount of security. It had raised 15 billion rupees through its first ever debt issuance when it tapped the market through a public issue in October 2022

Source: https://economictimes.indiatimes.com/markets/bonds/national-highways-infra-to-debut-private-bond-placement-by-april-sources-say/articleshow/108136208.cms

- **India's Gujarat state civic body issues Asia's first certified green municipal bond**

India's Vadodara Municipal Corporation has raised 1 billion rupees ($12.07 million) by issuing Asia's first certified green municipal bond, the civic body said in a press release on Friday.

The civic body from the western Indian state of Gujarat has set a semi-annual coupon of 7.90% on the issue, for which it invited bids from investors earlier in the day.

The proceeds from the issue will be used to build and enhance liquid wastewater management infrastructure across the city.

"The issuance by the Vadodara Municipal Corporation marks a watershed moment for sustainable municipal finance, not just in India but across Asia," Sean Kidney, chief executive officer of Climate Bonds Initiative, said

"It exemplifies how local governments can harness green finance to catalyse critical investments in environmental infrastructure, aligning with urgent global climate objectives," Kidney added.

The bonds are rated AA+ by India Ratings and have received a green security certificate from the Climate Bond Initiative.

SBI Capital Markets and Tipsons Consultancy Services are the arrangers for the bond issue.

Officials from the U.S. Treasury Department provided technical assistance to the civic body for the fundraising.

The Vadodara civic body last accessed the bond market in 2022, raising 1 billion rupees via bonds maturing in five years at a semi-annual coupon of 7.15%.

Source: https://economictimes.indiatimes.com/markets/bonds/indias-gujarat-state-civic-body-issues-asias-first-certified-green-municipal-bond/articleshow/108136051.cms

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