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TOP SPEECHES

Price and Financial Stability: Managing Complementarities and Trade-Offs

(Plenary Address by Shri Shaktikanta Das, Governor, Reserve Bank of India - October 20, 2023 - Delivered at the Kautilya Economic Conclave Organised by the Institute of Economic Grow

In the opening line of my latest Monetary Policy Statement on October 6, 2023, I had referred to Kautilya's emphasis on stability in the macroeconomic context. I now propose to share my thoughts on managing the complementarities and trade-offs associated with price and financial stability. I also propose to touch upon the policy mix to achieve these desirable goals, and our experience in dealing with these issues in India. Evidently, the choice of this topic draws inspiration from the nomenclature of this economic conclave.

But let me first begin by commenting on the current global context. The global economy is facing a triad of challenges – (i) slow moderation in inflation which is getting interrupted by recurring and overlapping shocks; (ii) slowing growth, and that too, with fresh and enhanced obstacles; and (iii) lurking risks of financial instability. Central banks with price stability as their primary objective have raised policy rates aggressively, while signalling to keep rates higher for longer. Some of them have taken a pause on rate hikes. Financial stability concerns along with other factors, have conditioned this pursuit, following the recent banking sector turmoil in some advanced economies. Financial markets have become highly sensitive to every piece of new information. Policy making has become extraordinarily complex amidst such confluence of factors. Increasingly, central bankers face tensions between doing too little or doing too much. While several central banks may prefer the prudence of overkill, somewhat embodied in higher for longer policy stances, financial instability risks rise up to restrain them. With every shock such as the recent simultaneous surge of crude oil prices, bond yields and the US dollar, additional dimensions of policy dilemma present themselves and hamstring their responses.

In such a situation, conflict may arise between the requirements of price and financial stability, but policymakers have to deftly tread a fine balance, as it is important to recognise that price and financial stability reinforce each other in the medium to long term. Stability is the foundation of sustained progress. As Kautilya explained long ago: "Which is preferable – an immediate small gain or a large gain in the future? A large gain in the future is preferable if it is like a seed yielding fruit in the future." Against this background, let me start with the evolution of the idea of price and financial stability in the global context.

Global Backdrop: Evolution of Price and Financial Stability

The role of central banks had evolved by the 19th century, as they came to be recognised primarily as the lender of last resort (LOLR) (Bagehot, 1873). The LOLR principle remains the cornerstone of modern central banking and its scope has widened over time to encompass financial stability in respect of financial markets and institutions. Historically, therefore, financial stability has been the core remit of central banks involving both prevention and management of financial crisis.

By the second half of the 20th century, inflation surges world-wide caused by post-war fiscal activism and recurring oil price shocks, in the backdrop of stagnating economic activity, resulted in price stability being recognised as the prime objective of central banks. As inflation targeting gained ground from the early 1990s, a widely accepted view emerged that monetary policy should primarily – or perhaps solely – focus on price stability, with financial stability falling in the domain of prudential regulation and supervision. Price stability was increasingly seen as the best guarantee of financial stability.

The extended period of steady growth and low and stable inflation during the Great Moderation era of 1990s and early 2000s lulled central banks into a sense of complacency with regard to regulation and supervision of the financial system. Quietly and in parallel, the seeds of financial instability were germinating. Soon, therefore, the conventional wisdom of price stability being an automatic stabiliser of the financial system got wiped off in favour of the view that price stability on its own would not necessarily safeguard financial stability. This view was further reinforced by the global financial crisis (GFC) of 2008.3 Governor Subbarao (2012) acknowledged this stating that "The global financial crisis followed by the euro zone debt crisis has changed the theology of central banking in a fundamental way. The orthodoxy of central banking before the 2008 crisis was: single objective – price stability; single instrument – short-term interest rate. ...The crisis came as a powerful rebuke to central banks for having neglected financial stability in their single-minded pursuit of price stability."

During the GFC, central banks globally undertook large scale monetary stimulus to depress interest rates to ultra-low levels and rekindle animal spirits among investors and households. These measures were aimed at restoring financial stability in the near term, but ended up threatening future price stability, thus posing an inter-temporal tradeoff between price and financial stability. In other words, the large scale monetary and fiscal accommodation undertaken to address financial stability risks during the GFC sowed the seeds of inflationary pressures in subsequent years. In the meantime, central banks had become more proactive on issues of financial stability.

Central banks again faced a trade-off between price and financial stability during the COVID-19 pandemic as economic activity came to a standstill amidst elevated global commodity prices and disruption of supply chains. As the global financial system became awash with stimulus-injected liquidity, concerns were raised about the implication of the liquidity glut for price stability. With the commencement of the war in Ukraine, these concerns materialised and inflation surged to 40-year high levels. The unprecedented rate hikes, which was undertaken by central banks, have resulted in large erosion in profitability of some banks in advanced economies. Obviously, these banks had not adequately factored in the interest rate risks associated with a reversal of the accommodative policy stance pursued during the pandemic. The collapse or failure of some of these banks demonstrated the reverse causality of the trade-off mentioned earlier. In other words, the measures undertaken during the GFC to restore financial stability sowed the seeds of future price instability risks; while this time around after the pandemic and the war, the measures to address price stability led to concerns relating to financial instability in some parts of the world.

Summing up, the last two decades have revealed multiple linkages running between financial stability to price stability and vice versa. Measures for promoting financial stability can complement or constrain monetary policy depending upon its usage. Financial stability measures aimed at effective regulation and supervision of banks, non-banking financial companies (NBFCs) and markets can enhance monetary transmission and help achieving price stability; whereas financial stability measures via extraordinary monetary expansion, if not corrected timely, can jeopardise price stability. Similarly, the linkage from price to financial stability also operates in two ways. First, extended period of low and stable inflation could lead to financial instability through complacency loop as explained earlier; and prolonged periods of depressed growth can keep prices in check, but they could also lead to financial instability. Second, periods of high inflation that are addressed by strong monetary policy tightening can deter financial stability if interest rate risks are not adequately factored in. It is, therefore, evident that the relationship between price stability and financial stability depends upon the policy choices that we make.

The Indian Experience

The Reserve Bank, with its assigned responsibility to maintain monetary stability and price stability, also has the larger responsibility of maintaining financial stability, as it is the regulator and supervisor of banks and other financial sector entities and markets. Unlike price stability, financial stability is not specifically defined and not explicitly quantifiable. As a result, it has been interpreted subjectively specific to the context and circumstances. Governor Y.V. Reddy defined financial stability in central banking parlance as "Financial Stability refers to the smooth functioning of the financial markets and institutions, (it) does not mean absence or avoidance of crisis but presence of conditions conducive to efficient functioning without serious disruption.

Recent Years

This unique combination of Reserve Bank's responsibilities – monetary policy combined with macroprudential regulation and micro-prudential supervision – has enabled the Reserve Bank to focus on both financial and price stability, even during the recent years of multiple, overlapping and unprecedented shocks, coming one after the other. I am referring to the post ILFS crisis, COVID-19 pandemic, war in Ukraine, unparalleled tightening of interest rates and financial market volatilities, in that order.

Following the collapse of ILFS in the second half of 2018, almost the entire 2019 necessitated taking measures to intensify the supervision of NBFCs; close monitoring of their liquidity and stability conditions; infusing system liquidity through innovative instruments like currency buy-sell swaps; restoring market confidence through appropriate communication and backing it up with actual action on several fronts.

When the COVID-19 pandemic scarred the global economy including India, our response was swift and decisive. We put in place business continuity measures even before the nation-wide lock down was announced.8 The policy repo rate was reduced sizeably by 115 bps in a span of two months (March-May 2020). Unlike advanced economy central banks which eased rates close to the zero-lower bound, we did not reduce the policy repo rate below our inflation target of 4 per cent. Financial conditions were eased substantially by further reducing the reverse repo rate, which lowered the floor rate of the Reserve Bank's liquidity adjustment corridor. This became the effective anchor of money market rates.

In addition, liquidity enhancing measures equivalent to 8.7 per cent of GDP were announced. Our liquidity measures were unique in several ways: liquidity was provided only through the Reserve Bank's counterparties (banks); asset purchase programme (G-SAP) was for a limited period of six months; collateral standards were not diluted while offering lending facilities; and most of these liquidity injection measures were targeted and had pre-announced sunset clauses, which helped in their orderly unwinding. In parallel, macroprudential measures like moratorium on repayment of bank and NBFC loans for six months, followed by Resolution Frameworks for COVID-19 stressed assets were also announced. These resolution frameworks were offered for a limited period and were not open ended, but subject to achievement of certain financial and operational parameters.

It may be noted that all these measures were nuanced, keeping in mind the price and financial stability challenges they may create in the future. Interestingly, the Reserve Bank's balance sheet size which had expanded to 28.6 per cent of GDP in 2020-21 from 24.6 per cent in 2019-20, has moderated to about 22.5 per cent in 2022-23, going below its pre-pandemic level.

During 2021, the surplus liquidity was gradually migrated from the short end to the longer horizon through variable rate reverse repo (VRRR) auctions of longer tenors, which lifted short-term rates from ultra-low levels, thereby obviating financial stability challenges. This was done by sensitising the market well in advance through effective communication.

The period since the onset of the pandemic was an example of how the Reserve Bank could effectively address macro-stability consideration of maintaining price stability through conventional and unconventional monetary policy, within the flexibility provided by the flexible inflation targeting (FIT) framework, while also addressing financial stability considerations simultaneously. The flexibility provided by a dual mandate under FIT of maintaining price stability while keeping in mind the objective of growth, along with the provision of a tolerance band around the target rate, helped us to accommodate large supply side shocks, while focusing on immediate growth concerns during the pandemic.

Subsequently, when the shock of Ukraine war struck in 2022 and there was a sudden surge in inflation, we quickly changed gears by prioritising inflation over growth and shifting the monetary policy stance from being accommodative to withdrawal of accommodation. Further, given that the nature of inflation process in India was driven largely by supply side shocks, proactive supply side measures taken by the Government aided to temper the price impulses.

The Current Context

After raising the policy repo rate by 250 bps cumulatively between May 2022 and February 2023, with the quantum of rate hikes being calibrated in tune with the evolving inflation outlook, we have maintained pause on policy rates in 2023-24 so far. The 250-bps hike is still working through the financial system. We have also appropriately fine-tuned our communication to ensure successful transmission of the rate hikes.

In the prevailing global environment of slowing growth and stubborn inflation, especially in the last few miles before reaching the target, economic activity in India exhibits resilience on the back of strong domestic demand.10 Real GDP growth for 2023-24 is projected at 6.5 per cent and India is poised to become the new growth engine of the world.

We remain extra vigilant on the evolving inflation dynamics. Headline CPI inflation has moderated sharply to 5.0 per cent in September 2023 with correction in vegetable prices. The outlook on food inflation, however, is beset with uncertainties. On the positive side, core inflation (i.e., CPI excluding food and fuel) has eased by around 170 basis points to 4.5 per cent from its recent peak in January 2023. We have projected headline CPI inflation at 5.4 per cent for 2023-24. As evident from our survey of September 2023, there is further progress on anchoring of inflation expectations which entered single digit zone for the first time since the COVID-19 pandemic. In the current situation, monetary policy must remain actively disinflationary to ensure that ongoing disinflation process progresses smoothly.

On the financial stability front, throughout the multiple shocks in the recent period, the Reserve Bank has adopted a prudent approach and taken several initiatives to revamp regulation and supervision of banks, NBFCs and other financial entities by developing an integrated and harmonized architecture. The Indian financial sector has been stable and resilient, as reflected in sustained growth in bank credit backed by improved asset quality, adequate capital and liquidity buffers and robust earnings growth.11 Macro stress tests for credit risk reveal that scheduled commercial banks (SCBs) would be able to comply with the minimum capital requirements even under severe stress scenarios. The financial indicators of NBFCs are also in line with that of the broader financial system as per June 2023 data. There is, however, no room for complacency because it is during good times that vulnerabilities may creep in; hence, buffers are best built up during good times. Banks, NBFCs and other financial sector entities should remain vigilant and complete the pending repairs, if any, to their houses. Roofs need to be fixed, walls need to be further strengthened and foundations need to be augmented when the weather is good to withstand potential adverse weather events in the future.

Conclusion

Let me now conclude. Price stability and financial stability complement each other. In fact, price stability is an anchor for financial stability, but the trade-off between the two becomes a close call at times. It has been our endeavour to manage these complementarities and trade-offs as efficiently as possible. While according priority to price stability keeping in mind the objective of growth, as mandated under the law, we treat financial stability as non-negotiable. Our policies and choices of instruments are guided by this holistic approach. We have strengthened our macroeconomic fundamentals and buffers, and these are imparting resilience to the economy to withstand large shocks and navigate in an increasingly turbulent and uncertain global setting. Alan Greenspan, the former Fed Chair, once said, "More fundamentally, an environment of greater economic stability has been key to the impressive growth in much of the world."12 India's economic performance in recent years lends credence to this view.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1383

Fostering Economic Growth through Sustainable Finance and Financial Inclusion (Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - October 12, 2023 - at the Conference on Priority Sector Lending held at College of Agricultural Banking

Sustainable finance, often referred to as responsible or green finance, is a concept that has gained immense traction in recent years. Simply put, it is funding to businesses and projects that promote not only economic growth but also environmental protection, social equity, and responsible governance.

The importance of sustainable finance cannot be overstated. We are living in an era where climate change, social inequalities, and governance issues pose significant threats to the stability of economies and societies.

For instance, in India itself we can see some of these risks materialising. Due to its geographic, environmental and economic characteristics India is particularly vulnerable to climate change. As per online sources, upto June 30, 2023 alone India experienced extreme weather events on 143 out of 181 days1. Variability in monsoon patterns coupled with temperature changes impact crop production and affect food security. Apart from agriculture, even in other sectors, the economic impact of climate change in India could be substantial. These risks can no longer be overlooked. From a financial services industry perspective, sustainable finance is a powerful tool to mitigate these risks, drive positive change, and ensure long-term prosperity.

Even across the globe, we are witnessing a remarkable shift towards sustainable finance. Governments, regulatory bodies, and international organizations are actively engaged in setting standards, guidelines, and incentives to encourage sustainable finance practices. Initiatives like the United Nations Principles for Responsible Banking2 and the Task Force on Climate-related Financial Disclosures (TCFD) are driving change at the global level.

Financial institutions worldwide are integrating ESG criteria into their investment and lending decisions, reflecting the growing recognition that sustainable businesses tend to be more resilient, profitable, and aligned with the values of an increasingly conscious consumer base. The global sustainable finance market is expected to grow from USD 3.6 trillion in 2021 to USD 23 trillion by 20313, and in India, sustainable finance has gained significant momentum in recent years as awareness of the need for sustainable development has grown.

It is notable that the G20 New Delhi Leaders' Declaration under India's Presidency reaffirmed the G20 leaders' commitment to take action to scale up sustainable finance4. They endorsed the recommendations of the Sustainable Finance Working Group (SFWG) which covered, among others, the mechanisms to support the timely and adequate mobilisation of resources for climate finance while ensuring support for transition activities in line with country circumstances5.

RBI initiatives

On its part, the Reserve Bank of India has been actively promoting the importance of green and sustainable finance within the banking sector. This effort has included various forms of guidelines, instructions, and publications aimed at raising awareness of the opportunities and challenges associated with sustainable finance.

As early as December 2007, RBI advised6 banks to establish Board-approved plans of action to support sustainable development, emphasizing the central role of financial institutions in this endeavour.

More recently, in May 2021, RBI took a significant step by establishing the 'Sustainable Finance Group' (SFG) within its Department of Regulation. This specialized unit was created to proactively address climate change-related financial risks and lead regulatory initiatives in the realms of sustainable finance and climate risk. The SFG has been actively collaborating with international standard-setting bodies, central banks, other financial sector regulators, and the Government of India to tackle issues related to sustainable finance and climate risk.

In July 2022, the RBI released a discussion paper on climate risk and sustainable finance, furthering its commitment to driving this critical agenda forward. It was followed in April 2023, by a framework for the acceptance of green deposits. These interest-bearing fixed deposits in Indian rupees are specifically earmarked to fund green finance initiatives, which encompass projects focused on climate risk mitigation, climate adaptation/resilience, and related objectives. This initiative aims to nurture and enhance the green finance ecosystem in the country, marking a significant step toward a more sustainable and environmentally conscious financial sector in India.

Priority Sector Lending and Financial Inclusion

Let me now come to the area of your specialisation i.e., Priority Sector Lending which is a significant component of financial inclusion in India. Priority Sector Lending plays a pivotal role in ensuring that marginalized and underserved sections of the population have access to formal financial services.

Priority Sector Lending has evolved significantly over the years, transforming into a crucial aspect of credit flow from the banking system. Originating in the 1960s, Priority Sector Lending was conceived as a tool to direct credit toward key sectors that had been overlooked by institutional lending, aligning with broader economic and social goals. The composition of priority sectors and their associated targets has evolved in response to changing economic landscapes and national priorities. Initially, it encompassed agriculture and small-scale industries, but over time, it expanded to include areas such as MSMEs, education, renewable energy, and more, while also applying to a broader range of banks. The guidelines for Priority Sector Lending were last updated in September 20207, introducing various adjustments, including credit for loans to start-ups, raised targets for small and marginal farmers and weaker sections, and harmonizing instructions for different types of banks.

On their part, banks too have made considerable progress in meeting Priority Sector Lending targets, with an achievement rate of 44.7 per cent as of March 31, 2023. However, credit gaps persist in sectors like MSMEs, women entrepreneurs, and agriculture, underscoring the continued importance of Priority Sector Lending.

Priority Sector Lending and Sustainable Finance

How does Priority Sector Lending connect with Sustainable Finance? It needs to be appreciated that sustainable finance and financial inclusion are not distinct or distant areas. On the contrary, they are interrelated and can reinforce each other in several ways. They share common objectives of improving people's lives and fostering economic development. Sustainable finance aims to address environmental and social challenges, while financial inclusion seeks to empower individuals and communities economically. Further, financial inclusion can enhance the resilience of vulnerable populations to environmental and climate risks by providing access to insurance products and savings mechanisms.

The Priority Sector Lending guidelines specify eight categories of priority sectors viz., (i) Agriculture; (ii) MSME; (iii) Export Credit; (iv) Education; (v) Housing; (vi) Social Infrastructure; (vii) Renewable Energy; and (viii) Others. A careful evaluation of the Priority Sector Lending categories reveals that there are elements of sustainability in nearly all these categories.

Several significant changes and expansions have occurred in India's Priority Sector Lending policies to promote key sectors and address important societal needs. For instance, in April 2015, 'Renewable Energy' was introduced as a distinct category under Priority Sector Lending to bolster the generation and use of renewable energy sources like solar, wind, and more. Loans up to ₹15 crore were allocated to borrowers for purposes such as solar-based power generators, micro-hydel plants, and non-conventional energy-based public utilities. Considering the limited credit uptake in the renewable energy sector, the loan limit under this category was subsequently increased to ₹30 crore. Individual households were eligible for loans of up to ₹10 lakh per borrower.

Similarly, Priority Sector Lending was expanded to support the agriculture sector, a critical contributor to the country's growth and employment. Loans to farmers for the installation of stand-alone solar agriculture pumps, solarization of grid-connected agriculture pumps, and solar power plants on barren/fallow land or agriculture land owned by farmers were included without any specific cap, further promoting sustainable agricultural practices.

In the MSME sector, an essential driver of economic and social development, there are no credit caps for priority sector classification. This includes loans to MSMEs engaged in activities like water supply, waste management, and electric power generation using renewable sources.

Priority Sector Lending recognizes the importance of social infrastructure in enhancing the quality of life and indirectly contributing to economic development. Loans up to ₹5 crore per borrower for initiatives like setting up schools, drinking water facilities, sanitation facilities, and household-level water improvements are eligible for Priority Sector Lending classification. Loans up to ₹10 crore per borrower for building healthcare facilities, including those under 'Ayushman Bharat,' in Tier II to Tier VI centres are also included in this category.

Thus, the Priority Sector Lending guidelines in India have evolved into a dynamic and responsive framework that reflects the nation's commitment to progress, sustainability, and inclusivity. Over the years, these guidelines have adapted to the changing economic landscape and emerging national priorities, ensuring that financial institutions play a crucial role in promoting inclusive growth.

Conclusion

Banks, as key players in the financial sector, bear an inalienable responsibility in advancing the agenda of inclusive growth, which is fundamental to the country's economic and social development. Therefore, as senior executives of banks, your role is pivotal in shaping the financial landscape of the nation. It is not merely about adhering to regulatory requirements but about embracing the spirit behind the Priority Sector Lending framework. It is about recognizing the imperative of reaching out to the underserved and marginalized sections of society, empowering MSMEs, bolstering renewable energy initiatives, and facilitating access to education and healthcare.

Proactive efforts are required in translating sustainability principles into action. Therefore, I would request you to go beyond mere compliance and to imbue your organization's lending policies and practices with the essence of the sustainable finance. It also involves fostering a culture of financial inclusion, where every loan and financial service extended contributes to the greater good of the nation. It means devising innovative financial products and services that cater to the unique needs of various priority sectors, be it agriculture, renewable energy, MSMEs, or social infrastructure. It entails understanding that your bank's actions can have a transformative impact on the lives and livelihoods of millions of individuals and communities across India.

Just like the small drops of water coalescing, I believe, collectively, we have the power to chart a course toward a more prosperous, equitable, and sustainable future for all. We can contribute to a society where financial inclusion is a reality, where economic opportunities are accessible to all, and where sustainability is not just a goal but a way of life.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1386

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

18th Annual Summit & Awards

Banking & Financial Sector Lending Companies

"Bharat @ 100: Financial Transformation in Amrit Kaal"

Digital finance to contribute USD 950 billion to GDP and generate 21 million jobs by 2025: Ajay Kumar Choudhary, Executive Director, RBI

Mumbai, 19 October 2023: "The financial landscape is evolving rapidly, thanks to digital technology and innovative solutions. Mobile network infrastructure, with its widespread reach, is a cornerstone in India's financial services growth. With digital initiatives like UPI, India Stack, and Aadhaar, we're on the cusp of a revolution in document processing and end-to-end digital credit assessment. By 2025, digital finance is set to make a substantial contribution to India's GDP, adding approximately USD 950 billion and generating 21 million jobs", said Shri Ajay Kumar Choudhary, Executive Director, Reserve Bank of India while speaking at the 18th Annual Summit & Awards on Banking and Financial Sector Lending Companies organised by ASSOCHAM.

Examining the key drivers of economic growth, Shri Ajay Kumar Choudhary said, "At its core is the burgeoning young middle class, fuelling consumer spending and driving India's economic growth. With a quarter of the world's workforce expansion on the horizon, India's youthful population will not only bolster the service and manufacturing sectors but also ignite a surge in domestic consumption."

"Over the next 25 years, our vision for India is nothing short of a comprehensive transformation, a journey marked by rapid and profitable growth that touches every corner of our economy. We aspire to elevate the living standards of all our citizens, pioneer advancements in Fintech, and most importantly, restore the world's confidence in the boundless potential of India." he added.

Addressing the summit, Shri N. S. Vishwanathan, Former Deputy Governor, Reserve Bank of India said, "The emphasis of Reserve Bank is on governance being the fulcrum of the modern economy. I think there's very possibility of customer centricity being lost in the process of innovation unless it is both controlled and beneficial to the customer. We are a country which has people who require different types of financial products, and we need institutions with different risk-reward appetites and buckets to be able to serve them. We have a great opportunity to have a low NPA banking system or financial system in the country."

Shri Prashant Kumar MD & CEO, Yes Bank Ltd, said, "The financial landscape is evolving at lightning speed, demanding a highly skilled workforce and rapid adaptation. The foundation for success lies in the quality of our leadership and our unwavering commitment to embracing these changes. As India sets its sight on the next 25 years, maintaining our resilience is paramount. Risk management will be the cornerstone, ensuring our continued success as we venture into uncharted territory. Further, as the country strives to become a larger economy, we must emphasise the pivotal role of technology within our ecosystem. Inclusive growth, encompassing the aspirations of 1.4 million and potentially 1.5 or 1.6 million by 2047, hinges on technological transformation which will propel us forward, and make inclusive growth a reality."

Shri Rajkiran Rai G Chairman, ASSOCHAM National Council for Banking and MD, National Bank for Financing Infrastructure and Development said, "In the annual budget for 2023-24, the government has outlined the vision of Amrit Kaal, the vision for Amrit Kaal includes a technology driven and knowledge based economy with strong public finances and a robust financial sector. India has a much-diversified financial sector, thanks to the Reserve Bank of Indian Initiatives and undergoing rapid expansion both in terms of strong growth of existing financial services forms and new entities entering the market. The banking regulator has allowed new entities like payment banks also adding to the type of entities operating in the sector.''

"With India's ambitious goal of becoming a $35 trillion economy by 2046, the role of NBFCs is more crucial than ever. NBFCs are poised to continue growing at a faster pace than banks, this not only represents an opportunity but also underscores the essential role of banking and regulatory support in achieving India's financial aspirations. India, still striving for its full development potential, is currently experiencing robust economic growth at around 8% GDP, paving the way for a transition from a $3.5 trillion to a $7 trillion economy by 2030. To sustain this momentum, a key factor is credit growth, estimated to be two and a half to three times the GDP growth rate. This translates into a requirement of 20 to 24% credit growth, a task that both banks and NBFCs must share." Said Shri Umesh Govind Revankar Chairman, ASSOCHAM National Council for NBFCs & Infrastructure Financing and Executive Vice Chairman, Shriram Finance Ltd.

"Digitization has become ubiquitous, and India's digital infrastructure is among the world's finest. We possess tools like UPI and ONDC, along with data privacy regulations. However, responsible data usage is paramount. Managing this rapid growth is our most significant challenge. We'll face cycles, ups, and downs, but our resilience will be our shield. Our institutions and balance sheets must remain robust." said Abhizer Diwanji Partner E&Y.

TOP BANKING NEWS

- ## SBI vs HDFC Bank vs ICICI Bank: Check latest FD rates in October 2023

In the month of October, many big banks including HDFC Bank, ICICI Bank, Canara Bank, Bank of Baroda revised their fixed deposit interest rates. Here is a comparison of these banks and with SBI FD interest rates which have not been revised since February 2023.

SBI FD interest rates

State Bank of India has not changed fixed deposit rates in the month of October, it had last revised on February 15, 2023. SBI offers an interest rate between 3% - 7.10% for general citizens. According to the SBI website, "The specific tenor scheme of "400 days" (Amrit Kalash) at Rate of Interest of 7.10 %. Senior Citizens are eligible for a rate of interest of 7.60%. The Scheme will be valid till December 31, 2023."

ICICI Bank FD interest rates

ICICI Bank offers an interest rate between 3% to 7.10% for regular citizens and 3.50% to 7.60% for senior citizens. The highest interest rate of 7.60 is offered on tenure of 15 months to less than 2 years. These rates were applicable from October 16, 2023.

HDFC Bank FD interest rates

HDFC Bank offers two new special fixed deposit (FD) programs with interest rates of 7.15% for 35 months and 7.20% for 55 months. Senior people will receive an additional 50 basis points. The bank is providing a 7.10% interest rate on deposits maturing between 15 months and 18 years. The new rates are effective from October 1, 2023

Bank of Baroda FD interest rates

Bank of Baroda offers interest rates up to 7.25 per cent for the general public. Senior citizens can earn up to 7.75 per cent on fixed deposits. The revised interest rates on fixed deposits are effective from October 9, 2023, as per the bank's website.

Bank of Baroda revises FD interest rates: Offers 7.25% on this tenure, reduces interest rate on Baroda Tiranga Plus Deposit Schemes

Canara Bank FD interest rates

According to the bank's website, the new rates are effective from October 5, 2023.

After the revision, the bank will offer interest rates on deposits maturing in 7 days to 10 years of 4 per cent to 7.25 percent for the general public and 4 percent to 7.75 percent for senior citizens for callable deposits

Source: https://economictimes.indiatimes.com/wealth/invest/sbi-vs-hdfc-bank-vs-icici-bank-check-latest-fd-rates-in-october-2023/articleshow/104487135.cms

- ## Latest SBI loan interest rates October 2023

The State Bank of India's (SBI) latest marginal cost of funds-based lending rate (MCLR) is effective from October 15, 2023, according to the SBI website. The MCLR is the lowest interest rate at which a bank can make a loan to a customer. The banks has kept the MCLR rates unchanged from previous rates.

The bank revised its Benchmark Prime Lending Rate to 14.95% from 14.85%, effective from September 15, 2023. SBI auto loans, personal loans are linked to MCLR, while SBI latest availed home loans are linked to EBLR.

SBI auto loans are linked to one year MCLR and personal loans are linked to 2 year MCLR, according to the website.

Latest SBI MCLR

The MCLR-based rates will now range between 8% and 8.75%. The overnight MCLR rate stands at 8%, while that of one month and three-month tenure is 8.15%. Among others, the six-month

MCLR stands at 8.45%. The one year MCLR which is linked to many consumer loans is now at 8.55%. For tenure of two years and three years MCLR is 8.65% and 8.75%, respectively

SBI festive season home loan offer

State Bank of India (SBI) is running a special campaign on home loans offering concession up to 65 basis points (bps).The concession is applicable on regular home loan, flexipay, Nri, non-salaried, privilege, Apon Ghar. The last date for concession on home loans is till December 31, 2023.

SBI EBLR/RLLR

SBI external benchmark lending rates (EBLR) remain unchanged at 9.15%+CRP+BSP and RLLR at 8.75%+CRP with effect from February 15, 2023.

Base Rate

SBI base rate is at 10.10% effective from June 15, 2023.

SBI BPLR

Benchmark Prime Lending Rate (BPLR) revised as 14.95% p.a. effective from September 15, 2023.

Concession on home loan rates

The current EBR is 9.15%.

CIBIL Score 750-800

For CIBIL scores for 750-800 and above, the effective rate without concession is 9.15% (EBR+ 0 %), the effective rate during the offer period is 8.60%, a concession of 55 bps.

CIBIL Score 700 -749

For home loan borrowers with CIBIL score between 700 -749 will get a 65 bps concession and interest rate offered is 8.70% (EBR-0.45%), as effective rate without concession is 9.35%

CIBIL Score 650 – 699

For home loan borrowers with CIBIL score between 650 – 699 will get no concession and interest rate offered is 9.45% (EBR-0.30 %) and 9.65% for CIBIL Score between 550 – 649 (EBR+0.50 %).

Source: https://economictimes.indiatimes.com/wealth/borrow/latest-sbi-loan-interest-rates-october-2023-check-details/articleshow/104415597.cms

- **RBI Monetary Policy Highlights : RBI MPC keeps repo rate unchanged at 6.5% -**

  RBI Monetary Policy Committee has kept the key policy repo rate unchanged at 6.5%. This is the fourth meeting on the trot that the MPC decided to maintain the status quo on the repo rate. The MPC last raised this rate by 25 bps to 6.50% at its meeting in February 2023. Announcing the bi-monthly monetary policy, RBI Governor Shaktikanta Das said the transmission of 250 bps repo rate cut is still incomplete. The Real GDP growth projection for FY24 remains unchanged at 6.5%. Similarly, inflation for FY24 is projected at 5.4%, unchanged from earlier. Preventing food and fuel price shocks are non-negotiable necessities, the Governor said. RBI may have to consider open market operations (OMOs) with regard to G-secs to manage liquidity, Das added. In the post Monetary Policy press conference, Das said that OMO will be via auction.

  Source : https://www.thehindubusinessline.com/money-and-banking/rbi-monetary-policy-mpc-highlights-october-2023/article67385471.ece

- **RBI doubles gold loan limit under bullet repayment scheme-**

  The limit for gold loans under the Bullet Repayment Scheme has been raised to ₹4 lakh for Urban Co-operative Banks that have met their target and sub-targets under Priority Sector Lending

  The Reserve Bank of India has increased the existing limit for gold loans under the Bullet Repayment Scheme to ₹4 lakh from ₹2 lakh in respect of Urban Co-operative Banks who have met the overall target and sub-targets under Priority Sector Lending as of March-end.

  RBI permitted bullet repayment of gold loans up to ₹1 lakh to start with (in 2007), which was increased later (in 2014) to ₹2 lakh, with the repayment being restricted to 12 months.

UCBs are allowed to extend gold loans under the Bullet Repayment and Equated Monthly Instalment (EMI) Repayment routes for 12 months.

Under bullet repayment, the principal and interest on a loan are paid in lumpsum by the borrower to the lender at the end of the loan tenure.

Under EMI, a fixed amount of payment (includes principal and interest components) is made by the borrower to the lender on a specified date each month.

Among banks, UCBs have a relative advantage as their customers, being predominantly from the middle-class/ lower middle-class, are more likely to be gold loan clients. As such, regulatory prescriptions in this regard need to be supportive of the growth of this portfolio of the UCBs.

"Increasing the limit for gold loans from Rs 2 lakh to Rs 4 lakh in respect of urban cooperative banks will prove to be beneficial for buyers during the upcoming wedding season," said Colin Shah, MD, Kama Jewelry

Source : https://www.thehindubusinessline.com/economy/rbi-doubles-gold-loan-limit-under-bullet-repayment-scheme/article67387586.ece

- **RBI Monetary Policy live updates: RBI permits middle, base layer NBFCs to use credit risk mitigation tools-**

RBI has allowed NBFCs classified as middle and base layer entities, to utilise credit risk mitigation tools to offset their exposure with eligible credit risk transfer instruments.

The step has been taken to harmonise norms across NBFCs; currently, upper layer NBFCS under the Large Exposures Framework, are permitted to use Credit Risk Mitigation (CRM) instruments to reduce their exposure to a counterparty.

"With a view to harmonise credit concentration norms among NBFCs, it has been decided to permit NBFCs in the Middle and Base Layers also to use CRM instruments to reduce their counterparty exposure under the credit concentration norms," Governor Shaktikanta Das said in his statement on Friday.

Large Exposure Framework norms allow upper layer NBFCs' exposure to the original counterparty to be offset with certain credit risk transfer instruments. However, there is no such mechanism at present for other NBFCs.

Source: https://www.thehindubusinessline.com/money-and-banking/rbi-permits-middle-base-layer-nbfcs-to-use-credit-risk-mitigation-tools/article67387534.ece

- **Merging with Fincare to enter MFI segment, southern markets: AU Small Finance Bank-**

Allaying investors' concerns, AU Small Finance Bank (AU SFB) on Monday said its USD 530 million all-share merger with Fincare Small Finance Bank has a slew of advantages like helping it enter the lucrative microlending segment and expanding into southern India. Fincare said its Rs 625-crore initial public offer goes on the back burner because of the deal, which is expected to be closed by February 2024 after mandatory clearances.

Under an agreement announced on Sunday, shareholders of Fincare will get 579 shares of the listed AU SFB for every 2,000 shares that they own.

Post the merger, shareholders of Fincare will own 9.9 per cent equity in AU SFB. Promoters of Fincare have also agreed to infuse Rs 700 crore of fresh capital into the entity before the merger.

AU SFB's Managing director and chief executive Sanjay Agarwal termed the merger a complementary deal, which will help the Jaipur-based lender gain a foothold in micro finance assets as well.

The share of AU SFB's unsecured assets – it offers credit cards and personal loans – stand at 4 per cent which will go to 7.5 per cent after Fincare's MFI book comes in, Agarwal said, adding that it will be keen to expand the share to 10-11 per cent of the book.

The micro finance business delivers a higher net interest margin of over 10 per cent which is lucrative even if the cyclical reverses in the business are considered, Agarwal said, stressing that political interference is not too big an issue in India now.

However, investors were not enthused with the entity's announcement, and the listed AU SFB's scrip closed 3.43 per cent down at Rs 666.10 on the BSE. The stock had hit a low of Rs 630.90 in the morning before recouping the losses but closed in the red.

Reacting to concerns among investors, Agarwal said the intent behind the deal is to build a stronger business and exuded confidence that the two managements will be able to justify the decision eventually.

Fincare's managing director and chief executive Rajeev Yadav will officiate as deputy CEO of AU SFB post the merger, while AU SFB's executive director Uttam Tibrewal will also be made the deputy CEO.

The decision to infuse Rs 700 crore into Fincare has been taken in order to fuel the continuing growth requirements of the business, its nominee director Divya Sehgal said, stressing that the amount is more or less the same it wanted to raise via the IPO for the growth requirements of the business.

He said the IPO plans will now go on the back burner and the thrust will be on getting this deal through, Sehgal said, adding that the Rs 700 crore fund infusion will be done after it gets a nod from RBI and the Competition Commission of India.

Fincare's stock of gross non-performing assets stood at 1.6 per cent of the over Rs 10,541 crore book, while the recast loans are under Rs 20 crore, officials said.

The GNPA ratio of the merged entity on a proforma basis is 1.8 per cent.

After the merger, the Fincare brand will gradually get diluted and the businesses will operate under a single brand of AU SFB, officials said.

In a joint press conference, managements of both the entities said they do not anticipate challenges on the integration front as nearly 15,000 staffers, including 10,000 in the MFI vertical, will become AU SFB staffers.

Speaking on the network, an official explained that a bulk of Fincare's 136 branches are in South and East India while AU SFB's focus is on North and West India. Similarly, AU SFB focuses on vehicle loans and commercial lending, while a bulk of Fincare's book is MFI.

AU SFB wants to make itself more stronger and complete, Agarwal added, stressing that the deal helps it achieve the two.

"Universal (bank) is an outcome not a destination," he said, adding that if the regulator agrees for it, AU SFB would like to climb to that stage as well.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/merging-with-fincare-to-help-enter-mfi-segment-southern-markets-au-sfb/articleshow/104820295.cms

- **Axis Bank well capitalised with self-sustaining capital structure to fund growth: MD Amitabh Chaudhry**

Axis Bank is well capitalised with a self-sustaining capital structure for funding organic growth, its managing director and CEO Amitabh Chaudhry has said.

He said the bank expects to grow higher than the industry average on the credit side. It would be 400-600 basis points higher than the industry in the MSME segment this fiscal.

To fund business growth, he said, the bank has adequate capital to take care of its needs during the current financial year.

"Our overall capital adequacy ratio, including profit, stood at 17.84 per cent with a CET 1 ratio of 14.56 per cent. The Bank accreted 18 bps of CET-1 capital in Q2 FY24 and 54 bps in H1 FY24. Axis Bank is well capitalised with a self-sustaining capital structure for funding organic growth," he told PTI.

In March this year, Axis Bank completed the acquisition of Citibank's consumer business and non-banking financial company (NBFC) consumer business.

The bank paid Rs 11,603 crore for the acquisition. The sale excludes Citi's institutional client businesses in India.

Axis Bank is the fourth-largest issuer of credit cards with a total base of 8.6 million cards, and the deal added about 2.5 million credit cardholders, making it one of the top three card businesses in the country.

On the interest rate, Chaudhry said high rates are going to stay for some time as many have indicated.

Last week, RBI Governor Shaktikanta Das said interest rates will remain high, and any change will depend on the way the world evolves.

"Interest rates will remain high. How long will they remain high, I think only time and the way the world is evolving will tell," Das had said.

In the wake of the ongoing geopolitical crisis, major central banks across the world have raised their key policy rates to deal with high inflation.

The Reserve Bank also raised the short-term benchmark lending rate (repo) cumulatively by 250 basis points since May 2022. However, it paused its rate hike spree in February this year and retained the repo rate at 6.5 per cent.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/axis-bank-well-capitalised-with-self-sustaining-capital-structure-to-fund-growth-md-amitabh-chaudhry/articleshow/104797617.cms

- **Piramal gets premium for Rs 531 crore residual bad loans**

The Piramal Group has sold residual bad loans worth ₹531 crore of its Advantage Raheja exposure, which includes properties such as a JW Marriott hotel in Bengaluru and a Crowne Plaza unit in Pune.

These loans have been sold to Omkara Asset Reconstruction Co., giving Omkara full ownership of all loans linked to this exposure. These loans, reflected as receivables in the form of security receipts (SR) on Piramal's books, are now being sold for upfront cash.

The deal concluded recently was done at a premium, where Piramal made over ₹700 crore on the sale.

The loan had previously been sold to Omkara ARC, and the ARC made partial payments to Piramal both in cash and security receipts, which would be paid when the loans are recovered. Piramal recently put up for sale security receipts worth ₹531 crore, initially acquired by Omkara ARC for an all-cash payment.

Piramal had called bids and Omkara offered to buy the SRs in an all-cash deal at a premium. Therefore, Piramal sold the SRs from its book, said a source.

Piramal had earlier sold these loans in a structured deal. The loan sale was done in a 15:85 structure, with 15% paid in cash and the remaining issued as SRs. Here, Omkara ARC paid around ₹100 crore in cash and about ₹531 crore in the form of Security Receipts (SRs). SRs are financial instruments that are quasi-debt and paid to the lender by ARCs as they are recovered.

Spokespersons of both Piramal and Omkara did not immediately respond to requests for comment.

Piramal Enterprises and its subsidiary, Piramal Capital & Housing Finance, have been inviting bids for their real estate portfolio for the last several quarters to sell bad loans.

In a separate transaction, Piramal had also sold a loan outstanding pool worth ₹3,656 crore to Omkara ARC for ₹625 crore, resulting in a 17% recovery for the group.

In line with their growth strategy, the management is looking to double the balance sheet over the next five years, primarily through a 'retailisation' approach targeting a 70% retail share by FY28. The company imposed tighter underwriting norms for the unsecured book segment in November 2022, given the industry's increased leverage in this area.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/piramal-gets-premium-for-rs-531-crore-residual-bad-loans/articleshow/104681165.cms

- **RBI directs banks to appoint whole time directors-**

The Reserve Bank of India directed banks to strengthen their senior management by hiring at least one whole-time director besides the managing director on the board.

The regulator has set a four-month deadline for submitting proposals for such appointments.

"Given the growing complexity of the banking sector, it becomes imperative to establish an effective senior management team in the banks to navigate ongoing and emerging challenges," RBI said Wednesday in a communication to all private sector banks and wholly-owned subsidiaries of foreign banks.

It said that establishment of such a team may facilitate succession planning, given the regulatory stipulations in respect of tenure and upper age limit for MD and CEOs, which is fixed at 70 for private banks.

"To address these issues and challenges, banks are advised to ensure the presence of at least two whole time directors (WTD), including the MD &CEO on their boards. The number of WTDs shall be decided by the board of the bank by taking into account factors such as the size of operations, business complexity, and other relevant aspects," RBI said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-directs-banks-to-appoint-whole-time-directors/articleshow/104704584.cms

- **Banks adopt different strategies in deposits race: Jefferies**

All Indian banks have one problem as the economy keeps humming on and the Reserve Bank of India keeps tightening monetary conditions - deposits. Conventional business approach is to raise interest rates to get more funds, but this time is different, says Jefferies.

While HDFC Bank is opening branches to net more depositors, Kotak is tapping its digital highway. Axis, which bought Citi's retail assets, is chasing salary accounts and IndusInd Bank is tapping the NRIs, said Jefferies.

"With gap between credit growth and deposit growth expanding during the year to 6 percentage points at the peak, banks have been pushed to invest in expanding networks with an objective to boost their deposit mobilisation,'' said Prakhar Sharma, analyst at Jefferies. "It is interesting that different banks are adopting different strategies to drive growth in retail deposits."

Indian banks have been pressured for deposits as the RBI reduces money available in the system to fight price pressures. Credit is growing at 15% when deposits are climbing 12%. For the system as a whole, the incremental credit-to-deposit ratio is about 130%.

HDFC Bank, which recently merged parent mortgage lender with itself, has expanded the branch network by 39% in two years and Kotak Mahindra is offering higher rates on term deposits. Axis is getting more deposits from its wealthy clients in the Burgundy segment while IndusInd is targeting overseas Indians. "We feel private banks are in a better place to grow deposits than PSU banks, as they are expanding branches and product offerings to drive growth,'' said Sharma.

https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-adopt-different-strategies-in-deposits-race-jefferies/articleshow/104681127.cms

SELECT RBI CIRCULARS OCTOBER

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2023-2024/80 CO.DPSS.POLC. No.S-786/02-14-008/2023-24	31.10.2023	Department of Payment and Settlement Systems	Regulation of Payment Aggregator – Cross Border (PA - Cross Border)	All Payment System Providers and Payment System Participants
RBI/2023-2024/79 DoR.REG/LIC. No.55/07.01.000/ 2023-24	30.10.2023	Department of Regulation	Banking Regulation (Amendment) Act 2020 - Change in Name of Co-operative Banks	Chairman / Managing Director / Chief Executive Officer All Primary (Urban) Co-operative Banks All State Co-operative Banks and All District Central Co-operative Banks
RBI/2023-2024/78 DoR.REG/LIC.No.54/ 19.51.052/2023-24	30.10.2023	Department of Regulation	Clarification regarding Shifting of Branches/ Offices/Extension Counters within the same city, town or village by District Central Co-operative Banks (DCCBs) and Guidelines on Closure of Branches and Extension Counters by DCCBs	All District Central Co-operative Banks
RBI/2023-2024/77 DoR.FIN.REC.53/ 03.10.123/2023-24	26.10.2023	Department of Regulation	Joining the Account Aggregator Ecosystem as Financial Information User	All Regulated Entities of the Bank
RBI/2023-2024/76 DoR.FIN.REC.52/ 03.10.123/2023-24	26.10.2023	Department of Regulation	Review of Financial Information Provider (FIP) under Account Aggregator Framework	All Regulated Entities of the Bank
RBI/2023-2024/75 DoR.SPE.REC.50/ 13.03.00/2023-2024	26.10.2023	Department of Regulation	Review of Instructions on Bulk Deposits for Regional Rural Banks (RRBs)	All Regional Rural Banks
RBI/2023-2024/74 DOR.SPE. REC. No 51/13.03.000/2023-24	26.10.2023	Department of Regulation	Non-Callable Deposits - Master Direction on Interest Rate on Deposits	All Commercial Banks and Co-operative Banks

RBI/2023-2024/73 DoR.FIN.REC.49/ 20.16.003/2023-24	26.10.2023	Department of Regulation	Strengthening of customer service rendered by Credit Information Companies and Credit Institutions	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, and excluding Payments Banks) All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Co-operative Banks All Non-Banking Financial Companies (including Housing Finance Companies) All-India Financial Institutions (Exim Bank, NABARD, NHB, SIDBI and NaBFID) All Asset Reconstructions Companies All Credit Information Companies
RBI/2023-2024/72 DoR.FIN.REC.48/ 20.16.003/2023-24	26.10.2023	Department of Regulation	Framework for compensation to customers for delayed updation/ rectification of credit information	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, and excluding Payments Banks) All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Co-operative Banks All Non-Banking Financial Companies (including Housing Finance Companies) All-India Financial Institutions (Exim Bank, NABARD, NHB, SIDBI and NaBFID) All Asset Reconstruction Companies All Credit Information Companies
RBI/2023-2024/71 DOR.ACC.47/ 21.04.018/2023-24	25.10.2023	Department of Regulation	Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Presentation of unclaimed liabilities transferred to Depositor Education and Awareness (DEA) Fund	All commercial and cooperative banks
RBI/2023-2024/70 DOR.HGG. GOV.REC.46/ 29.67.001/2023-24	25.10.2023	Department of Regulation	Appointment of Whole-Time Director(s)	All Private Sector Banks and Wholly-Owned Subsidiaries of Foreign Banks (excluding Payment Banks and Local Area Banks)
RBI/2023-2024/69 DOR.AML.REC.44/ 14.01.001/2023-24	17.10.2023	Department of Regulation	Amendment to the Master Direction (MD) on KYC	The Chairpersons/ CEOs of all the Regulated Entities

RBI/2023-2024/68 DoR.RET.REC.43/ 12.01.001/2023-24	16.10.2023	Department of Regulation	Reverse Repo transactions - Reporting in Form 'A' Return	The Chairperson / CEOs of all Commercial Banks
RBI/2023-2024/67 Ref. No.DoS. CO.PPG/SEC.05/ 11.01.005/2023-24	10.10.2023	Department of Supervision	Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs) – Extension to Government NBFCs	All Deposit Taking Government NBFCs All Non-Deposit Taking Government NBFCs in Middle, Upper and Top Layers
RBI/2023-2024/66 DOR.CRE.REC.42/ 07.10.002/2023-24	06.10.2023	Department of Regulation	Gold Loan – Bullet Repayment – Primary (Urban) Co-operative Banks (UCBs)	Primary (Urban) Co-operative Banks other than Salary Earners' Banks
RBI/2023-2024/65 CO.DGBA.GBD. No.S646/42-01-029/2023-2024	03.10.2023	Department of Government and Bank Accounts	Status of March 31, 2024 for Government transactions through integration with e-Kuber	All Agency Banks

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract

1. Reserve Bank of India - Liabilities and Assets*

(₹ Crore)

Item	2022	2023		Variation	
	Oct. 21	Oct. 13	Oct. 20	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	5092	20364	20227	-137	15135

** DatA are provisional*

2. Foreign Exchange Reserves*

Item	As on October 20, 2023		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	4850051	583532	-28225	-2363	95787	5083	512964	59012
1.1 Foreign Currency Assets #	4282084	515202	-42132	-4149	92952	5510	436603	50127
1.2 Gold	377545	45425	14732	1850	6045	224	69907	8219
1.3 SDRs	148987	17925	-844	-70	-2178	-467	4782	485
1.4 Reserve Position in the IMF	41436	4980	20	6	-1033	-185	1673	182

** 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 Currency swap arrangements.

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Oct. 6, 2023	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2022-23	2023-24	2022	2023
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	19607329	326664	798344	1563416	1507791	2343672
	(19468217)			(1424303)		(2204560)
2.1a Growth (Per cent)		1.7	4.8	8.7	9.6	13.6
				(7.9)		(12.8)
2.1.1 Demand	2286057	81466	-28018	105627	260040	241329
2.1.2 Time	17321272	245198	826362	1457789	1247751	2102343
2.2 Borrowings	842188	2562	232657	396859	253850	334937
2.3 Other Demand and Time Liabilities	941907	64668	53033	152256	118103	248027
7 Bank Credit*	15342741	191427	967492	1667506	1955417	2483935
	(14753822)			(1078587)		(1895017)
7.1a Growth (Per cent)		1.3	8.1	12.2	17.9	19.3
				(7.9)		(14.7)
7a.1 Food Credit	19279	414	-34377	-626	-41775	-1354
7a.2 Non-food credit	15323461	191012	1001869	1668132	1997192	2485289

** Bank credit growth and related variations from December 3, 2021 to November 18, 2022 are adjusted for past reporting errors by select scheduled commercial banks (SCBs).*

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.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2023	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2022-23		2023-24		2022		2023	
	Mar. 31	Oct. 6	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	22343760	23686111	323811	1.4	842335	4.1	1342351	6.0	1768203	9.0	2350047	11.0
		(23825224)	(320926)	(1.4)			(1481463)	(6.6)			(2489159)	(11.7)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3276436	3188095	-7880	-0.2	27658	0.9	-88341	-2.7	232750	8.2	124749	4.1
1.2 Demand Deposits with Banks	2320598	2427930	83798	3.6	-27346	-1.2	107332	4.6	266153	13.9	242284	11.1
1.3 Time Deposits with Banks	16668966	17996638	247185	1.4	830698	5.5	1327672	8.0	1247268	8.4	1979335	12.4
		(18135750)	(244300)	(1.4)			(1466784)	(8.8)			(2118447)	(13.2)
1.4 'Other' Deposits with Reserve Bank	77761	73449	708	1.0	11326	19.4	-4312	-5.5	22032	46.2	3679	5.3
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7165533	7369669	189967	2.6	81398	1.3	204136	2.8	431824	7.0	810642	12.4
		(7480832)	(188165)	(2.6)			(315299)	(4.4)			(921804)	(14.1)
2.1.1 Reserve Bank	1451126	1116642	106068		-297253		-334484		14709		-36702	
2.1.2 Other Banks	5714407	6253027	83899	1.4	378651	7.5	538620	9.4	417114	8.4	847344	15.7
		(6364190)	(82097)	(1.3)			(649783)	(11.4)			(958506)	(17.7)
2.2 Bank Credit to Commercial Sector	14429636	15486805	196778	1.3	975707	7.7	1057168	7.3	1981464	17.1	1894578	13.9
		(16075723)	(193256)	(1.2)			(1646087)	(11.4)			(2483496)	(18.3)
2.2.1 Reserve Bank	26549	5213	95		1906		-21336		14043		-13264	
2.2.2 Other Banks	14403087	15481592	196682	1.3	973800	7.7	1078505	7.5	1967421	17.0	1907842	14.1
		(16070510)	(193160)	(1.2)			(1667423)	(11.6)			(2496760)	(18.4)

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
Oct. 16, 2023	-	-	-	-	57406	59628	656	920	-	-2486
Oct. 17, 2023	-	-	-	-	49178	59272	-	1050	-	-11144
Oct. 18, 2023	-	-	-	-	39800	45426	32	1425	-	-7019
Oct. 19, 2023	-	-	-	-	60006	50761	-	230	-	9015
Oct. 20, 2023	-	-	-	5354	124191	51661	-	550	-	66626
Oct. 21, 2023	-	-	-	-	27187	16149	-	-	-	11038
Oct. 22, 2023	-	-	-	-	1908	3386	-	-	-	-1478

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

The above information can be accessed on Internet at https://wss.rbi.org.in/

The concepts and methodologies for WSS are available in Handbook on WSS (https://rbi.org.in/scripts/PublicationsView.aspx?id=15762).

Time series data are available at https://dbie.rbi.org.in

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

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **NBFC-MFIs outpace microfinance industry growth, banks falter-**

  The non-banking finance companies-microfinance institutions (NBFC-MFIs) have consolidated their position in the market with more-than-average 43% year-on-year growth helping them to raise their share of portfolio to 41.28% of the country's total microfinance pie, from around 35% a year ago.

  The overall gross micro loan portfolio grew 21% year-on-year to Rs Rs 3.59 lakh crore at the end of June, according to the numbers released by industry organisation Sa-Dhan.

  The micro loan portfolio of small finance banks (SFB) and other non-banking finance companies (NBFC) rose 24% each over the same period, supporting the industry expansion even as banks saw a muted 0.86% rise.

  “The share of the portfolio indicates that the NBFC-MFIs have become more proactive in their approach taking the benefit of the new regulatory framework of RBI and the positive mood in the country towards MFIs," Sa-dhan executive director Jiji Mammen said.

  According to segment wise breakup, banks are the second largest provider of microcredit with 31.99% share,while SFBs and NBFCs accounted for 17.40%, and 9.06% of the market. The not-for-profit entities control the remaining 0.27%. NBFC-MFIs are holding the highest market share in terms of portfolio from the third quarter of FY23 onwards.

  The inclusion of not-for-profit lender Cashpor Micro Credit within NBFC-MFI fold also helped their aggregate number. Cashpor had a Rs 4670 crore portfolio at the end of June. The lender intends to continue as a not-for-profit entity even after its new classification, as per the new regulatory framework for microfinance loans which directed section 8 companies with portfolios above Rs 100 crore to get an NBFC-MFI registration.

  Without Cashpor's data, the NBFC-MFIs's gorwth was also a significant 40.5% year-on-year.

  Meanwhile, banks as a cluster saw almost flat growth, because of Bandhan Bank, which reported a lower microfinance book of Rs 51,000 crore at the end of June, as against Rs 57,000 crore a year back.

  This was perhaps one of the reasons for West Bengal, where Bandhan Bank enjoys an advantage, to see a 8% portfolio shrinkage.

  In constart, The states in terms of the portfolio that have recorded yearly growth higher than the industry growth rate are Bihar at 37%, Tamil Nadu at 28%, Uttar Pradesh at 41%, Karnataka at 28% and Rajasthan at 22%. The top five states in terms of portfolio are Bihar, Tamil Nadu, Uttar Pradesh, Karnataka and West Bengal, together accounting for about 56% of the total portfolio.

  Notwithstanding the overall good set of numbers, Mammen expressed concerns over the local issues in different geographies disrupting business and an organised move by some to mislead the vulnerable people. "There has to be constant vigil by the law enforcing agencies against such unscrupulous elements who can destroy the credit culture in the country,” he said.

  The states experiencing negative year-on-year growth in portfolio are mostly from north eastern region with Assam leading the chart with 35%, followed by Nagaland (-33%), Sikkim (-24%), Tripura (-19%), Manipur (-16%) and Meghalaya (-10%).

  Source: https://www.businesstoday.in/industry/banks/story/rbi-says-15-large-nbfcs-to-comply-with-enhanced-regulatory-requirements-398493-2023-09-14

- **Macro opportunity: 'Microfinance industry is on course to become a larger player in the BFSI space'-**

  India's microfinance sector is poised to grow in the near to medium term, fuelled by a burgeoning economy, a growing hunger for credit, deepening UPI adoption among its established user base and the level playing field offered by the Reserve Bank of India (RBI) after its landmark regulation issued in 2022. The MFI sector has performed well during the last financial year, conclusively leaving its Covid blues behind.

  Microfinance in India has come a long way, emerging as a major avenue to meet the needs of lower-income households by connecting them to financial resources for both productive and critical needs. The business has now spread to the vast hinterlands of India thanks to the outreach of NBFC-MFIs, increasing interest of Commercial Banks, Self-help Groups (SHGs) and the NRLM (National Rural Livelihood Mission). The introduction of small finance banks as a new category of banks and the increased focus of major private sector banks further reinforced the impact of the sector among underserved and low-income households.

  The MFI industry has been through the vagaries of many economic ups and downs, eventually becoming resilient and now, one of the most impactful lending segments in the country. The true effect of this growth curve can be felt in the financial and credit inclusion of scores of under-banked and unbanked Indians across rural areas, thereby bridging a crucial gap.

Creditable performance in FY23

As of FY23, the MFI sector is serving 66 million borrowers with an outstanding loan amount of Rs 3,48,339 crore and an overall portfolio growth of 22% during the year, as per data from industry body MFIN. The share of microfinance loans within total credit dispensed stood at 1.3% as of FY23, up from 0.9% in FY18. The growth in the microfinance industry has been driven by an increase in the number of unique borrowers and a rise in the average ticket size.

Reports point out that the number of loan accounts has increased from 76 million in FY18 to 130 million in FY23 while the number of unique borrowers has gone up from 49 million in FY19 to 66 million as of FY23.

The microfinance sector has so far generated a significant impact, creating 128.46 lakh jobs through direct, indirect, backward, and forward linkages, according to NCAER. By and large, the digital route was also adopted since 2017 through online delivery channels, mobile banking, and e-wallets.

Growth prospects and reasons

The industry has shown an amazing ability to adapt, particularly from the impact of first, demonetisation and then Covid which led to major debt restructuring and payment deferrals. The new regulations levelling the playing field for all players announced by the RBI in March'22 are expected to result in positive growth and improved margins for the sector as the RBI allowed microfinance lenders to fix interest rates on loans with a rider that those should not be usurious for the borrowers thus allowing competition to offer optimum rates to borrowers. Hence, the common regulatory framework is expected to create a level playing field as both borrowers and lenders will now have options.

The new framework will safeguard the interests of the borrowers and help the sector cater to needy borrowers. These regulatory changes have created a ground that can bring about a transformation, bridging the gap between rural and urban markets.

Thanks to increasing digital adoption by players in the sector, customer onboarding, loan processing as well as collections are increasingly becoming tech-driven. The industry also uses mobile handheld devices to capture and geo-tag customer locations and has integrated Aadhaar and Mobile to reduce costs of operations and improve efficiency. The introduction of UPI and digital means like QR codes for payments have brought a significant degree of familiarity and comfort to traditionally cash-dependent microfinance customers motivating them to adopt more efficient digital means.

Women in rural India, in particular, are gradually embracing these changes, signifying a more inclusive and dynamic landscape. The sector's growth and adaptability are expected to play a crucial role in promoting financial inclusion and socioeconomic development, especially in rural areas, where formal financial services are essential for improving livelihoods and empowering individuals.

Rising challenges

However, a geographical analysis reveals that MFIs' penetration remains low in some of the states such as UP, Gujarat, Maharashtra and Rajasthan, and these markets can provide healthy growth opportunities. Similarly, the diversity in the customer segments such as small farmers, vendors and laborers and the familiar, but over-dependence on physical modes of interaction, limited awareness of financial services among the borrowers and

reaching the last-mile borrowers effectively continue to pose challenges. So also, on their part, microfinance players will need to put additional efforts to spread financial and digital literacy among low income households.

Need for innovations

To play a decisive role in India's historic journey to be a $5 trillion economy by 2025 and then to be a developed nation by 2047, the industry also has a responsibility to shoulder. Like the rest of the retail asset segments, microfinance players need to innovate products and services, introduce technology in operations and marketing, and reduce operating overheads to stay viable.

Industry surveys show that innovative products that factor in the impact of vagaries of business seasonality on repayments and flexible repayment options deployed by other businesses such as credit cards etc are likely to attract more borrowers and provide convenience to existing customers. In fact, the innate understanding and connection with the customer is the core strength of microfinance and hence providing them with flexible terms that align with their cash flows would enhance this relationship.

Industry watchers expect the sector to grow at a healthy over 20 per cent loan CAGR over FY23-25 reaching larger numbers of underserved households. Despite the crippling crisis in 2010 and taking several body blows in the subsequent years due to extraneous factors, a consolidated effort by all stakeholders in supporting the sector aided by technological innovations and increasing customer resilience have brought the sector to a strong footing today. From this position now, the microfinance industry is on course to become a larger player in the BFSI space and holds the promise to significantly contribute to the economic growth of the country.

Source: https://www.financialexpress.com/business/sme-macro-opportunity-microfinance-industry-is-on-course-to-become-a-larger-player-in-the-bfsi-space-3259182/

- **RBI extends PCA framework to government-owned NBFCs from October 2024**

The Reserve Bank Tuesday said it has been decided to extend the Prompt Corrective Action (PCA) framework for NBFCs to Government owned NBFCs (except those in Base Layer) with effect from October 1, 2024, based on the audited financials as on March 31, 2024, or thereafter.

After the government owned NBFCs are put under the PCA framework there will be not only restrictions on dividend distribution/remittance of profits; but also restrictions on promoters/shareholders to infuse equity and reduction in leverage; and on the issue of guarantees or taking on other contingent liabilities on behalf of group companies.

Source: https://www.livemint.com/industry/banking/rbi-extends-pca-framework-to-government-owned-nbfcs-from-october-2024-11696938419054.html

- **RBI rejigs 'too big to fail' tag for NBFCs**

  A scale-based regulatory framework announced earlier was notified by RBI in its new master direction for non-banking financial companies last week. The new framework does away with the classification of 'systemically important' NBFCs - a concept that was introduced after the global financial crisis to identify finance companies that were 'too big to fail'.

  The earlier norms had resulted in even relatively smaller-sized finance companies being classified as systemically important because of the definition, which included NBFCs with assets over Rs 500 crore. Now that RBI has removed the reference to the systemically important NBFCs, only the larger ones will be subject to the more stringent regulations

  Source: https://timesofindia.indiatimes.com/city/mumbai/rbi-rejigs-too-big-to-fail-tag-for-nbfcs/articleshow/104637664.cms

- **NBFC-MFI disbursements increase 45.8% to Rs 30,398 crore in Q1FY24**

  Loans disbursed by non-banking financial companies-micro finance institutions (NBFC-MFIs) rose by 45.8 per cent year-on-year (Y-o-Y) to Rs 30,398 crore during April-June 2023 (Q1FY24) against Rs 20,845 crore during April-June 2022 (Q1FY23), according to Micro Finance Institutions Network (MFIN) data.

  The surge in disbursements is on the back of slowdown in activity during April-June 2022 when lenders were reorganising working operations as the Reserve Bank of India (RBI) revised regulatory norms.

  The changed norms provided a level-playing field for NBFC-MFIs compared to banks, which are also formidable players in the micro finance space.

  Sequentially, however, the disbursements were much lower compared to Rs 41,490 crore in January-March 2023 (Q4FY23), the final quarter of FY23.

  The loans were disbursed through 6.89 million accounts in Q1Fy24, up from 5.1 million accounts a year ago.

  Sequentially, the number of accounts where loans were disbursed declined compared to 9.5 million accounts Q4FY23.

  The average loan amount disbursed was Rs 44,114 per account during Q1 FY24, an increase of around 8.3 per cent from the same quarter of the previous financial year, MFIN said.

  Assets under management (AUM) grew to Rs 1.26 trillion in June 2023 from Rs 89,005 crore a year ago. It was Rs 1.21 trillion as of March 2023.

  Keeping with the rise in business activity, micro lenders added 2,500 branches in 12 months. This took the strength of the branch network to 17,706 in June 2023 against 15,202 a year ago.

  On fundraise by NBFC-MFIs, the institution said they received a total of Rs 15,708 crore in debt funding in Q1 FY24, which is 65.7 per cent higher than Q1 FY23.

  Banks contributed the most to NBFC-MFIs with a share of 64.5 per cent of the total borrowing. This was followed by external commercial borrowings of 13 per cent, non-bank entities at 12 per cent and financial institutions at 6.4 per cent

  Source - https://www.business-standard.com/companies/news/nbfc-mfi-disbursements-increase-45-8-to-rs-30-398-crore-in-q1fy24-123091000769_1.html

TOP INSURANCE NEWS

- **Insurers on edge: Will Israel-Hamas conflict result in higher insurance premium?**

The recent conflict in Israel has raised questions about its potential impact on insurance premiums, both locally and globally. It's crucial to understand that the insurance industry is intrinsically related to socio-political realities around the world. Hence, geopolitical disturbances like warfare can have consequential effects on insurance premiums.

Reinsurance costs: Reinsurance, which is insurance for insurance companies, might also get more expensive because reinsurers may raise prices to balance out the heightened risk in the region. Subsequently, primary insurers could also ramp up their premiums to offset the cost of the higher reinsurance.

"Indian insurance companies often buy reinsurance to spread their risks. If global reinsurance costs rise due to a higher volume of claims stemming from the conflict in Israel, this could indirectly impact insurance premiums in India," said Rahul M Mishra, Co-Founder and Director of Policy Ensure.

Let's take a look at how it can impact on related products insurance premium:

1. **Exporter premium:** he conflict in Israel may lead to increased risks in shipping and trade routes, particularly in the Eastern Mediterranean. This could result in higher marine insurance premiums for shipments to or from the region. Besides, the Indian exporters who are shipping goods and services to Israel may face higher exporter insurance premiums, as stated by many experts.

   Naval Goel, Founder and CEO of PolicX.com, said, "The Export Credit Guarantee Corporation of India Limited (ECGCI) will have to charge higher premiums from the firms shipping to Israel due to risks involved on the ports of the country. The shipping costs to these countries will also see a hike. If the situation expands to targeting the Israeli ports, the premiums will shoot further, and the exporters can also be left with no insurance coverage. The higher premiums are implemented to compensate for any losses in a particular region exposed to war and uncertain situations."

2. **Travel insurance premium:** our travel insurance premiums to the war hit, and neighbouring countries will also get costlier. These areas are considered high-risk regions; therefore, most health insurers can refrain from offering a travel plan too. Mishra said, "Travel insurance premiums for individuals visiting Israel or nearby regions may see a slight increase due to heightened travel risks. However, the impact on premiums is typically temporary and might normalize once the situation stabilizes."

3. **Global health insurance policy premium:** Global health insurance policy premiums could indirectly result from the war. "The global health insurance policies may come with an added condition of no coverage for war-hit countries. The insurer can refuse to cover your medical bill in an active war zone. But you can regain the benefits of your global health plan once you reach a neighbouring country or the one which is covered in your policy," said Goel.

4. **Political risk insurance:** Political risk insurance is a financial product designed to protect businesses and investors from unpredictable losses due to political instability. It covers risks like government actions, war, terrorism, or civil disturbance, potentially protecting assets, contracts, or operations. This insurance is especially crucial for entities operating in high-risk regions Mishra said, "Companies engaged in business activities in the Middle East or with

Israeli ties might see increased premiums for political risk insurance. This insurance covers risks related to political instability, which can include war or conflict."

5. **Cyber insurance:** Cyberattacks have become a tangible threat in geopolitical conflicts, significantly altering risk evaluations. The surge in state-sponsored cyberattacks, particularly witnessed in the Israel-Hamas clash, will potentially drive cyber insurance premiums higher. Cyber insurance providers will likely reassess risk profiles, factoring in the increasing frequency and severity of cyber warfare. Mishra says, "As cyberattacks may increase during times of conflict or crisis, businesses may experience a greater need for cyber insurance. Consequently, premiums for cyber insurance might see an upward trend as businesses seek to protect themselves from potential cyber threats." Thus, one can anticipate a sharp hike in cyber insurance premiums imminent."

Source: https://www.businesstoday.in/personal-finance/insurance/story/insurers-on-edge-will-israel-hamas-conflict-result-in-higher-insurance-premium-401840-2023-10-13

- **IRDAI says general insurers to provide motor cover to employees travelling in employer's vehicle**

he new directive was issued after the Madras High Court asked to make India Motor Tariff-29 compulsory as an in-built coverage for employees while issuing a private car policy for such vehicles.

he Insurance Regulatory and Development Authority of India (IRDAI) has said the general insurers will offer mandatory motor insurance coverage to employees travelling in their employer's vehicles. The new directive was issued after the Madras High Court asked to make India Motor Tariff-29 compulsory as an in-built coverage for employees while issuing a private car policy for such vehicles.

"All general insurers carrying on motor insurance business shall provide the cover to employees travelling in an employer's vehicle (including paid driver, if applicable) under IMT-29 of the Indian Motor Tariff, compulsorily as an in-built coverage while issuing private car policy for such vehicles," IRDAI said in a circular.

RDAI has also said that the compulsory cover of IMT-29 should be provided as an in-built coverage under the Compulsory Motor Third Party Liability Section of Private Car Package/ Bundled Policies and under standalone policies insuring Compulsory Motor Third Party Liability.

What did Madras HC say

The Madras High Court asked IRDAI to make IMT-29 compulsory as an inbuilt coverage for employees while issuing a private car policy for such vehicles.

The High Court had observed that in cases of employees travelling in private vehicles of the employers meeting with an accident resulting in injuries or death, it becomes a nightmare for the claimants to recover compensation from the employer.

This leads claimants to suffer endlessly having lost their sole breadwinner or having suffered injuries, the IRDAI cited in its communication to the insurers.

What did IRDAI say

IRDAI said the Indian Motor Tariff 2002 under Clause 7 of Section 2 provides for a specific situation wherein a private car owned by an employer and used to carry employees is involved in an accident.

The clause stipulates that the liability of such employees, including the paid driver if applicable, be covered on payment of additional premium at Rs 50 per employee – the number of such people not exceeding the maximum licensed seating capacity of the vehicle.

The additional premium of Rs 50 per employee is net irrespective of any period of insurance not exceeding 12 months.

IRDAI has laid down the following directives for General Insurers engaged in motor insurance:

i) All General Insurers engaged in the motor insurance business shall provide coverage to employees traveling in the employer's vehicle (including a paid driver, if applicable) under IMT-29 of the Indian Motor Tariff, compulsorily as an inbuilt coverage when issuing private car policies for such vehicles.

ii) The compulsory cover of IMT-29 shall be provided as an inbuilt feature under the Compulsory Motor Third Party Liability Section of Private Car Package/Bundled Policies and under standalone policies insuring Compulsory Motor Third Party Liability.

iii) No additional premium shall be charged until further directions.

Source: https://www.businesstoday.in/personal-finance/insurance/story/irdai-says-general-insurers-to-provide-motor-cover-to-employees-travelling-in-employers-vehicle-402629-2023-10-19

- **This health insurance will cover surrogacy expenses. Check key features and other details carefully**

Surrogacy cover extends inpatient hospitalisation coverage for post-partum delivery complications endured by the surrogate mother, covering a span of 36 months

Star Health and Allied Insurance Co. Ltd. has come up with a new policy to meet the growing needs of Assisted Reproductive Treatment by integrating Surrogacy Cover and Oocyte Donor Cover into its renowned Star Women Care Insurance Policy. Thus broadening the health insurance safety net for surrogate mothers and Oocyte donors and offering reassurance to anticipating couples. These additional covers come at no extra expense to the insured.

The Surrogacy cover extends inpatient hospitalisation coverage for post-partum delivery complications endured by the surrogate mother, covering a span of 36 months. Additionally, Star Health Insurance is also now equipped to offer an Oocyte Donor Cover extending to indemnify inpatient hospitalisation expenses arising from complications ensuing Assisted Reproductive Treatment, for the stretch of 12 months.

Anand Roy, MD and CEO, Star Health and Allied Insurance Co. Ltd. said, "The policy is meticulously crafted to cater to women's unique needs at every stage of their lives, offering them reassurance and easing concerns about escalating medical expenses."

Surrogacy cover kicks in from the initiation date of the treatment or procedure. In the face of an unfortunate incident of "Miscarriage due to Accident", according to the policy's terms, Star Health commits to pay a settlement to the surrogate mother.

To access the above benefits, the insurance policy mandates the strict adherence to the terms and conditions stated. The intending couple, the surrogate mother and the treating hospital must comply with the guidelines of the Surrogacy Act and the ART Act. Furthermore, it is crucial that Surrogacy and Oocyte donation procedures take place at institutions recognised and registered with the National ART and Surrogacy Registry.

Key features of Star Women Care Insurance Policy:

Surrogate Mother Cover: Cover for adults 25 years to 35 years (Proposer has to be one of the intending couples)

Oocyte Donor Cover: Cover for adults 25 years to 35 years (Proposer has to be one of the intending couples)

Sum insured available up to Rs One Crore;

Type of Policy - Individual Sum Insured only for females aged between 18 years to 75

Years o Floater Sum Insured – Adult 18 years to 75 years with at least one female in the family along with the spouse and dependent children

Coverage - In-patient hospitalization, Delivery, Day Care treatment, Road Ambulance, Air

Ambulance, Organ Donor Expenses, and Pre & Post hospitalization expenses

Additional benefits include AYUSH Treatment, Rehabilitation and pain management, Ante Natal Care (Pregnancy Care), In Utero Fetal Surgery/ Repair, Bariatric Surgery, Optional Cover

(Lump sum on diagnosis of Cancer), Coverage for modern treatments, Medical and Tele Health consultations.

Covers the Outpatient medical expenses from day one

Automatic Restoration of Basic Sum Insured once by 100% upon partial or full utilization of the sum insured.

The Star Women Care Insurance Policy is available without the requirement of preliminary medical tests. Special features including no pre-acceptance medical screening, midterm inclusions, and the opportunity to acquire the policy during pregnancy, add to the appeal of the package. Additional benefits extend to pregnancy care treatment, In-Utero fetal surgery, hospitalisation expenses for newborn babies, vaccination, pediatrician/medical consultations, preventive health check-up, and much more.

Policy benefits include:

Health Check-up benefit for each policy year

Hospitalization expenses for treatment of New Born Baby

Cumulative bonus of 20% of the expiring sum insured for each claim-free year up to a maximum of 100% of the basic sum insured

Star Mother Cover covers the insured mother room rent (to stay with her child in the same hospital), of the Insured Child is less than 12 years old and hospitalized in the ICU

Assisted Reproduction Treatment cover sub-fertility treatments like IVF, up to specified limits

Rehabilitation and Pain Management Expenses covers up to the sub-limit or 10% of the sum insured

Delivery Expenses including C-section up to 2 deliveries in the lifetime up to the specified limits.

Hospitalization Expenses for the New Born Baby include medical and surgical treatment, vaccination up to 12 months, Metabolic screening, and pediatrician consultation (up to 4 consultations)

Star Wellness Program incentivizes and rewards the insured through various wellness activities. The insured person can earn wellness reward points to get a discount in premium

The policy extends to women aged between 18 and 75. Women have the flexibility to choose either an individual policy or a floater policy – enabling comprehensive health protection for women at different stages of life.

Sources- https://www.businesstoday.in/personal-finance/insurance/story/this-health-insurance-will-cover-surrogacy-expenses-check-key-features-and-other-details-carefully-402724-2023-10-20

- **Nirmal Bang initiates coverage on life insurers; Here are the reasons to prefer private players?**

Private players with an innovative product portfolio, well-entrenched distribution network targeting tier-II and III cities and a growing protection franchise are best-positioned to capture the opportunity, said Nirmal Bang.

Domestic brokerage firm Nirmal Bang Institutional Equities has initiated coverage on India's life insurance sector, with its view on HDFC Life Insurance Company Ltd, ICICI Prudential Life Insurance Company Ltd, Max Financial Services Ltd and SBI Life Insurance Company Ltd. However, it has not covered Life Insurance Corporation of India (LICI) in its maiden report on the sector.

The brokerage said that low insurance penetration in India indicates huge scope for growth over a multi-decade horizon; outlook remains positive driven by strong inherent demand for protection and annuity products. "The sector is in a transition phase with upcoming regulations which could disrupt the business model of traditional players," it said.

Nirmal Bang remains bullish on long-term industry growth prospects over the next two decades with an increasing need for long-term guaranteed returns, due to lack of social security, robust demand for annuity products over the next decade driven by NPS/ageing population and massive scope to increase protection penetration.

It has initiated coverage on ICICI Prudential life Insurance (upside of 26 per cent) and SBI Life Insurance Company (upside of 17 per cent) with a buy rating and a target price of Rs 660 and Rs 1,600 respectively. However, it has an 'accumulate' rating on HDFC Life Insurance Company and Max Financial Services, with a target price of Rs 675 and 1,035 apiece.

Private players with an innovative product portfolio, well-entrenched distribution network targeting tier-II and III cities and a growing protection franchise are best-positioned to capture the opportunity, Nirmal Bang said. However, life insurers under coverage are resilient and quick to adapt to new changes, it said.

"We identify incremental growth coming from the rapidly-growing protection and annuity segments. Growth in protection will be derived from an increase in both the number of absolute lives and protection cover aided by higher financial awareness and rising disposable incomes," it said. "Annuity market is in a nascent stage and we expect the market to develop as players come out with new and innovative product offerings to capture the customer."

While margins would remain steady for most players, we expect APE growth to be the main delta for outperformance. Companies like IPRU Life and SBI Life with robust distribution channels, strong brand names and a growing protection franchise would be clear winners in the sector, said Nirmal Bang.

Disclaimer: Business Today provides stock market news for informational purposes only and should not be construed as investment advice. Readers are encouraged to consult with a qualified financial advisor before making any investment decisions.

Source: https://www.businesstoday.in/personal-finance/insurance/story/nirmal-bang-initiates-coverage-on-life-insurers-here-are-the-reasons-to-prefer-private-players-402961-2023-10-23

- **How are vulnerable groups mis-sold life insurance policies?**

The elderly and low-income individuals are more susceptible to these unethical practices

Unfortunately, mis-selling and dishonest practices in different sectors of the economy are common issues affecting many consumers. Certain demographics, in particular the elderly and low-income individuals, may be more susceptible to these unethical practices due to various reasons. Here, we examine how and why these groups are more vulnerable and look at the protective measures that have been put in place to guard against such exploitation.

Elderly or low-income groups tend to be more susceptible to mis-selling insurance policies and dishonest practices. Typically, insurance companies and agents target senior citizens, homemakers, and other low-income groups in these ways –

Senior citizens: The elderly population, due to cognitive decline, lack of technological savvy, or being unacquainted with the changing market, can often become the prime targets of insurance mis-selling.

Most senior citizens hold savings accounts and fixed deposits at their banks. Usually, when they renew their fixed deposits, bank managers often try to sell them regular premium insurance policies. However, they often lack the clarity that the products are sold in the name of their family members, and the senior citizen becomes their proposers. “In our experience, senior citizen account holders usually sign the proposal form without proper verification as they trust their bank,” said Shilpa Arora, COO and Co-Founder of Insurance Samadhan.

Low-income individuals: Low-income groups are often the most vulnerable due to limited access to quality financial education. Due to this, they may not fully apprehend the details of complicated financial products, loan deals, or investment schemes, leaving them open to exploitation. Lower-income individuals also often face pressure to accept services they can hardly afford, mainly because alternative options may seem inaccessible or non-existent to them.

Arora said, "Individuals who need loans to invest in small businesses or build assets are often sold a policy with the allurement of credit. Often, small shoppers, businesses, farmers, and homemakers seeking loans are approached by insurance agents who lure them with the promise of interest-free loans on their purchase of a life insurance policy. These agents seldom explain the product and convince them that the premium will serve as the loan EMI. As a result, insured ones believe the premium is going towards the loan repayment."

Homemakers: Most homemakers who put their savings in fixed deposits are approached with regular premium-paying life insurance policies. Arora said, "Sometimes agents ask housewives to pay for 3 years to generate tax-free high returns, which appeals to most. However, because of their low financial knowledge, they end up as a victim of mis-selling because the insurer often skips to mention that the policy buyer needs to pay the policy premium regularly or else they would lose their investment. They are told that if they pay their premium for 2-3 years, they will avail of a surrender value relatively lower than they could have made by investing for the same tenure."

What should you do?

Individuals must be cautious and alert when purchasing an insurance policy as a financial product. They must be clear that life insurance is for financial protection, so they must not expect high returns.

Several measures, however, are in place to mitigate the impact of mis-selling and dishonest practices on these vulnerable populations. Regulatory authorities have come up with a robust and systematic framework to ensure financial markets' fairness and transparency. Governmental and non-governmental institutions also provide financial literacy programs to educate consumers about complex financial products, the rights they possess, and the remedies available when their rights are violated. For instance, if you are miss-sold an insurance policy, you can take the following steps:

File report against mis-selling: If any elderly or low-income individual feels that they have been mis-sold, they must report to the insurance company, preferably within the 15-day free look period that starts when they receive their policy document.

Read the policy document: Individuals must read the fine print carefully, and if something promised is not mentioned, they can file a report to avail refund of the premium.

Raise complaint at Irdai's platform: Individuals can also raise a complaint at Irdai's Bima Bharosa platform, which the company will respond to within 14 days.

"They can opt to contact the Insurance/Banking Ombudsman if the response they availed from the company and Bima Bharosa is dissatisfactory. If all fails, they can seek a grievance at the consumer court," said Arora.

Source- https://www.businesstoday.in/personal-finance/insurance/story/how-are-vulnerable-groups-mis-sold-life-insurance-policies-403299-2023-10-26

- **The pitfalls of buying car insurance through auto dealers: Here's what you need to know**

his could end up limiting your choices, thereby not allowing you to shop around for the best insurance policy that suits your needs and budget.

Buying car insurance from an auto dealer may seem convenient, given that it helps save time and ostensibly offers a one-stop solution. However, this might not be the best decision you make.

Here's why you should think twice before buying car insurance from a dealer.

Limited choices: The foremost reason is the lack of comparison. The car dealer would normally have tie-ups with only a limited number of insurance companies and, often, only with one. This could end up limiting your choices, thereby not allowing you to shop around for the best insurance policy that suits your needs and budget.

Rahul M Mishra, Co-founder and Director of Policy Ensure, says, "Motor dealers typically work with a limited number of insurance providers, which means you might not have access to a wide range of insurance options. This can lead to a lack of flexibility in choosing a policy that best suits your needs and budget."

Biased advice: Motor dealers may be financially incentivised to sell insurance policies from a particular provider. Their recommendations may be influenced by commission or tie-in agreements, potentially compromising the impartiality of their advice.

Higher Premiums: The dealers are likely to charge higher fees. Auto dealers focus on maximising their profits, which come in the form of commissions from insurance companies. There's a likelihood that this sum might be passed on to you, the customer, resulting in high premiums. Acquiring car insurance independently makes it easier to avoid this extra cost and ensure the funds go directly into covering your vehicle adequately.

"Insurance policies purchased through motor dealers may come with higher premiums. These policies often include additional fees or markups, making them more expensive than policies you could find independently," said Mishra.

Limited expertise: Car dealers are not insurance experts; they are in the business of selling cars. Therefore, the specifics of your policy might get overlooked, leaving you with inadequate cover in times of need. An insurance broker, on the other hand, can offer a much more personalized service focusing on your coverage requirements, risk profile and budget.

"While motor dealers are knowledgeable about cars, they may not have the expertise to provide in-depth advice on insurance. They might not fully understand your specific insurance needs or the intricacies of different policies," said Mishra.

Complex claims process: Buying insurance from a dealer often means they manage your paperwork. While it may seem attractive in the beginning, in the long run, you may find yourself entrapped in unnecessary bureaucracy because you don't have direct control over your policy.

Mishra says, "In the event of a claim, the process may become more complex if your insurance is tied to a motor dealer. Dealing directly with an insurance company or a dedicated insurance agent often results in a smoother and more efficient claims process."

Point to note: While purchasing insurance from a car dealer may seem easy, the cost, limited choices, and lack of personalised service and control should detour you from doing so. Being independent and seeking advice from a dedicated insurance advisor or broker might be your best bet in making an informed choice that guarantees your long-term satisfaction

Source- https://www.businesstoday.in/personal-finance/insurance/story/the-pitfalls-of-buying-car-insurance-through-auto-dealers-heres-what-you-need-to-know-403499-2023-10-27

TOP CORPORATE BOND MARKET NEWS

- **Fundraising through corporate bonds decline in October, shows data**

Fundraising through corporate bonds fell in October due to the rising cost of borrowing through these instruments, market participants said. Moreover, investors refrained from placing large bets in the corporate bond market due to uncertainty and have been turning towards the government bond market as the latter is more liquid in nature.

According to data from the Prime database, companies and banks raised Rs 23,797 crore as of October 24, compared to Rs 72,941 crore in September.

"This month we have seen significant volatility in bond prices across the globe. US treasuries hit a 16-year high; the 10-year treasury touched 5.00, while we saw similar volatility and rise in bond yields in domestic markets too. With a rise in yields, we will see a drop in corporate bond issuance and see a rise in the issuance of money market instruments. Corporates are postponing their fundraising activities, hoping that the geopolitical situation will cool down in a couple of months," Vinay Pai, head of fixed income at Equirus Capital, said.

The yield on the 10-year benchmark US Treasury bond rose to 5.02 per cent on Monday, the highest since July 2007. The ongoing Israel-Hamas conflict has added to global uncertainties, particularly regarding energy prices. The concerns over inflation spiking again due to higher energy prices are currently outweighing safe-haven demand.

"Investors' appetite has gone down due to uncertainty. They are either sitting on cash or they are reluctant to put in money. The government bond market is relatively easy to enter and exit, whereas the corporate bond market is still facing illiquidity," Ajay Manglunia, managing director at JM Financial, said.

In October, the yield on corporate bonds rose nearly 10-15 basis points across maturities. The National Bank for Agriculture and Rural Development (NABARD) raised Rs 2,518 crore through bonds maturing in three years and two months on Thursday, out of a total issue size of Rs 5,000 crore, at 7.83 per cent. The bonds issued by NABARD are considered benchmarks in the corporate bond market.

Last month, the state-run company raised Rs 1,041 crore through its social impact bond, with a five-year maturity, at a coupon of 7.63 per cent.

Meanwhile, the volume in the government bond market continues to be concentrated in longer-tenure papers as traders have been betting on most-traded bonds due to tight liquidity and uncertainty around open market operations (OMO) sales by the Reserve Bank of India

Source: https://www.business-standard.com/economy/news/fundraising-through-corporate-bonds-decline-in-october-shows-data-123102601159_1.html

- **RBI holds interest rates: Best mutual funds to invest**

The Reserve Bank of India (RBI) held its policy rates unchanged in its latest monetary policy review on Friday. The RBI continued with its policy stance of 'withdrawing of accommodation' and kept the Repo Rate, the short term rate at which it lends money to banks, at 6.5%. This is the fifth pause by the central bank since it started holding rates in February this year.

The RBI continues to be cautious about the inflationary pressures in the economy. The RBI governor's statement indicates that the central bank is likely to watch the data very closely and take call on interest rate accordingly. Be prepared for higher interest rates.

A higher interest rate environment is considered negative for the equity market as it raises borrowing costs for companies and it may also hit their profit margins. Smaller companies are more likely to be hit. Sure, you wouldn't sense it from the performance of the stock market in the recent past.

You may continue with your investments if you are following a proper financial/investment plan. However, if you are making additional investments, stick to safer funds like dynamic allocation funds, aggressive hybrid funds, and large cap funds.

Infrastructure funds category gave an average return of 38.06%. Six schemes in the category offered 40%. ICICI Prudential Infrastructure Fund, the topper in the list, 46.16% in three years. HDFC Infrastructure Fund gave 43.41%. Quant Infrastructure Fund gave 43.40%. DSP India T.I.G.E.R Fund gave 42.57%.

Small cap category offered an average return of 36.60%. Toppers in the category gave over 40%. Quant Small Cap Fund, the topper in the category, gave 46.42%. Nippon India Small Cap Fund gave 43.82%. HSBC Small Cap Fund gave 42.15%. HDFC Small Cap Fund offered 40.92%.

Source: https://economictimes.indiatimes.com/mf/analysis/these-four-equity-mutual-fund-categories-offered-over-30-in-three-years/mid-cap-funds-offer-30-08/slideshow/104058428.cms

- **Large index funds underperform in first half of 2023**

Large index funds continued to underperform in the first half of 2023 with 58 per cent large cap funds failing to beat their underlying indices and the overall underperformance being as high as 85.2 per cent. According to S&P Dow Jones Indices -- a leading index provider globally -- the underperformance rates for the domestic equity and bond mutual funds have been elevated over the past three- and five-year periods.

Based on the varying performance of active managers across different fund categories, most equity large-cap funds failed to beat their benchmarks, with 58 per cent of actively managed funds underperformed on the S&P BSE 100 in the first half of 2023

In the fixed income fund category, while the BSE India government bond index rose 4.7 per cent in the first six months, fewer than one-sixth of active bond fund managers beat the benchmark during the period, with an underperformance rate of 85.2 per cent.

But fewer funds performed badly as tenure, with underperformance rates over three- and five-year periods falling to 75 per cent and 66.7 per cent, respectively.

According to Benedek Voros, the director of the index investment strategy at S&P Dow Jones Indices, in the early months of 2023, the Indian stock market saw some notable gains across various segments as measured in the rupee.

For example, the BSE 400 mid-small cap index not only surpassed total returns of the BSE 200, but also posted higher returns than the S&P BSE 100 by more than 5 per cent.

In addition, while the BSE 400 mid-small cap index rose 12.4 per cent in the period under review, 45.3 per cent of active managers underperformed the index over that period.

On the other hand, the composite BSE India bond index 95.65 per cent YTD, 94.24 per cent for one year, 65 per cent for three years and 99.30 per cent for five years.

The BSE Indian government bond index returned 85.19 per cent YTD, 88 per cent for one year, 75 per cent for three years and 66.67 per cent for five years.

Source - https://economictimes.indiatimes.com/mf/mf-news/large-index-funds-underperform-in-first-half-of-2023/articleshow/104330672.cms

- **Flexi cap funds offer 15.33% in 2023; JM Flexicap Fund give 23.30%-**

Flexi cap funds have offered an average return of 15.33% in 2023 so far, a study of returns showed. There are around 32 schemes in the flexi cap category, and 24 schemes have managed to beat their respective benchmarks in this year. Around eight schemes have failed to beat their benchmarks.

These actively-managed flexi cap schemes are benchmarked against Nifty 500-TRI and S&P BSE 500-TRI which offered 12.79% and 12.61% respectively.

Parag Parikh Flexi Cap Fund, the largest scheme in the category based on assets managed, gave 22.20% in 2023 this year, beating its benchmark (NIFTY 500 - TRI). The scheme manages total assets worth Rs 42,784.56 crore. HDFC Flexi Cap Fund, another large scheme, gave 15.25% in 2023 and managed to beat its benchmark (Nifty 500-TRI). The benchmark gave 12.79% in the same time period.

Some other large schemes in the flexi cap category based on assets managed such as Kotak Flexicap Fund, UTI Flexi Cap Fund, and SBI Flexicap Fund failed to beat their respective benchmarks.

JM Flexicap Fund, the topper in the category, gave 23.30% in 2023 so far. DSP Flexi Cap Fund gave 19.84%, followed by Mahindra Manulife Flexi Cap Fund which gave 19.71%. Shriram Flexi Cap Fund gave the lowest return of 9.33%.

As said earlier, there are around 32 actively-managed schemes in the flexi cap category. Around 30 schemes gave double-digit returns and only two schemes gave single digit-returns in 2023.

ETMutualFunds also looked at the performance of flexi cap funds during July-September quarter in 2023. There were 35 schemes in the category. Around 25 schemes managed to beat their respective benchmarks and 10 schemes failed to beat their respective benchmarks. Only two schemes - Bank of India Flexi Cap Fund and Taurus Flexi Cap Fund offered double digit returns.

The flexi cap funds gave an average return of 6.35% during July-September quarter in 2023.

Bank of India Flexi Cap Fund, the topper in the category, delivered 12.04% during July-September quarter. Taurus Flexi Cap Fund gave 10.72%, followed by JM Flexicap Fund which gave 9.51%. PGIM India Flexi Cap Fund gave the lowest return of around 1.71%

Note, the above exercise is not a recommendation. The main purpose of this exercise was just to find out how flexi cap schemes performed in 2023 so far. One should not make investment or redemption decisions based on the above exercise. One should always choose schemes based on risk appetite, investment horizon and goal. Past performance does not guarantee future returns.

Flexi cap schemes offer the fund managers the freedom to invest across market capitalisations and sectors/themes. It means the fund managers can invest anywhere based on his outlook on the market. These schemes are typically recommended to moderate investors with an investment horizon of five to seven years.

Source: https://economictimes.indiatimes.com/mf/analysis/flexi-cap-funds-offer-15-33-in-2023-jm-flexicap-fund-give-23-30/articleshow/104360468.cms

- **Large & mid cap funds offer 17.06% in 2023; Canara Robeco Emerging Equities Fund give 12.82%-**

Large & mid cap funds have offered an average return of 17.06% in 2023 so far, a data analysis of trailing returns showed. There were around 26 schemes in the category and 13 schemes managed to beat their respective benchmarks.

These actively-managed large & mid cap schemes are benchmarked against NIFTY LargeMidcap 250 - TRI and S&P BSE 250 LargeMidCap Index - TRI. NIFTY LargeMidcap 250 - TRI and S&P BSE 250 LargeMidCap Index - TRI gave 18.23% and 11.83% respectively in 2023.

Mirae Asset Emerging Bluechip Fund, the largest scheme in the category based on assets managed, offered 17.12% and failed to beat its benchmark (NIFTY LargeMidcap 250 - TRI). The scheme manages assets of Rs 29,024.00 crore.

Canara Robeco Emerging Equities Fund gave 12.82%, compared to 18.23% by its benchmark (NIFTY LargeMidcap 250 - TRI). The scheme manages assets of Rs 18,063.42 crore. SBI Large & Midcap Fund which manages assets of Rs 15,705.95 crore gave 14.37% in 2023 so far. The scheme failed to beat its benchmark (NIFTY LargeMidcap 250 - TRI).

Kotak Equity Opportunities Fund and HDFC Large and Mid Cap Fund gave 18.64% and 22.22% respectively and managed to beat their benchmark (NIFTY LargeMidcap 250 - TRI). Kotak Equity Opportunities Fund and HDFC Large and Mid Cap Fund manage assets of Rs 15,500.47 crore and Rs 11,810.08 crore respectively.

Around six schemes gave more than 20% in 2023. Motilal Oswal Large & Midcap Fund, the topper in the category, gave 24.15%. HDFC Large and Mid Cap Fund and UTI Core Equity Fund gave around 22%. HSBC Large & Mid Cap Fund and Axis Growth Opportunities Fund offered 21%. Bandhan Core Equity Fund gave 20.24%. Canara Robeco Emerging Equities Fund offered the lowest return of around 12.82%.

Quarterly performance

ETMutualFunds also looked at the performance of large & mid cap funds during July-September quarter in 2023. These actively-managed large & mid cap schemes have offered an average return of around 7% in July-September quarter in 2023. There were around 26 schemes in the category and 11 schemes managed to beat their respective benchmarks. Around 15 schemes failed to beat their respective benchmarks.

All the schemes in the category offered single-digit returns during the July-September quarter. Bandhan Core Equity Fund, the topper in the category, gave around 9.92%. Quant Large & Mid Cap Fund gave 9.83%. Axis Growth Opportunities Fund gave the lowest return of around 3.70%

Note, the above exercise is not a recommendation. The purpose of this exercise was just to find out how large & mid cap schemes performed in 2023 so far. One should not make investment or redemption decisions based on the above exercise. One should always choose schemes based on risk appetite, investment horizon and goal. Past performance does not guarantee future returns.

Source: https://economictimes.indiatimes.com/mf/analysis/large-mid-cap-funds-offer-17-06-in-2023-canara-robeco-emerging-equities-fund-give-12-82/articleshow/104543426.cms

- **57% equity funds beat benchmarks in 2023; 83% large cap funds outperform**

Around 57% equity schemes have managed to beat their respective benchmarks in this year till date, an analysis of data by ETMutualFunds showed. We considered the returns offered by 243 equity schemes in 2023 so far and compared the performance with their respective benchmarks. Around 139 equity schemes have managed to beat their respective benchmarks - an outperformance of 57%. We considered only regular, growth schemes for the study.

Large cap category had the highest percentage of outperformance. Around 25 schemes out of the total 30 schemes outperformed their respective benchmarks. This indicates around 83% outperformance by the category. The large cap category has been struggling to beat their benchmarks since the time Sebi introduced the total return index (TRI) in February 2018.

Value fund category had around 74% of outperformance. Flexi cap and ELSS fund categories had 72% and 71% of outperformance respectively.

The multi cap category had around 16 schemes, out of which nine schemes managed to outperform their respective benchmarks. Large & mid cap category had around 26 schemes, and 13 schemes outperformed their respective benchmarks. The category had 50% of outperformance in 2023

Small cap and mid cap categories had the lowest percentage of outperformance. The categories had only 29% and 17% of outperformance respectively. Despite offering double-digit returns in 2023, these two categories had the lowest percentage of outperformance.

We considered equity categories such as large cap, large & mid-cap, mid cap, small cap, flexi cap, focused, contra, value-oriented, multi cap, and ELSS categories for the study. The year-to-date trailing returns of the schemes were compared with their respective benchmarks in the same horizon. The trailing returns for year-to-date horizon were calculated from January 1, 2023 to October 17, 2023.

Note, the above exercise is not a recommendation. This is just to see how equity mutual fund categories have performed vis-a-vis their benchmarks in 2023. We have considered their current benchmarks for the study.

One should not make investment or redemption decisions based on the above exercise. Past performance does not guarantee future performance. One should always include risk appetite, investment horizon, and goal before making any investment.

Source: https://economictimes.indiatimes.com/mf/analysis/57-equity-funds-beat-benchmarks-in-2023-83-large-cap-funds-outperform/articleshow/104572040.cms

Department of Banking & Financial Services Upcoming Programme

2nd National Summit Financial Inclusion "Accelerating Tech Driven Financing to the Unbanked"	30th November 2023
ASSOCHAM 15th Global Insurance Summit & Awards	14th December 2023

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