

MONTHLY

Banking, Financial Services & Insurance (BFSI)

E-Bulletin



DEPARTMENT OF BANKING & FINANCIAL SERVICES

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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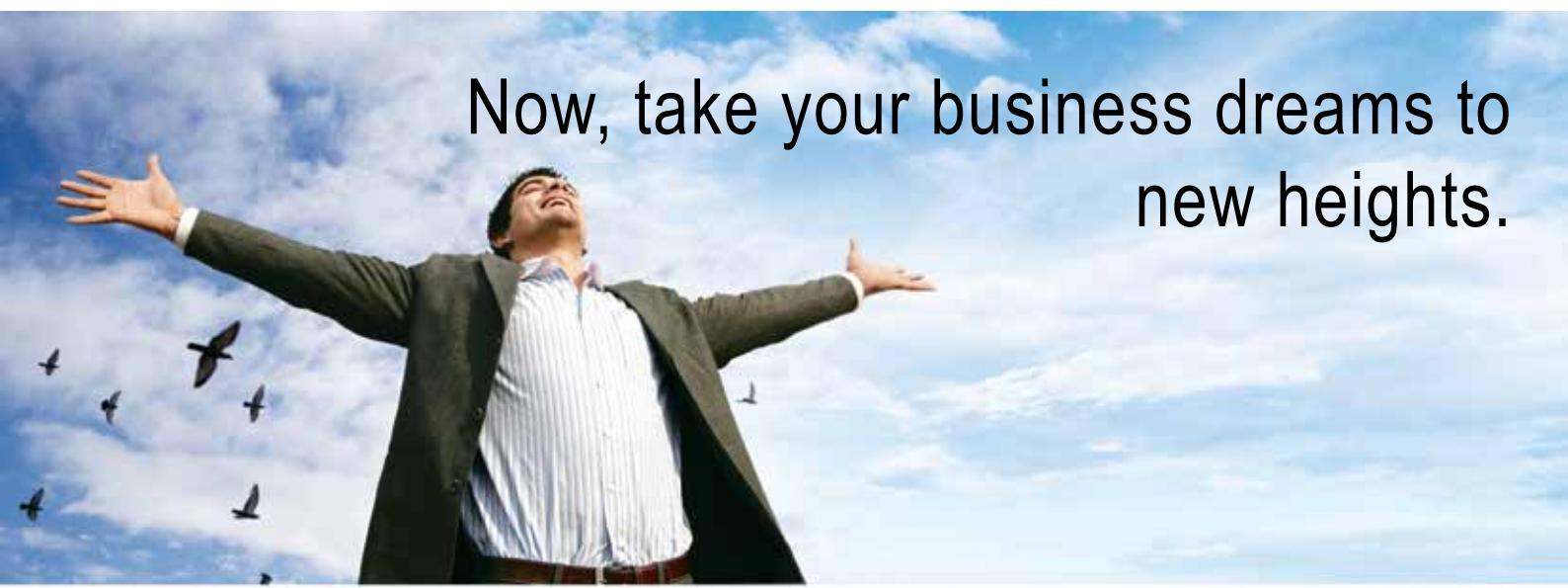
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TOP SPEECHES

What Does it Take to Get to Net Zero

Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the Economic Society of Singapore Annual Dinner 2022, Singapore, 17 August 2022

The global economy is facing the sharpest surge in inflation and fastest pace of monetary policy tightening in 40 years, with highly uncertain consequences. Long after our conjunctural challenges of war, disease, and inflation are behind us, the climate crisis will still be with us, only more intense, more urgent, more disruptive.

Climate change is already happening. Over the last three decades, the number of registered severe weather events has tripled. Over the last two decades, the rate of increase in sea levels has doubled. Over the last decade, the pace of ice loss in the Arctic and Antarctic has tripled. This year, wildfires and heatwaves of unprecedented ferocity have swept across Europe, North America, and Australia, while record rainfall in countries ranging from India to America have caused devastating floods. Climate change is happening at a faster pace than predicted by early climate models.

It is critical that we stop putting more carbon into the atmosphere by 2050. According to climate scientists, to avoid catastrophic and irreversible climate change, global warming needs to be kept within 1.5 degrees Celsius above pre-industrial levels. This in turn requires that global greenhouse gas emissions must reach net zero around 2050, meaning we remove whatever greenhouse gases we put into the atmosphere every year.

The world is currently far from a net-zero emissions trajectory. To limit global warming to 1.5 degrees Celsius, global greenhouse gas emissions must peak by 2025 and come down about 45% by 2030 relative to 2019 levels.

This means 1.5 degrees Celsius is almost out of reach. According to the latest report by

the United Nations Intergovernmental Panel on Climate Change (IPCC), global warming has already reached 1.1 degrees Celsius above pre-industrial levels, the warmest in 125,000 years. According to the IPCC, to fall back below the 1.5 degrees Celsius target, it would be necessary to remove from the atmosphere a decade or two of carbon emissions

If the current emissions trajectory continues, the world will likely experience climate catastrophe. Many parts of the world will become less hospitable for human habitation. By some estimates, climate change may force more than one billion people to migrate by 2050.

The Challenge of Decarbonisation

2020 to 2030 is the critical decade for climate action to achieve net-zero by 2050, the necessary policies and the associated investments must be made between now and 2030.

The world should be upfront about the cost of decarbonisation and have concrete plans to support those adversely affected. Like all economic transformations, the green transition will involve winners and losers, and unless this is recognized and dealt with, the sustainability agenda will lose social legitimacy.

The transition to net zero will likely entail the biggest economic and societal transformation since the Industrial Revolution. To transit from such a fossil fuel civilisation to a net zero world will require considerable economic restructuring, significant technological breakthroughs, and substantial financial investments

Getting to net zero will not be easy and will require five transformative changes: Price on carbon, Shift to cleaner energy, Greening of the economy, Pivot to transition finance, sustainable lifestyle.

Carbon Pricing: A meaningful price for carbon is the single most important measure to help decarbonise the economy. Without getting the price of carbon right, most sustainability efforts will not make economic sense and not gain traction.

Let me make three observations about carbon pricing. First, carbon taxes should be implemented equitably so that they do not overly burden low-income households and SMEs. Second, green subsidies are useful complements to carbon pricing, but they are not substitutes. Third, a global minimum carbon price makes economic sense but needs to be carefully designed

Cleaner Energy

According to the International Energy Agency (IEA), the energy transition to achieve NetZero is doable but difficult.

First, even when the world achieves net-zero emissions, fossil fuels will be with us. Second, solar and wind power will need to be the largest energy source. Third, hydrogen will be an important new hope for decarbonisation. In Singapore, our aim is to progressively decarbonise the power sector.

Green Economy

Greening the existing economy is more important than growing new green sectors. Investing in green technologies and renewable energy is important. But such pure green activities are estimated to make up less than 8% of the global economy. Non-green activities – in manufacturing, building and construction, aviation, maritime, agriculture and fisheries - make up the bulk of any economy.

Let me highlight six challenges associated with greening the global economy. First, a green

economy will rely much more on electricity. Second, a green economy will need to be much more energy efficient. Third, a green economy will need to find ways to decarbonise so-called 'hard-to-abate' sectors and activities. Fourth, the sectoral composition of economies will change. Fifth, inflation is likely to be higher during the long transition to net zero. Sixth, the labour market will undergo a major adjustment.

Transition Finance: Two areas in finance need urgent action.

First, green finance needs to be complemented by transition finance. The global financial industry has made good progress in harnessing green finance, namely finance to support green projects such as renewable energy or clean technologies.

Second, we need to synergise public and private capital through blended finance for green and transition projects. Many sustainability projects in emerging markets pose financial and political risks that are not commensurate with their expected returns.

Sustainable Lifestyle. The fifth and last key to achieving net zero: a sustainable lifestyle. While many of the changes necessary to mitigate climate change are in the realm of public policies, business practices, financial decisions, and technological advances, people will also need to make lifestyle adjustments.

Conclusion

This is a gathering in the name of the dismal science. I hope I did not give too dismal a speech. But it is important that as economists and as Singaporeans, we appreciate the gravity of the net zero challenge. The climate crisis demands collective action: nothing short of a whole-of-society effort across countries will suffice.

The road to net zero is not easy. But we have seen time and again that when confronted with grave challenges, humankind has risen to the challenge. The recent COVID-19 pandemic is a

good example. Yes, the world's response was not optimal, and not everyone played their part.

But by and large, governments put in place the necessary measures to save both lives and livelihoods; scientists and industry came together to produce vaccines in record time, 8 / 9 BIS central bankers' speeches businesses adapted and changed to continue providing goods and

services; and people around the world took the necessary precautions, adjusted to new ways of living and working, made sacrifices, and helped one another out. With that same spirit, difficult as it may be, the world will get to net zero and avert climate disaster. It will be a better world, and a better Singapore.

Source: <https://www.bis.org/review/r220819a.pdf>

Corporate Bond Markets in India – Challenges and prospects

Shri T. Rabi Sankar, Deputy Governor, Reserve Bank of India at the Bombay Chamber of Commerce & Industry, Mumbai, August 24, 2022

The global economy is going through an extremely uncertain period amidst the simultaneous interplay of various headwinds – a lingering war and enduring COVID; the sharp rise in energy and other commodity prices; strains in global supply chains; and worsening food security. Central banks have begun delivering bigger and quicker policy rate hikes to restore price stability, even as the global economy is struggling to recover fully from the scars inflicted by the COVID-19 pandemic. The sharply tightening financial conditions due to the ongoing monetary policy normalisation on the one hand and the persisting geopolitical tensions on the other pose significant downside risks to near-term global economic prospects.

Globalisation and Inflation

- Globalisation of trade and capital flows had facilitated increased productivity and lower cost of tradeable goods and services.
- Globalisation-led productivity gains contributed to a trend decline of inflation across countries.
- With greater trade and financial integration, the domestic economies get more exposed to global shocks including volatile short-term capital flows.
- The recent upsurge in inflation due to the black

swan event, i.e., the war in Europe, on top of another such event, i.e., the Covid-19 pandemic offers a classic example of the globalised nature of current inflation.

- With the origins of this inflation being essentially in the supply side, energy and food prices account for more than 50 per cent of the rise in prices.

Inflation and the Conduct of Monetary Policy in India

- The Gulf War of 1991 – which resulted in a spike in international crude prices and consequent increase in domestic administered prices – was a major episode of imported inflation. In addition, the balance of payments (BoP) crisis of 1991 led to sharp exchange rate devaluation, which translated into increased cost-push pressures on import sensitive products.
- The next major inflation shock was in the post-GFC period when monsoon failure, high increase in MSPs, and escalating global commodity prices triggered inflationary pressures, which were reinforced by demand pull from a quick rebound in domestic growth from monetary and fiscal stimulus measures. Monetary policy normalisation at that time was

gradual, given the considerations of economic recovery.

- What followed was a period of low and stable inflation till the COVID shock. The average CPI inflation between September 2016 and February 2020 was 3.9 per cent and was closely aligned with the inflation target of 4 per cent.

The MPC decided to look through the higher inflation print to allow the nascent recovery to get entrenched – both by retaining the accommodative stance of policy and by refraining from hiking the policy rate. Since the inflationary episode lacked any significant demand-pull component, any policy tightening at that juncture would have been detrimental to growth and extracted heavy social costs without being effective in containing inflation pressures.

Taking stock of the evolving developments and with inflation pressures getting generalized, the MPC in its April and June meetings revised the projection of inflation for 2022-23 in two stages to 6.7 per cent.

Concluding Observations

The benefits of globalisation come with certain risks and challenges. Shocks to prices of food, energy, commodities and critical inputs are transmitted across the world through complex supply chains. This was evident during the pandemic, and more so after the conflict in Europe erupted, with global shocks playing a dominant role in domestic inflation dynamics. These global factors present difficult policy trade-offs between price stability and stabilising economic activity, especially when the economy is recuperating from repeated shocks.

The insurance against such inevitable global shocks ultimately is built on sound economic fundamentals, strong institutions and smart policies. Price stability is key to maintaining macroeconomic and financial stability. In

a broader sense, inflation is a measure of the trust and confidence that the public repose in the economic institutions of a country. While factors beyond our control may affect inflation in the short run, its trajectory over the medium-term is determined by monetary policy. Therefore, monetary policy must take timely actions to anchor inflation and inflation expectations so as to place the economy on a strong and sustainable growth pedestal. We will continue to calibrate our policies with the overarching goal of preserving and fostering macroeconomic stability. In this endeavour, we will remain flexible in our approach while being cogent and transparent in our communication. If history is any guide, I am optimistic that our actions will usher in a new era of prosperity in the years ahead.

Source: https://m.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=1322

Dynamics of Inflation in South Asia

Dr. Michael Debabrata Patra, Deputy Governor, Reserve Bank of India at the SAARCFINANCE Seminar hosted by India, New Delhi August 24, 2022

Given the developments in our countries and the global inflation crisis gripping the world around us, the seminar's theme – the Dynamics of Inflation and its Control in South Asia - could not have been more timely and relevant. SAARCFINANCE was established in 1998 as a network of our Central Bank Governors and Finance Secretaries to facilitate dialogue on macroeconomic policies and the exchange of mutual experiences and ideas.

Macroeconomic Developments: Opportunities and Challenges

The RBI remains committed to expanding co-operation in the field of digital banking and finance. Its Payment Vision 2025 envisages global outreach of our real time gross settlement (RTGS), the National Electronic Funds Transfer (NEFT), the Unified Payment Interface (UPI) and RuPay Cards. For instance, Bhutan and India have built cooperation around RuPay cards so that Bhutanese banks can issue RuPay Cards to their citizens.

The share of intra-SAARC trade in total exports of SAARC countries has increased from 6.1 per cent in 2010 to 7.1 per cent in 2020. The pace of expansion of trade remains slow, however, even relative to other regional groupings like ASEAN.

In 2022, elevated and persistent inflation has taken hold, threatening to undermine the nascent progress made in 2021. Several members face double digit inflation in high reaches. Global spillovers in the form of exchange rate volatility, elevated commodity prices and supply chain pressures have exacerbated imported inflation. Since February this year, shortages of essential commodities and soaring food and energy prices have threatened livelihood and the welfare of our people.

On the external front, terms of trade shocks and tightening global financial conditions have translated into wider current account deficits, capital outflows, high volatility in domestic financial markets and losses of reserves while amplifying external vulnerabilities.

Theme of the Seminar

With inflation broadening across national jurisdictions, repeated shocks stemming from the outbreak of the pandemic and more recently due to the war, have translated into an inflation crisis not seen in years. Consequently, as liquidity and monetary conditions harden, the probability of a recession or hard

Despite the diversity of the South Asian region in terms of country size, economic and social development, geography, population, trade and political systems, this daunting spectre of inflation haunts us all. South Asia is most vulnerable to food inflation, given the large segment of our populations battling poverty. Furthermore, dependence on oil imports has made our countries commonly vulnerable to terms of trade and supply shocks. Our exchange rate regimes also reflect this diversity.

Dealing with the inflation crisis has become complicated as we battle global spillovers on an ongoing basis. The region now faces a tremendous developmental challenge within which recovering the losses due to black swan events like the pandemic look the most formidable. The

Indian Experience

In India, we have adopted an inflation targeting framework since 2016, with a target of 4 per cent defined in terms of headline CPI inflation within a tolerance band of +/- 2 per cent around

it. Policy decisions are taken by a majority vote by a monetary policy committee (MPC). There are strong accountability criteria embedded into the framework by legislation and associated regulations in the case of deviations of inflation outcomes from the target

Accordingly, the RBI has embarked on a front-loaded monetary policy response, with a cumulative 140 basis points increase in the policy rate so far, besides narrowing of the policy rate corridor in April that pulled up money market rates by 40 basis points from pandemic lows

As the inflation forecast performs the role of an intermediate target in the monetary policy framework, the RBI has taken several initiatives to strengthen inflation monitoring and improve the accuracy of forecasting. In the near-term, however, the inflation trajectory continues to be heavily contingent upon the evolving geopolitical developments, international commodity market dynamics and global financial market developments.

Concluding Remarks

As central banks and public institutions, we are entrusted with ensuring and maintaining macroeconomic and financial stability and ensuring the progress of our economies to secure the full actualisation of our developmental aspirations. We face challenging trade-offs in our day-to-day functioning and keen public scrutiny.

From lenders of the last resort, we have become defenders of the first resort. Hence, our response to inflation shocks such as the one we face today must be predicated on managing expectations and fortifying credibility. If credibility is high and the shock is transitory, inflation returns to equilibrium without the need for any monetary policy action.

If the inflation target is breached for a prolonged period, this could unsettle expectations and eventually get reflected in higher inflation.

Higher credibility can reduce – not substitute for – the monetary policy response to second round effects of repeated supply shocks.

At the current juncture, our experience is that by frontloading monetary policy actions, credibility is demonstrated by showing commitment to the inflation target. Another dimension of monetary policy credibility is the timing of its response. A delay in the monetary policy response leads to a further loss of credibility, unhinging of inflation expectations and eventually, higher inflation outcomes with a higher sacrifice of growth.

Source: https://m.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1324

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

Shadow Monetary Policy Committee (MPC), August 1st, 2022, Monday

Eminent Panellists

- Dr. Arvind Virmani: Former Chief Economic Advisor, Government of India.
- Shri SC Aggarwal: Chairman & Managing Director, SMC Group
- Dr. Charan Singh: Chief Executive, EGROW Foundation
- Shri Indranil Sen Gupta: Head of Research, CLSA, India
- Shri Abheek Barua: Chief Economist & Executive Vice President, HDFC Bank
- Ms. Upasana Bhardwaj: Chief Economist, Kotak Mahindra Bank
- Shri Siddhartha Sanyal: Chief Economist & Head of Research, Bandhan Bank.

Key takeaways

- Growth has been impacted by Russia-Ukraine war
- Post Covid supply chain disruptions may last longer than current year.
- Real Interest Rate differentials with the USA need to be taken into account
- Foreign Exchange Intervention may not help in support of the rupee
- Policy Rate hikes in the USA are being reconsidered
- US recession can reduce India's growth by 100 bps
- Too much global uncertainty, which can result in USD getting further strong.



TOP BANKING NEWS

- **Lending rates rise faster than deposit rates**

Banks have been swifter in raising loan rates than deposit rates since the Reserve Bank started signaling higher rates in May. Ever since the 140 bps hike in benchmark repo rates, weighted average lending rates on outstanding loans have risen 29 basis points, but weighted average rates on outstanding deposits has gone up by only 19 bps, according to the latest data released by the Reserve Bank of India

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/lending-rates-rise-faster-than-deposit-rates/articleshow/93882549.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Push credit growth, Finance ministry tells banks**

The finance ministry held a review meeting with state-run lenders Tuesday and directed them to look at pushing credit growth. The meeting, chaired by financial services secretary Sanjay Malhotra, also took stock of the lenders' plans to reduce their non-performing assets. The banks also updated the ministry on their positions on the accounts being transferred to bad bank or National Asset Reconstruction Company of India Ltd, said the executive. adding that the government is keen that the entity kick-start its operations.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/push-credit-growth-finance-ministry-tells-banks/articleshow/93888460.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Finance Ministry evaluates PSU banks' performance, assesses financial inclusion drive**

In light of the first quarter results, the Finance Ministry assessed the public sector banks' (PSBs) performance on Tuesday and urged

them to increase lending to the economy's productive sectors. A review of the quarterly financial data released by the public sector lenders revealed that the Bank of Maharashtra (BoM) and State Bank of India (SBI) were in the lowest quartile for Gross Non-Performing Assets (NPAs) and Net NPAs in the June quarter.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/finance-ministry-evaluates-psu-banks-performance-assesses-financial-inclusion-drive/articleshow/93885736.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Large corporate demand lifts credit numbers in India**

Banks loans rose three times the pace last year registering 15.1 per cent growth in July 2022 as compared with 5.1 per cent a year, as large corporates came back to banks , according to the latest data released by the Reserve Bank of India. Credit growth to industry accelerated to 10.5 per cent in July 2022 from 0.4 per cent in July 2021. Size-wise, credit to large industry grew by 5.2 per cent against a contraction of 3.8 per cent a year ago. Medium industries recorded credit growth of 36.8 per cent in July 2022 as compared with 59.0 per cent last year, while credit growth to micro and small industries accelerated to 28.3 per cent from 10.5 per cent during the same period.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/large-corporate-demand-lifts-credit-numbers-in-india/articleshow/93885230.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NPA rate under ECLGS at 4.8 per cent in March 2022: Report**

The rate of loan default or NPA under the Emergency Credit Line Guarantee Scheme

(ECLGS) introduced after the onset of the COVID-19 pandemic was 4.8 per cent as of March 2022, according to a report. The Non-Performing Assets (NPAs) are higher in the services and infrastructure sectors, which are largely driven by Covid like their contact intensiveness and reliance on movement of people,

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/npa-rate-under-eclgs-at-4-8-per-cent-in-march-2022-report/articleshow/93860495.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI imposes penalty on 8 cooperative banks**

The Reserve Bank on Monday said it has imposed penalty on eight cooperative banks, including Rs 55 lakh on The Visakhapatnam Co-operative Bank, for deficiencies in regulatory compliances. The central bank informed about the penalties through multiple statements. A penalty of Rs 10 lakh has been imposed on Bharat Heavy Electricals Employees' Co-operative Bank, Kailasapuram, Tiruchirappalli, Tamil Nadu; Rs 5 lakh on The Ottapalam Co-operative Urban Bank Ltd, No.F. 1647, Ottapalam, Palakkad District, Kerala; and Rs 10 lakh on The Darussalam Co-operative Urban Bank, Hyderabad, Telangana.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-imposes-penalty-on-8-cooperative-banks/articleshow/93860315.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI may establish fraud registry to check bank frauds**

The Reserve Bank of India is looking forward to establishing a fraud registry to compile a database of dubious websites, phones, and other digital fraud methods as part of its attempts to increase client safety. There is no definite timeline for setting up of the fraud registry. At present, we are talking to different stakeholders

including different departments like payments and settlement and supervision of RBI.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-imposes-penalty-on-8-cooperative-banks/articleshow/93860315.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bank credit soars by 15.32%; deposits register 8.84% jump**

According to data from the release, Bank credit in India grew by a significant 15.32 per cent to reach Rs 124.305 lakh crore during the fortnight under review. During the preceding fortnight (ended July 29), bank credit had grown by 14.52 per cent and deposits by 9.14 per cent. In FY 2021-22, bank credit in India went up by 8.59 per cent and deposit by 8.94 per cent.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-soars-by-15-32-deposits-register-8-84-jump/articleshow/93804039.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **PNB to sell NPA account Apollo Distilleries & Breweries**

Inviting asset reconstruction companies (ARCs) to put their bids for transferring the loan account of Apollo Distilleries & Breweries, the city-based lender said it will expedite the due diligence process and make available the documents at one place for verification of the prospective buyer.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/pnb-to-sell-npa-account-apollo-distilleries-breweries/articleshow/93798829.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bank credit growth accelerates to 14.2 pc in June quarter: RBI data**

Bank credit growth accelerated to 14.2 per cent in the quarter ended June 2022 from 6 per

cent in the same period of the previous year, RBI data showed on Thursday. In the quarter ended March 2022, bank credit had expanded by 10.8 per cent.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-growth-accelerates-to-14-2-pc-in-june-quarter-rbi-data/articleshow/93781324.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI lifts business restrictions on American Express**

The Reserve Bank of India on Wednesday lifted restrictions on American Express that had prevented the U.S. company from onboarding new customers in India. The regulator said American Express had achieved "satisfactory compliance." Last year on April 23, 2021, the regulator had imposed restrictions on American Express from on-boarding new domestic customers onto its card network from May 01, 2021 for non-compliance with the RBI circular on Storage of Payment System Data.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-lifts-business-restrictions-on-american-express/articleshow/93758155.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks seek clarity on new rules about roundtripping in overseas investment**

The provision on roundtripping in the new overseas investment rules introduced by the government on Monday has led to some interpretational issues over the proposed two-layer structure, prompting bankers to call an industry meeting this week to discuss the matter. Under the new rules, Indian entities can make investments in foreign companies that have Indian subsidiaries provided the whole investment structure doesn't have more than two layers. Now, there are two interpretations about how the layers will be counted, experts said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-seek-clarity-on-new-rules-about-roundtripping-in-overseas-investment/articleshow/93761735.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks aggressively garnering funds via CDs, FDs amid firm credit off take**

The recent increase in the demand for credit has pushed banks to actively solicit funds from CDs, bonds, and fixed deposits (FD). The surplus liquidity in the financial sector fell precipitously from its record level, necessitating aggressive capital raising. The expansion of bank loans has consistently outpaced the expansion of bank deposits by a wide margin. Low base effect, small ticket size loans, higher working capital requirements due to elevated inflation, and a shift to bank borrowings on account of strong rates in the capital market have all contributed to the recent acceleration in credit growth.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-aggressively-garnering-funds-via-cds-fds-amid-firm-credit-off-take/articleshow/93732102.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Tokenisation of debit, credit cards by September: Here's what it means for users**

RBI extended the tokenisation deadline by three months starting July. This extended time period may be used to create public awareness about the process of creating tokens and in facilitating the stakeholders to be ready for handling such transactions. Tokenisation refers to the replacement of actual card details with an alternate code called the "token", which shall be unique for a combination of card, token requestor and device.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/tokenisation-of-debit-credit-cards-by-september-heres-what-it-means-for-users/articleshow/93724319>

cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Public sector banks to raise more capital to fund loan growth, though overall issuances may halve: Report**

Public sector banks are likely to raise additional tier-1 (AT-1) capital to meet their business growth requirements this year, unlike in FY'2022, when they raised capital to meet their rollover requirements, according to ratings firm Icra AT-1 bond issuances are likely to fall to around Rs 20,000 crore billion in FY'2023, from an all-time high of nearly Rs 42800 crore last fiscal. in FY'2022.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/public-sector-banks-to-raise-more-capital-to-fund-loan-growth-though-overall-issuances-may-halve-report/articleshow/93714181.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Indian banks issue more CDs to secure cheap funding**

Indian banks have increased their fundraising activity through the issuance of certificates of deposits, as funding in the banking system continues to contract. "Banks are not raising deposit rates, as they are able to get funds easily from money market by issuing CDs, and that too cheaply, and they may continue to opt for this route of fundraising for next few weeks," said Raju Sharma, head of fixed income at IDBI Mutual Fund.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-issue-more-cds-to-secure-cheap-funding/articleshow/93708349.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Central Bank of India likely to exit RBI PCA framework soon**

Central Bank of India, the only public sector lender under the RBI's prompt corrective

action (PCA) framework, may see an exit from restrictions soon following an improvement in its financial health. Central Bank of India reported a 14.2 per cent rise in net profit to Rs 234.78 crore in the first quarter ended June this fiscal as compared to Rs 205.58 crore in the same quarter a year ago.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/central-bank-of-india-likely-to-exit-rbi-pca-framework-soon/articleshow/93690716.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **PSBs plan to create central talent pool**

State-run banks are proposing to create a central talent pool and finalise a three-year business strategy for individual banks, aiming to improve their performance and competitiveness. In April, after the PSB Manthan conclave, the government asked PSBs to set up a three-year roadmap for their business strategy and suggested that they explore more collaboration among themselves, with larger banks sharing best practices with smaller ones and guiding them in areas where they need expertise.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-plan-to-create-central-talent-pool/articleshow/93667862.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI gets more aggressive on forwards to save rupee**

In a move to contain the liquidity impact of its foreign exchange operations, the Reserve Bank of India sold a record \$18 billion in the forward markets in June to defend the currency as the rupee turned volatile during the month to touch a new low. The Reserve Bank sold a net of \$3.7 billion in the spot market and \$18 billion in the forward market in June according to the latest data released by the Reserve Bank of India.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-gets-more-aggressive-on-forwards-to-save-rupee/articleshow/93665458.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bank privatisation should be gradual, motes RBI paper**

The paper argued that while private sector lenders are more efficient in profit maximisation, public sector banks (PSBs) have done much better at promoting financial inclusion, delivering farm loans and achieving monetary transmission, which are key objectives of both the government and the RBI. Bank privatisation should be a gradual process as big-bang sales of public sector banks can do more harm than good.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-privatisation-should-be-gradual-motes-rbi-paper/articleshow/93648617.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **'Big-bang approach' to privatise state-run banks will do more harm than good, RBI says**

The Reserve Bank of India said that if the sole motive is not only profit maximisation, then state-run banks have scored over the private counterparts in promoting financial inclusion and they help the countercyclical monetary policy action to gain traction. The state-run lenders have weathered the Covid-19 pandemic shock "remarkably well" and recent mergers of PSBs have resulted in consolidation of the sector.

Source : https://economictimes.indiatimes.com/industry/banking/finance/banking/big-bang-approach-to-privatise-state-run-banks-will-do-more-harm-than-good-rbi-says/articleshow/93642577.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Linking lending rates to external benchmark the most effective transmission tool so far: RBI paper**

The Reserve Bank of India's mandate to link lending rates to an external benchmark have led to immediate spikes in interest rate paid by borrowers, making it by far the most effective transmission tool while the previous marginal cost of lending rate (MCLR) regime was as less satisfactory as the previous ones like base rate and benchmark prime lending rate.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/linking-lending-rates-to-external-benchmark-the-most-effective-transmission-tool-so-far-rbi-paper/articleshow/93557121.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

SELECT RBI CIRCULAR'S (AUGUST 2022)

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2022-2023/110 A.P. (DIR Series) Circular No.12	22.8.2022	Foreign Exchange Department	Foreign Exchange Management (Overseas Investment) Directions, 2022	All Category – I Authorised Dealer Banks
RBI/2022-2023/109 DOR.AUT.REC.62/ 22.01.001/ 2022-23	22.8.2022	Department of Regulation	Section 23 of the Banking Regulation Act, 1949 – Branch Authorisation Policy – Left Wing Extremism affected districts – Revised List	All Domestic Scheduled Commercial Banks (excluding Regional Rural Banks, Payments Banks and Local Area Banks)
RBI/2022-2023/108 DOR.ORG.REC.65/ 21.04.158/ 2022-23	12.8.2022	Department of Regulation	Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents	All Commercial Banks (including Local Area Banks, Regional Rural Banks, and Small Finance Banks) excluding Payments Banks; All All-India Financial Institutions (viz. Exim Bank, NABARD, NHB, SIDBI, and NaBFID); All Non-Banking Financial Companies including Housing Finance Companies; All Primary (Urban) Co-operative Banks, State Co-operative Banks, and District Central Co-operative Banks; and All Asset Reconstruction Companies.
RBI/2022-2023/107 DOR.MRG.REC.64/ 00-00-005/ 2022-23	11.8.2022	Department of Regulation	Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines	All Commercial Banks, Co-operative Banks, Standalone Primary Dealers, Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SIs), Deposit taking Non-Banking Financial Companies (NBFC-Ds) and Housing Finance Companies (HFCs)

RBI/2022-2023/106 DOR.REG.No.63/ 19.51.052/ 2022-23	11.8.2022	Department of Regulation	Section 23 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) – Opening of new place of business by District Central Co-operative Banks (DCCBs)	All District Central Co-operative Banks
RBI/2022-2023/105 FMRD.DIRD.05/ 14.03.046/ 2022-23	08.8.2022	Financial Markets Regulation Department	Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review	All Eligible Market Participants
RBI/2022-2023/104 DOR.LIC.REC.60/ 16.13.218/ 2022-23	08.8.2022	Department of Regulation	Authorised Dealer Category-I License eligibility for Small Finance Banks	Managing Director and Chief Executive Officers of Small Finance Banks
RBI/2022-2023/103 DOR.RET.REC.59/ 12.01.001/ 2022-23	05.8.2022	Department of Regulation	Change in Bank Rate	All Banks
RBI/2022-2023/102 REF.No.MPD.BC.394/ 07.01.279/ 2022-23	05.8.2022	Monetary Policy Department	Standing Liquidity Facility for Primary Dealers	All Primary Dealers
RBI/2022-2023/101 FMOD.MAOG.No.146/ 01.01.001/ 2022-23	05.8.2022	Financial Markets Operation Department	Liquidity Adjustment Facility- Change in rates	All Liquidity Adjustment Facility (LAF) participants
RBI/2022-2023/100 DoR.AUT.REC.58/ 23.67.001/ 2022-23	04.8.2022	Department of Regulation	Gold Monetization Scheme (GMS), 2015	All Scheduled Commercial Banks (excluding Regional Rural Banks)
RBI/2022-2023/99 FIDD.GSSD.BC.No.11/ 09.10.001/ 2022-23	02.8.2022	Financial Inclusion and Development Department	Master Circular on Credit Facilities to Minority Communities	The Chairman/Managing Director/Chief Executive Officer All Scheduled Commercial Banks (excluding RRBs and Foreign Banks with less than 20 branches)
RBI/2022-2023/98 A.P. (DIR Series) Circular No. 11	01.8.2022	Foreign Exchange Department	External Commercial Borrowings (ECB) Policy – Liberalisation Measures	All Category-I Authorised Dealer Banks
RBI/2022-2023/97 FIDD.CO.GSSD. BC.No.10/ 09.09.001/ 2022-23	01.8.2022	Financial Inclusion and Development Department	Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)	The Chairman/ Managing Director / Chief Executive Officer All Scheduled Commercial Banks (including Small Finance Banks)

WEEKLY STATISTICAL SUPPLEMENT – RBI

Weekly Statistical Supplement – Extract						
1. Reserve Bank of India - Liabilities and Assets*						
Item	2021		2022		Variation	
	Aug. 20	Aug. 12	Aug. 19	Aug. 19	Week	Year
	1	2	3	3	4	5
4 Loans and Advances						
4.1 Central Government	-	-	-	-	-	-
4.2 State Governments	9992	6142	7689	7689	1547	-2303

* Data are provisional.

2. Foreign Exchange Reserves								
Item	As on August 19, 2022		Variation over					
			Week		End-March 2022		Year	
	'Cr.	US\$ Mn.	'Cr.	US\$ Mn.	'Cr.	US\$ Mn.	'Cr.	US\$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	4499645	564053	-46314	-6687	-99174	-43256	-88830	-52842
1.1 Foreign Currency Assets	3998377	501216	-39822	-5779	-96188	-39508	-263601	-71793
1.2 Gold	318410	39914	-5115	-704	-3803	-2637	41355	2665
1.3 SDRs	143493	17987	-938	-146	441	-904	132031	16447
1.4 Reserve Position in the IMF	39364	4936	-439	-58	376	-207	1385	-160

* Difference, if any, is due to rounding off

3. Scheduled Commercial Banks - Business in India

(‘ Crore)

Item	Outstanding as on Aug. 12, 2022	Variation over					
		Fortnight	Financial year so far		Year-on-year		
			2021-22	2022-23	2021	2022	
		1	2	3	4	5	6
2 Liabilities to Others							
2.1 Aggregate Deposits	16949341	-22973	458787	484028	1491790	1377041	
2.1a Growth (per cent)		-0.1	3.0	2.9	10.6	8.8	
2.1.1 Demand	1975864	-66171	-64444	-96883	333181	179116	
2.1.2 Time	14973477	43199	523232	580910	1158608	1197925	
2.2 Borrowings	403858	50258	-4335	129264	-26768	164169	
2.3 Other Demand and Time Liabilities	653350	-14012	-92143	12501	31422	88886	
7 Bank Credit*	12430525	61175	-60675	539210	669332	1651673	
7.1a Growth (per cent)		0.5	-0.6	4.5	6.5	15.3	
7a.1 Food Credit	32097	-247	10758	-22914	-1070	-39915	
7a.2 Non-food credit	12398428	61422	-71433	562124	670402	1691588	

*Bank credit growth and related variations for all fortnights since December 3, 2021 are adjusted for past reporting errors by select scheduled commercial banks (SCBs).

4. Money Stock: Components and Sources

(` Crore)

Item	Outstanding as on		Variation over									
	2022	Fort-night	Financial Year so far		Year-on-Year				Year-on-Year			
					2021-22		2022-23		2021		2022	
	Mar. 31	Aug. 12	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	20493729	21036714	4366	0	562725	3.0	542985	2.6	1845788	10.5	1629411	8.4
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3035689	3092327	28580	0.9	102539	3.7	56638	1.9	260554	10.0	237959	8.3
1.2 Demand Deposits with Banks	2212992	2116581	-66628	-3.1	-63349	-3.2	-96411	-4.4	347500	21.9	184810	9.6
1.3 Time Deposits with Banks	15186605	15770857	42708	0.3	524987	3.7	584253	3.8	1231378	9.2	1195592	8.2
1.4 'Other' Deposits with Reserve Bank	58444	56949	-295	-0.5	-1452	-3.1	-1495	-2.6	6357	16.1	11050	24.1
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	6477629	6513764	105100	1.6	245739	4.2	36135	0.6	561402	10.1	417652	6.9
2.1.1 Reserve Bank	1450596	1140114	41590	3.8	88742		-310483		208583		-48313	
2.1.2 Other Banks	5027033	5373651	63510	1.2	156997	3.3	346618	6.9	352819	7.7	465965	9.5
2.2 Bank Credit to Commercial Sector	12616520	13170521	53734	0.7	-67171	-0.6	554001	4.4	722124	6.6	1679209	14.6
2.2.1 Reserve Bank	16571	25810	-8897		-11		9239		-2915		17112	
2.2.2 Other Banks	12599950	13144712	62631	0.7	-67160	-0.6	544762	4.3	725040	6.7	1662097	14.5

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
Aug. 15, 2022	-	-	-	-	60	3023	-	-	-	-2963
Aug. 16, 2022	-	-	-	-	4580	50175	-	-	-	-45595
Aug. 17, 2022	-	-	-	-	2315	155566	-	905	-	-154156
Aug. 18, 2022	-	-	-	-	1595	183520	-	690	-	-182615
Aug. 19, 2022	-	-	-	-	1681	125180	7400	250	-	-116349
Aug. 20, 2022	-	-	-	-	516	39886	-	-	-	-39370
Aug. 21, 2022	-	-	-	-	12	4365	-	-	-	-4353

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

TOP NBFC & MICRO FINANCE INSTITUTIONS NEWS

- **India needs to rebuild its pandemic-hit MSMEs, says Pronab Sen**

Even as the big corporate sector has been growing steadily over the past few years, India needs to rebuild its pandemic-hit micro-small and medium enterprise (MSME) sector to achieve sustainable economic growth. To support MSME, he called for strengthening the architecture of India's financial system through a greater partnership between banks and non-banking financial institutions (NBFCs).

Source: https://economictimes.indiatimes.com/small-biz/sme-sector/india-needs-to-rebuild-its-pandemic-hit-msmes-says-former-chief-statistician/articleshow/93747873.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **ED finds Rs 800 crore crime proceeds in fintech, NBFC probe**

The Enforcement Directorate (ED) has allegedly found proceeds of crime of over Rs 800 crore as part of a long-drawn money laundering probe against 365 fintechs and their non-banking financial companies (NBFCs) partners, sources close to the matter. People aware of the ED investigation said that loans of over 4,000 crores were disbursed by these fintech firms, which then sought to recover the amounts lent through telecallers. Chinese nationals had taken operational or directorship control of the service provider companies and provided funds to run these apps. Of the loans disbursed, over Rs 700 crore was recovered upfront by these fintechs under the guise of processing fees and over Rs 85 crore in the form of interest and penalty charges.

Source: https://economictimes.indiatimes.com/tech/startups/ed-finds-over-800-crore-crime-proceeds-in-fintech-nbfc-probe/articleshow/93739104.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Forex rule tweaks to let Indians invest in foreign fintech companies**

Several technology entrepreneurs and angel investors have been facing challenges in acquiring stakes in foreign fintech companies because until now only non-banking financial companies (NBFCs) registered with the Reserve Bank of India (RBI) were allowed to invest in foreign companies involved in financial services. The amendments to foreign exchange rules notified by the Centre on Monday have cleared the decks for Indian entrepreneurs and wealthy investors looking to put money in foreign fintech companies.

Source: https://economictimes.indiatimes.com/news/economy/finance/forex-rule-tweaks-to-let-indians-invest-in-foreign-fintech-companies/articleshow/93739453.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India's NBFCs on a stronger wicket now, RBI economists say**

Confidence in NBFCs seems to be strengthening as a study published in the latest RBI bulletin shows that besides a double-digit growth in their balance sheet in 2021 and improved profitability, their capital position is stronger and the gap between the spreads of AAA/AA- rated NBFC bonds has began to reduce to reach pre-Covid levels.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indiass-nbfcs-on-a-stronger-wicket-now-rbi-economists-say/articleshow/93645372.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India microfinance institutions have Rs 33,000 crore of bad loans despite better collections, industry body says**

About 12% of the overall microfinance loans of Rs 2.76 lakh crore have remained non-performing assets (NPA) at the end of June

despite improvement in overall repayment collection, microfinance industry body. This translates into Rs 33,000 crore of NPA. Recovery has improved compared to the previous quarter and reached almost 99% in some states. However, Assam, West Bengal, Kerala, Tripura, and Chhattisgarh are among the major states which have shown below average recovery and are a drag on the overall asset quality.

Source: https://economictimes.indiatimes.com/industry/banking/finance/india-microfinance-institutions-have-rs-33000-crore-of-bad-loans-despite-better-collections-industry-body-says/articleshow/93620365.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI rules may force fintech firms to leverage NBFC operations**

The Reserve Bank of India's (RBI's) latest digital lending guidelines has stepped up pressure on new age lending businesses, forcing them to focus on their non-banking financial company (NBFC) units and book building, as the regulator gives importance to regulated entities. This is a shift for the digital lending industry, which has largely focused on growing the lending-distribution platform to show scale and rely on loss guarantee cover practices such as First Loss Default Guarantee (FLDG) to participate in lending activity through risk-taking with banks and financial institutions.

Source: https://economictimes.indiatimes.com/tech/startups/rbi-rules-may-force-fintech-firms-to-leverage-nbfc-operations/articleshow/93506825.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Repo hikes boost demand for NBFC, housing finance companies' FDs**

Two consecutive repo rate hikes by the RBI has turned out to be a bonanza for housing finance companies (HFCs) and non-banking finance companies (NBFCs) with a spike in the volume of fixed deposits (FDs). Several HFCs and NBFCs

increased their interest rates on FDs following the repo rate revisions by the central bank in May and June by 40 basis points and 50bps, respectively (100bps = 1percentage point).

Source: https://economictimes.indiatimes.com/markets/stocks/news/repo-hikes-boost-demand-for-nbfc-housing-finance-companies-fds/articleshow/93489819.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **MSME lender seeds aims Rs 250 cr loan disbursement this fiscal**

To fund its expansion plans, Gurugram-based Seeds said it has raised debt from financial institutions, such as UC Inclusive Credit Pvt Ltd (UCIC), InCred Financial Services Limited, Ananya, Northern Arc, and AU Small Finance Bank, among others. The startup serving MSME customers has operations in Uttar Pradesh, Haryana and Rajasthan with 34 branches in Tier 2 and 3 towns.

Source: https://economictimes.indiatimes.com/small-biz/sme-sector/msme-lender-seeds-aims-rs-250-cr-loan-disbursement-this-fiscal/articleshow/93384250.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Yubi partners with UGRO Capital for co-lending and supply chain financing**

Through this alliance, U GRO Capital will gain access to Yubi Co.Lend's vast network of banks, financial institutions and fintechs via a single API integration to extend and accelerate credit to the underserved sectors in the country. As a result of this double partnership, U GRO Capital will be able to leverage Yubi's full stack operating system to discover, go live and collaborate with multiple partners on Yubi's platform.

Source: https://economictimes.indiatimes.com/small-biz/sme-sector/yubi-enters-partners-with-u-gro-capital-for-co-lending-and-supply-chain-financing/articleshow/93316015.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

TOP INSURANCE NEWS

- **Government plans to revamp crop cover scheme PMFBY to woo more insurers and rationalise premium**

The Pradhan Mantri Fasal Bima Yojana (PMFBY), launched in February 2016, aims to provide financial support to farmers suffering crop loss/damage arising out of natural calamities. Under this scheme, maximum premium payable by farmers is 2 per cent for all food and oilseeds crops grown in the kharif (summer) season, 1.5 per cent for same crops grown in rabi (winter) season and 5 per cent for commercial and horticulture crops.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/government-plans-to-revamp-crop-cover-scheme-pmfbby-to-woo-more-insurers-and-rationalise-premium/articleshow/93928030.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IRDAI pitches for affordable health cover for everyone**

Addressing the 'Health Insurance Summit 2022' here, Insurance Regulatory and Development Authority of India (Irdai) chairman Debasish Panda said that high operating and distribution costs, and hospital expenses as indirect costs could be the reasons affecting the insurance pricing. Addressing the 'Health Insurance Summit 2022' , Insurance Regulatory and Development Authority of India (Irdai) chairman Debasish Panda said that high operating and distribution costs, and hospital expenses as indirect costs could be the reasons affecting the insurance pricing.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-pitches-for-affordable-health-cover-for-everyone/articleshow/93888324.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Life insurance penetration in India reaches 3.2%, close to global averages: Benori Knowledge**

Insurance penetration is expected to increase in the coming years owing to multiple factors that include changing consumer perception and realisation of financial security, the easing of IRDAI regulation regarding product approval and distribution, customization in products, balanced channel mix, and digitization efforts at the company level.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/life-insurance-penetration-in-india-reaches-3-2-close-to-global-averages-benori-knowledge/articleshow/93793635.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Irdai provides more flexibility to insurers, eases limits for commissions**

The insurers have been told by Irdai that their commission and remuneration payout should be based on a board-approved policy which will be reviewed on a yearly basis. No commission shall be payable to insurance agents or the insurance intermediaries in the direct business, and the insurers must grant discounts on the premium. The utmost commission sanctioned for non-life products has been pegged at 20% of the gross written premium in India in that financial year.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-provides-more-flexibility-to-insurers-eases-limits-for-commissions/articleshow/93768946.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Mahindra Insurance Brokers and Mad About Wheels collaborate to jointly provide Motor insurance solution to MAW clients**

Mahindra Insurance Brokers Limited (MIBL), a subsidiary of Mahindra & Mahindra Financial

Services (Mahindra Finance), today announced its partnership with Mad About Wheels (MaW) – India's first brand agnostic electric mobility & automotive solutions provider. Through this strategic partnership, MaW dealers who have been onboarded, will now be able to provide comprehensive motor insurance products to customers buying electric two and three-wheeler vehicles.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/mahindra-insurance-brokers-and-mad-about-wheels-collaborate-to-jointly-provide-motor-insurance-solution-to-maw-clients/articleshow/93750142.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IRDAI organises hackathon, invites innovative solutions for insurance sector**

Insurance regulator IRDAI has invited entities to develop technology-driven innovative solutions for automated death claim settlement, curtail miss-selling, and other areas of the insurance ecosystem, with an aim to protect the interest of policyholders. Applications have been invited by the Insurance Regulatory and Development Authority of India (IRDAI) as part of its first hackathon -- Bima Manthan 2022 -- with the theme 'Innovation in Insurance'.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-organises-hackathon-invites-innovative-solutions-for-insurance-sector/articleshow/93575174.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **National Insurance among four govt-owned general insurers gearing up for major rejig**

The four Central government owned non-life insurers on Thursday planned to implement a major organisational restructuring in less than a month. This rejig expected to cut down the insurers costs, free up staff for redeployment and in general improve customer service. The four insurers includes, the Oriental Insurance Company Limited, National Insurance

Company Limited, The New India Assurance Company Limited and United India Insurance Company Limited. Of the four, The New India Assurance is listed in stock exchanges.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/government-owned-general-insurers-gearing-up-for-major-rejig/articleshow/93636320.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **ADIA to invest Rs 665 crore in Aditya Birla Health Insurance**

Abu Dhabi Investment Authority (ADIA), the sovereign wealth fund of the emirate state will invest Rs 665 crore in Aditya Birla Health Insurance (ABHI), for a 9.99% stake valuing the company at Rs 6650 crore. The transaction has been approved by the board of directors of Aditya Birla Capital Ltd (ABCL), the holding company for financial services of the aluminium to telecom conglomerate.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/adia-to-invest-rs-665-crore-in-aditya-birla-health-insurance/articleshow/93516970.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Life insurers' new premium income surges by 91 percent in July**

New business premium income of life insurance companies witnessed a surge by 91 percent to Rs 39,078.91 crore in July as against Rs 20,434.72 crore during the corresponding period of last year. LIC which is India's largest life insurer and claims nearly 68.6 percent share life insurance segment, has registered over twofold jump in new business premium income to Rs 29,116.68 crore during the month compared to Rs 12,030.93 crore in the year-ago month, according to the Insurance Regulatory and Development Authority of India (Irdai) data.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/insure/life->

[insurers-new-premium-income-surges-by-91-percent-in-july/articleshow/93460535.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst](https://economictimes.indiatimes.com/insurers-new-premium-income-surges-by-91-percent-in-july/articleshow/93460535.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **Health insurance eating into PSU companies' profits: CAG**

State-run general insurance companies may have to raise the group health insurance premium to remain viable as the Rs. 43,000 crore market faces the prospects of state-run companies losing market share. Without a rise in health insurance premium, it could erode profits from other segments, said an audit of finding by the Comptroller and Auditor General of India (CAG).

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/health-insurance-eating-into-psu-companies-profits-cag/articleshow/93459485.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IRDAI eases norms of bank bonds, InvITs, REITs**

The insurance regulator has allowed insurers to buy more perpetual bonds issued by banks and permitted them to participate in the public listing of high-yielding InvITs (Investment Trusts), enhancing the capital sources for such instruments that hitherto faced growth challenges due to the lack of wider institutional patronage. The aggregate value of AT1 (additional tier one) bonds held in a particular bank, at any point of time, shall not exceed 10% of the total outstanding AT1 bonds of that particular bank. Earlier, the cap was meant for any particular primary issuance of those bonds, popularly known as perpetual papers.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-eases-norms-of-bank-bonds-invits/reits/articleshow/93331909.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IRDAI proposes to increase tie-ups limit between insurers, agents**

with an aim to give policyholders wider access in purchasing covers, the Insurance Regulatory and Development Authority of India (IRDAI) on Wednesday proposed to increase the maximum limit of tie-ups between insurers and intermediaries (agents) as well as marketing firms. In an exposure draft on insurance intermediaries, the insurance regulator proposed to increase the maximum limit of tie-ups with insurers for corporate agents from three to nine.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-proposes-to-increase-tie-ups-limit-between-insurers-agents/articleshow/93330895.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

TOP CORPORATE BOND MARKET NEWS

- **Indian bonds rally running out of steam – analysts**

The yield on India's 10-year benchmark 6.54% 2032 bond has fallen 13 basis points in August, following a similar decline in July, driven in part by expectations of these bonds becoming part of global benchmark indexes and thus attracting strong foreign investment flows. A two-month rally in Indian government bonds that pushed yields down by as much as 26 basis points on benchmark tenors is running into resistance from inflation concerns and global monetary policy tightening

Source: https://economictimes.indiatimes.com/markets/bonds/indian-bonds-rally-running-out-of-steam-analysts/articleshow/93879204.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bond yields down ahead of econ growth data**

India is a major importer of crude oil and domestic inflationary pressures are expected to mount due to higher prices. India's consumer inflation has stayed stubbornly above 6% for seven straight months. The benchmark yield is seeing decent support at 7.25% levels, and major action will take place only after the growth data

Source: https://economictimes.indiatimes.com/markets/bonds/bond-yields-down-ahead-of-econ-growth-data/articleshow/93873166.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **G-Sec STRIPS offer more than bank FDs with security**

Investors looking for alternatives to equity after the sharp 18% rally in the Nifty50 over the past two months and due to global uncertainty on rate hikes can consider G-Sec STRIPS. These sovereign-rated securities offer higher returns than fixed deposits and are available across

time maturities. These are used by investors to meet future requirements, like for retirement or the higher education of a child

Source: https://economictimes.indiatimes.com/mf/analysis/g-sec-strips-offer-more-than-bank-fds-with-security/articleshow/93866560.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **SEBI extends deadline for public comments on consultation paper on blue bonds**

Capital markets regulator Sebi has extended till the end of September the deadline for public comments on the consultation paper on blue bonds as a sustainable mode of finance. Blue bonds can be utilised for various blue economy-related activities, including oceanic resource mining and sustainable fishing. Apart from the concept of blue bonds, the watchdog, in its consultation paper, has suggested strengthening the framework for green bonds by amplifying the definition of green debt securities and enhancing disclosures.

Source: https://economictimes.indiatimes.com/markets/bonds/sebi-extends-deadline-for-public-comments-on-consultation-paper-on-blue-bonds/articleshow/93855235.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Goldman bets on Indian bond-swap spreads tightening**

Goldman Sachs is recommending a spread trade in Indian debt markets that will help investors cash in on bullishness in the bond market while also betting that interest rate swaps are underpricing the central bank's hawkishness. The trade they recommend involves buying 5-year bonds, betting on Indian bonds being included in benchmark global indexes, while concurrently taking a "paid" position in overnight indexed swaps.

Source: https://economictimes.indiatimes.com/markets/bonds/goldman-bets-on-indian-bond-swap-spreads-tightening/articleshow/93854404.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **BoB, Bank of Maha to raise funds via AT1 bonds to boost capital base**

State-run Bank of Baroda (BoB) is in talks with a group of investors including Aditya Birla Sun Life Insurance and a few new pension funds including those from LIC, SBI to raise up to '2,500 crore through additional tier 1 (AT1) bonds, which will strengthen its capital base amid expanding loans. AT1 bonds, also known as perpetual bonds, do not have any fixed maturity and are billed as quasi-equity - a riskier security. Most of such securities have a five-year call option, an exit option for investors provided the borrower exercises it.

Source: https://economictimes.indiatimes.com/markets/bonds/bob-bank-of-maha-to-raise-funds-via-at1-bonds-to-boost-capital-base/articleshow/93787722.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Lack of depth, high margin norms impeding development of corporate bonds market**

The lack of depth in credit derivatives and the high margin requirements for corporate bonds repo have been stumbling blocks for the development of a strong bond market in India. Derivatives and repo markets could well play a role in aiding the corporate bond market to gain momentum as those are billed as popular hedging tools for sophisticated investors betting on bonds sold by companies. "Beyond this, market development and improvements will remain a continuous exercise

Source: https://economictimes.indiatimes.com/industry/banking/finance/lack-of-depth-high-margin-norms-impeding-development-of-corporate-bonds-market/articleshow/93763917.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Corporate bond outstanding soars four-fold to Rs 40 lakh crore in a decade**

Illiquidity in secondary corporate debt market is a global issue and so focus should be on further deepening primary market that has grown nearly four-fold in a decade to Rs 40 lakh crore. The US market is very deep because it is led by corporates and municipalities, which is a very small in the country. But corporate bond market as percentage of GDP is also the highest at 120 in the US, while in India, it is only 18 per cent as against 80 per cent in Korea and 36 percent in China.

Source: https://economictimes.indiatimes.com/markets/bonds/corporate-bond-outstanding-soars-four-fold-to-rs-40-lakh-crore-in-a-decade/articleshow/93757847.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India RBI likely to set cutoff yield on 10-year state bonds in 7.68%-7.71% band**

The Reserve Bank of India will likely set cutoff yield for 10-year state development bonds being auctioned on Tuesday between 7.68% and 7.71%, according to the median in a Reuters poll of 10 traders. Five Indian states aim to raise an aggregate 68 billion rupees (\$851.38 million) through sale of bonds maturing in 10 years to 24 years

Source: https://economictimes.indiatimes.com/markets/bonds/india-rbi-likely-to-set-cutoff-yield-on-10-year-state-bonds-in-7-68-7-71-band/articleshow/93724714.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India bond yields rise tracking U.S. peers, inflation in focus**

Indian government bond yields rose on Tuesday after the 10-year U.S. Treasury yield crossed the 3% mark to hit a five-week high, with market participants also fretting about persistent inflationary headwinds. Market participants remain cautious after members of the Reserve Bank of India's monetary policy

committee highlighted inflation concerns in minutes of a rate-setting meeting.

Source: https://economictimes.indiatimes.com/markets/bonds/india-bond-yields-rise-tracking-us-peers-inflation-in-focus/articleshow/93724644.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks' AT-1 bond issuances likely to decline to Rs 20,000 crore in FY23**

The issuance of Additional Tier-1 (AT-1) bonds by banks is likely to more than halve to Rs 20,000 crore this fiscal compared to the all-time high amount of Rs 42,800 crore raised in FY22, says a report. AT-1 bonds are those debt instruments without a terminal maturity date. Majority of the bonds have a call option in the fifth year, resulting in the significant jump in new issuances which are basically for refinancing the earlier obligations. Majority of the bonds have a call option in the fifth year, resulting in the significant jump in new issuances which are basically for refinancing the earlier obligations

Source: https://economictimes.indiatimes.com/markets/bonds/banks-at-1-bond-issuances-likely-to-decline-to-rs-20000-crore-in-fy23/articleshow/93710681.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India bond yields edge lower, inflation data key**

Indian government bond yields were trading marginally lower on Wednesday as traders await inflation data for the U.S. as well as India that will provide further cues for interest rate hikes. The 10-year benchmark bond yield was at 7.3240% at 0520 GMT, after ending at 7.3485% on Monday. It gained 19 basis points in the last two sessions. The RBI raised the key lending rate, or repo rate, by 50 basis points on Friday, the third in the current cycle, to cool inflation that has stayed above the central bank's tolerance band for six straight months

Source: https://economictimes.indiatimes.com/markets/bonds/india-bond-yields-edge-lower-inflation-data-key/articleshow/93472251.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **India bond yields drop on weaker oil, easing inflation**

Indian government bond yields declined, with the benchmark 10-year yield crashing 10 basis points, tracking a sharp fall in global oil prices that could further lower the inflation trajectory. Global oil prices dropped, with the benchmark Brent crude contract declining to its lowest level in six months, as weak U.S. economic data spurred concerns about a potential global recession. "The sharp fall in oil prices is a major relief as far as local inflation scenario is concerned, and hence there is a sharp rally in bond prices, even as July reading was largely along estimates

Source: https://economictimes.indiatimes.com/markets/bonds/india-bond-yields-drop-on-weaker-oil-easing-inflation/articleshow/93608703.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks make beeline to raise capital bonds after IRDAI push**

The latest relaxation has increased investor appetite for AT1 bonds as banks will be able to raise more capital via such instruments," said Sushanta Mohanty, general manager – treasury at Bank of Baroda. "With credit demand coming up, it is helpful for banks. Banks' resources teams are swinging to action, after the Insurance Regulatory Authority of India (IRDAI) breathed life into the moribund market by easing the conditions for insurers to buy into these bonds.

Source: https://economictimes.indiatimes.com/markets/bonds/banks-make-beeline-to-raise-capital-bonds-after-irdai-push/articleshow/93354136.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Department of Banking & Financial Services Upcoming Programme

ASSOCHAM 17 th Annual Summit & Awards on Banking & Financial Sector Lending Companies	8 th September 2022
ASSOCHAM ESG Conclave- "Opportunities & Challenges-The Way forward"	23 rd September 2022
ASSOCHAM Healthcare Summit and Awards Accessible and Affordable Quality Healthcare	12 th October 2022
ASSOCHAM 14 th Global Insurance Summit & Awards	October 2022
ASSOCHAM 5 th National Summit on Asset Reconstruction Companies.	November 2022

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