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TOP SPEECHES

From Vanji to Viksit Bharat: Banking on Trust, Technology, and Transformation

(Address by Shri Swaminathan J, Deputy Governor, Reserve Bank of India at the 109th Foundation Day of the Karur Vysya Bank on Friday, July 25, 2025) Good morning and thank you for inviting me to speak to you today.

Good morning and thank you for inviting me to speak to you today. He Karur Vysya Bank family - represented here by the Chairperson, the Directors on the Board, the shareholders, MD CEO, the staff, officials and the customers of the bank and their families, ladies and gentlemen, Anaivarukkum Vanakkam. Namaskaram. A warm good afternoon.

It is both an honour and a privilege to join you here in Karur on the momentous occasion of KVB's 109th Foundation Day. I extend my sincere gratitude to Shri Ramesh Babu, the Managing Director and Chief Executive Officer for his kind invitation.

Karur is a town where history, commerce, and character are deeply intertwined. It is a place celebrated in Sangam literature as 'Karuvoor' or 'Vanji'—a thriving hub of poetry, trade, and craftsmanship, that served as the capital city of early Chera kings. That spirit of enterprise and cultural pride lives on through institutions like KVB.

Founding with Foresight[1]

Today is not just a ceremonial gathering to mark the passage of time. It is a celebration of vision, resolve, and quiet determination—a tribute to those who chose to build a lasting institution in the face of uncertainty.

In 1916, as the First World War caused disruptions and hardship, two visionaries from Karur, Shri M.A. Venkatarama Chettiar and Shri Athi Krishna Chettiar, came together to create a bank rooted in trust and community service.

The founders travelled across the region, sometimes fording the Amaravati River in a coracle, appealing to landholders and traders and offering their personal guarantees to reassure hesitant investors. Memories of financial failures like the Arbuthnot crash2 were still fresh, and public trust in banking was fragile. Yet, the founders' integrity and persistence won the day. KVB was formally registered on June 22, 1916, with a paid-up capital of ₹1.20 lakh, exceeding their original target. Fittingly, the first shareholder was Goddess Gayathri Devi, who continues to bestow her blessings on the bank and its clientele.

The bank's founding team embedded forward-looking principles in its structure: they voluntarily incorporated a clause prohibiting directors from taking loans from the bank—a safeguard that only became a statutory requirement decades later with the Banking Regulation Act of 1949. They also envisaged employee participation in the bank's future by allotting shares to staff—long before the idea of stock options became fashionable. Each manager was to hold 50 shares, officers 20 shares, and cashiers, reflecting their key role, were to be allotted 40 shares.

What they began with prudence and purpose has today grown into a ₹1.86 lakh crore institution, standing as a testament to their values, vision, and unshakeable trust in community enterprise.

Banking for Viksit Bharat: Adapting with Purpose and Agility

The 109th year of KVB comes at a time of profound change in India's economy and the broader financial system. As the nation moves towards the vision of Viksit Bharat 2047, banks are being called upon not only to expand credit, but also to play a deeper role—supporting inclusive growth, maintaining financial stability, and driving responsible innovation.

I am sure KVB has already taken meaningful steps in this direction. But the journey ahead will demand even greater agility, foresight, and commitment to purpose.

11. In thinking about how banks like KVB can navigate the path ahead, I am reminded of a verse from the Thirukkural, which is a treasure trove of timeless guidance for thoughtful action:

**“பொருள் கருவி காலம் வினை-யிடனொடு ஐந்தும்
இருள்தீர எண்ணிச் செயல்”**

(Poruḷ karuvi kāalam viṉai-yiṭaṉodu aindhum iruḷtheera eṇṇi cheyal)

Literal meaning[3]:

“Do an act after a due consideration of the {following} five, viz., Money, means, time, execution and place.”

What the sage Thiruvalluvar tells us is this: “The wise act only after reflecting on five things—resources, tools, timing, action, and place or context—to dispel any uncertainty and act with clarity.”

To my mind, this is not just classical wisdom—it is a practical framework, deeply relevant to modern banking. These five elements have shaped KVB's journey so far, and they will be critical in shaping its future. So let us reflect on each of these—not as philosophy, but as building blocks for a strong, agile, and responsible banking institution.

Porul (Money/Resources): Using Strength with Discipline

In banking, resources are more than just financial capital. They include people, systems, institutional memory, customer trust, and reputation. Sound resource management is all about the quality of decisions and the sustainability of outcomes.

It is not enough to meet regulatory thresholds or improve headline numbers. What matters is how these financial resources are deployed—whether they support inclusive lending, long-term investment, or business models that promote trust and transparency. Every rupee must carry intent, not just interest.

Equally important are the less tangible, but no less critical, resources that do not reside on the balance sheet. These include the people who engage with customers every day, the internal controls that drive decisions and manage risk, and the institutional values that shape internal culture.

A bank's reputation, once established, becomes one of its most valuable assets. In an environment of rising competition and evolving customer expectations, the way forward lies in building upon a customer-centric approach that fosters trust, loyalty, and long-term value.

Karuvi (Tools/Means): Staying Ahead with Responsible Innovation

The tools of banking have evolved rapidly—from passbooks and ledgers to core banking platforms, mobile apps, real-time payment systems and artificial intelligence.

These tools define how services are delivered, how decisions are made, and increasingly, how risks are managed. In this environment, a bank's technological capabilities are no longer just operational enablers; they have become strategic differentiators.

However, every tool comes with responsibility. The speed and scale of digital adoption must be matched by equally strong investments in cybersecurity, data governance, and ethical safeguards. Recent global and domestic experiences have shown that technology gaps, if not addressed in time, can become points of systemic vulnerability.

For banks looking to scale up responsibly, tools must be modern, agile, and continuously evolving. More importantly, they must be well-governed. Technology must never outrun the organisation's capacity to manage it. Directors and senior management must lead this conversation, ensuring that risk, compliance, and internal audit functions have the resources and visibility needed to keep pace.

Kaalam (Time/Timing): Knowing When to Act

In banking, timing can be the difference between a breakthrough and missed opportunity, between resilience and regret. Whether it is extending credit, entering new markets, or rebalancing portfolios, the ability to act at the right moment, and with the right judgment, is essential.

Timing also requires contextual awareness. Economic cycles, interest rate shifts, regulatory changes, geopolitical developments, and even climate events—all influence when and how decisions should be made. A delay in recognising an early stress, or a rushed response to market signals, can have lasting consequences.

But timing is not only about reacting to external events. It is also about recognising when an institution needs to change internally—when to modernise systems, when to refresh leadership, when to pause and consolidate, and when to take bold steps forward. History rewards institutions that act early, rather than those that act perfectly.

The founders of KVB acted at such a moment. Their decision to establish a bank in 1916, in the midst of war and economic uncertainty, was bold, timely, and rooted in the needs of the community. The same sense of timing and responsiveness must now guide the bank as it enters its next phase.

Vinai (Action/Execution): Converting Thought into Execution – From the Boardroom to the Branch

Strategy has little meaning, unless it is translated into action. For a bank, this means ensuring that intent at the top is reflected in outcomes on the ground. Policies made in the boardroom must find meaningful expression at the branch. The strongest frameworks—whether related to risk, credit, technology, or compliance—are only as effective as their execution at the customer interface.

Effective action requires clarity, coordination, and accountability. Whether it is launching a new product, entering a new geography, or rolling out a compliance reform, success depends on how well goals are communicated, how clearly roles are defined, and how outcomes are tracked.

However, driven by intense competitive pressures and a desire to project short-term success, the management of certain banks and NBFCs appears to believe that the ends justify the means. Practices such as creative accounting, liberal interpretations of regulations, lenient policy frameworks, and inadequate internal controls are being normalised in some boardrooms—necessitating supervisory intervention. Though such instances may be limited, they risk eroding the public's trust in the integrity of the banking system.

Therefore, it is important to pursue growth with systems, people, and processes that are aligned and rooted in ethical practices—from the boardroom to the branch.

Idan/Idam (Context/Place): Understanding the Terrain

Every institution operates within a broader environment—economic, social, technological, and geographic. The most resilient banks are those that remain deeply aware of their context and continually adapt to it.

KVB has long drawn strength from its community roots. Its orientation towards semi-urban and rural markets, and its close connection to the needs of local businesses and households, has shaped its identity and customer relationships.

However, context is never static. Changing demographics, climate variability, digital access, migration patterns, and sectoral shifts are constantly reshaping the operating environment. As India progresses towards the goal of Viksit Bharat by 2047, banks will be called upon to adapt continuously—to serve a more aspirational, mobile, and digitally connected population.

Geographic concentration can bring familiarity, but it also introduces exposure. Regional slowdowns and policy changes can affect concentrated portfolios more acutely. Banks must continuously assess whether their branch network, sectoral mix, and credit exposure are aligned with the emerging realities around them.

Expanding into new markets or product segments brings promise, but this also calls for capacity-building—in terms of people, processes, and local knowledge.

The most effective banks are those that understand not only their own strengths, but also the terrain in which they operate. For a bank with a rich heritage and legacy like KVB, the ability to balance deep local insight with broader diversification will be key to navigating the next phase of growth. In this dynamic environment, staying true to its community roots while embracing innovation and adaptability is what will truly define the "smart way to bank"4.

Conclusion: Closing Thoughts for the Road Ahead

Let me return, in closing, to the words from Thirukkural that guided my reflections today. It reminds us that lasting success is built not on chance or scale, but on careful thought and considered action. Resources must be used with discipline. Tools must be modern and well-governed. Timing must be informed by awareness. Action must translate intent into outcome. And context must guide judgment at every step.

In my address today, I have tried to compress my 37 years of experience—as a banker and, more recently, as a banking supervisor—into the timeless framework provided by the sagacious Thiruvalluvar. His words speak not just to individual wisdom, but to institutional purpose.

In the 109 years since its founding, KVB has honoured these principles in many ways—quietly, steadily, and purposefully. But the road ahead will be more complex, more competitive, and more demanding. The institutions that will lead in this environment are not those that move the fastest, but those that move with clarity, with courage, and with conviction.

From the Reserve Bank's perspective, we expect banks like KVB to continue evolving—setting benchmarks in governance and customer service, empowering its assurance functions, and using technology not just for efficiency, but for inclusion. Every Bank Board and management has a responsibility to deepen the hard-earned trust—through service that is responsive, systems that are reliable, and leadership that is responsible.

My warmest congratulations to the entire KVB family—past and present—on this remarkable milestone. May the future be built on innovation with prudence, growth with responsibility, and leadership with integrity.

Nandri. Thank you and best wishes. Jai Hind!!

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1 Based on material from Sriram, V, Karur Vysya Bank, Centenary Book, https://www.kvb.co.in/docs/kvb-history-book-part1.pdf (accessed July 20, 2025).

2 The Arbuthnot crash of 1906 was one of colonial India's most notorious banking failures. Arbuthnot & Co., a leading British firm in Madras, collapsed due to speculative mismanagement, triggering widespread panic. Thousands of depositors, including pensioners and officials, even the Governor of Madras, lost their savings. The episode severely eroded trust in foreign-run banks and inspired the founding of Indian Bank in 1907.

3 Thirukural 675: English Translation and Commentary by Rev. Dr. G. U. Pope, Rev W. H. Drew, Rev. John Lazarus and Mr F. W. Ellis. Available at Project Madurai. https://www.projectmadurai.org/pm_etexts/utf8/pmuni0153.html

4 "Smart way to bank" is the tagline of Karur Vysya Bank

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1517

Remarks by Erik Thedéen, Chair of the Basel Committee on Banking Supervision and Governor of Sveriges Riksbank, at the International Business Forum / International Conference on Financing for Development, Sevilla, 1 July 2025.

The title of the forum today – "financial regulation in a changing environment" – could not be timelier. We are living through a period of profound change. From the accelerating pace of technological innovation, to shifts in the structure and shape of the financial system, to increasing geopolitical fragmentation, the environment in which banks operate is evolving rapidly and often unpredictable.

So it is natural to ask if existing regulations are "fit-for-purpose" or whether they need to evolve. The phrase "fit-for-purpose" is an appealing one. It connotates adaptability, agility and appropriateness. What's not to like? But as with most appealing phrases, it's worth asking: fit for whose purpose? And fit for what kind of future?

History suggests that "fit-for-purpose" has often been a euphemism to trim, loosen and "modernise" regulation. For rolling back hard-won safeguards under the banner of efficiency or innovation. For favouring short-term gains at the expense of medium-term prosperity. I do not think that we should pursue such a path. The financial system does not become resilient by cutting corners. It becomes resilient by preparing for storms.

To be clear, "fit-for-purpose" should not mean "fit-for-the-past". A regulatory framework that does not evolve becomes an artefact and not a safeguard. We cannot sail tomorrow's storms using yesterday's charts. The 50-year history of the Basel Committee has been one of adapting to a changing financial landscape, learning lessons from banking crises and building trust by engaging with a wide range of stakeholders across jurisdictions and sectors.

Hence, the Basel Committee has a forward-looking approach to identify and analyse risks and vulnerabilities to the banking system to safeguard resilience. In particular, the Committee is investigating banks' interconnections with non-bank financial firms and is taking note of the rapid growth of private credit in some jurisdictions. In addition, the Committee is also analysing the implications of the ongoing digitalisation of finance – something which is becoming increasingly important in many economies.

And, as policymakers, we should remain humble and open to empirical evidence. When designing the Basel III standards, the Committee made no fewer than 35 key adjustments to the reforms relative to the original proposals, including in areas related to specialised lending and small- and medium-sized enterprises. We also conducted a thorough evaluation of the Basel III standards that have already been implemented.

So what does the Basel III experience suggest for "fit-for-purpose" regulation, including when it comes to the important topic of development finance? I'll draw three takeaways.

First, the true purpose of prudential regulation is to serve the real economy. It's about having a healthy and resilient banking system that can absorb shocks and lend to households and businesses in both good and bad times. Strong rules are not a constraint. They are an investment in confidence, trust and long-term growth.

There is now unquestionably strong empirical evidence that shows that it is strong banks – those that are well capitalised and have robust liquidity levels – that can support the economy and contribute to its medium-term prosperity.

There have been over a dozen episodes of market dislocations over the past decade. Unlike the Great Financial Crisis, the banking system was not at the heart of these gyrations and did not amplify them. This was not a coincidence, but a direct reflection of the stability brought by Basel III. What this means is that financial stability is a foundation, and not a constraint, for development finance. Sustainable development finance depends on a resilient banking system. If we undermine that resilience in the name of development, we risk repeating past mistakes that hurt the very countries that we are trying to support.

The Basel Framework already provides a risk-sensitive approach to development finance. No fewer than 16 multilateral development banks (MDBs) benefit from a 0% capital risk weight. Any MDB is free to apply to the Committee for it to consider whether it meets the criteria to benefit from such a treatment. In a similar vein, the Basel III standards set out a more granular and risk sensitive approach relative to Basel II when it comes to project finance. So it is in banks' and MDB's own interest for all member jurisdictions to implement Basel III in full and consistently.

The Basel Framework also recognises the risk-reducing effects of mitigants such as insurance or guarantees, subject to meeting certain criteria. These criteria are risk-sensitive by design, as the objective of the framework is to reflect the actual riskiness of a bank exposures. For example, if there is a possibility that a guarantee will not cover or absorb losses unconditionally for a bank, then it is not prudent, nor risk sensitive, for a bank to assume that the risk has actually been transferred.

Second, financial stability demands global solutions, not national shortcuts. In banking regulation, geographic borders may exist, but risks don't respect them. This is why the work of the Committee is a team sport, one of cross-border collaboration and cooperation. Having a global level-playing field goes a long way to ensuring that bank regulation is fit for purpose. We either strengthen together or weaken apart.

The Committee is always ready to engage constructively with external stakeholders. But any dialogue must be evidence-based, globally consistent and avoid creating fragmentation or regulatory arbitrage. Our responsibility is to safeguard financial stability for all jurisdictions – developed and developing alike.

Third, regulation, no matter how fit for purpose, can only take you so far. The first and most important source of resilience comes from banks' own risk management practices and governance arrangements. And regulation must be complemented with strong and effective forward-looking supervision.

So in the context of development finance, let's not make Basel III the scapegoat for deeper challenges. Often, what limits banks' co-investment with multilateral development banks isn't capital rules. Other factors – such as the pipeline of viable projects, banks' own risk appetite and national infrastructures – are likely to be more important in driving banks' lending decisions.

Let us therefore make sure that we cast a wide net and pursue a holistic approach to promoting sustainable development finance.

Source: *https://www.bis.org/speeches/sp250701.htm*

TOP BANKING NEWS

RBI caps investment by a bank in AIF scheme at 10 per cent

he Reserve Bank on Tuesday capped contributions by a single regulated entity (RE), including banks and NBFCs, at 10 per cent of the corpus of an Alternative Investment Fund (AIF) scheme.

Also, collective contribution by all REs in any AIF Scheme should not be more than 20 per cent of the corpus of that scheme, said the Reserve Bank of India (Investment in AIF) Directions, 2025.

The RBI had issued guidelines in December 2023 and later in March 2024 prescribing the regulatory guidelines in respect of investment by the REs of the Reserve Bank in AIFs.

The guidelines have been reviewed, inter alia, taking into account industry feedback as well as the regulations issued by the Securities and Exchange Board of India (Sebi) relating to specific due diligence of investors and investments of AIFs, the RBI said in a circular on Tuesday.

"No RE shall individually contribute more than 10 per cent of the corpus of an AIF Scheme," the circular said.

Collective contribution by all REs in any AIF Scheme shall not be more than 20 per cent of the corpus of that scheme.

"If a RE contributes more than five per cent of the corpus of an AIF Scheme, which also has downstream investment in a debtor company of the RE, then the RE shall be required to make 100 per cent provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a maximum of the direct loan and/ or investment exposure of the RE to the debtor company," it said.

The circular also said the RBI may, in consultation with the government, exempt certain AIFs from the scope of the existing circulars and the revised Directions.

Source: *https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-caps-investment-by-a-bank-in-aif-scheme-at-10-per-cent/articleshow/122981239.cms*

RBI proposes new regime for co-op bank branch expansion, ATM setup

As part of regulatory reforms, the Reserve Bank of India (RBI) has proposed a new regime — the Eligibility Criteria for Business Authorisation (ECBA) — for granting permissions and approvals to urban co-operative banks (UCBs) to open new branches, set up ATMs, processing centres, and other infrastructure. This will replace the current Financially Sound and Well Managed (FSWM) framework.

A bank will be considered fully compliant with ECBA if it meets specified conditions related to capital adequacy, asset quality, profitability, reserve ratios, and more, based on the audited financial statements as of 31 March of the immediately preceding financial year, the RBI said in its draft Master Direction.

The regulator said banks must maintain the regulatory minimum applicable capital adequacy ratio (CAR). Their net non-performing assets (NPAs) should not exceed three per cent. Additionally, the bank must have reported net profit for the preceding two financial years without any accumulated losses on the balance sheet.

There should be no default in the maintenance of the cash reserve ratio (CRR) or statutory liquidity ratio (SLR) during the current or preceding financial year. Banks must have fully implemented Core Banking Solutions (CBS). The bank must not be under any directions from the RBI, or subject to the Supervisory Action Framework or Prompt Corrective Action (PCA) in the previous or current financial year. It should also have at least two professional directors on its board.

A bank shall determine its compliance with the ECBA every year based on the audited financial statements for the immediately preceding financial year. The board of the bank must satisfy itself regarding compliance and pass a resolution approving the same. The RBI should be notified within 15 calendar days from the date of the board resolution.

The period of validity for ECBA compliance will be considered valid up to 30 September of the next financial year.

***Source:** https://www.business-standard.com/industry/banking/rbi-proposes-new-ecba-norms-for-cooperative-bank-branch-expansion-125072801323_1.html*

Credit growth inches up to 9.8% as deposit growth continues to outpace

The pace of bank credit growth grew to 9.8 per cent year-on-year (Y-o-Y) in the fortnight ended July 11, while deposit growth remained steady at 10.1 per cent. It continued to outpace credit growth, although the gap narrowed to 300 basis points, according to the latest data from Reserve Bank of India (RBI). In the fortnight ended June 27, the credit growth stood at 9.46 per cent.

During the same period last year, banking system credit grew 14 per cent while deposit grew 11.3 per cent.

In absolute terms, outstanding credit in the banking system stood at ₹184.63 trillion, while outstanding deposits were ₹233.25 trillion, as per the latest data. During the fortnight, credit declined by ₹23,036 crore, and deposits fell by ₹99,909 crore. In the previous fortnight, outstanding credit and deposits stood at ₹184.83 trillion and ₹234.25 trillion, respectively.

Credit growth has fallen sharply from the high of around 20 per cent in May 2024. In FY25, the credit growth was 11 per cent, while deposits grew 10.26 per cent.

In Q1FY26, most large private sector banks reported tepid loan growth.

DFC Bank's -- India's largest private sector lender -- overall advances grew at 6.7 per cent Y-o-Y, while ICICI Bank's overall loan book grew 11.5 per cent during this time. Axis Bank's advances grew 8 per cent Y-o-Y in the quarter.

The deceleration in credit growth has been sharp in the past one year, as lenders are prioritising asset quality amid higher delinquencies in unsecured retail, microfinance business while continuously tightening the underwriting standards, experts said.

Banks are betting on the upcoming festival season to revive credit demand, supported by the RBI's rate cut and the boost in consumption expected from the tax sops announced in the Union Budget earlier this year.

"Economy is doing well. Monsoon has been extremely good. Government investment continues to help. And, I think, with the festival season starting from the end of second quarter, we are expecting demand to come from all the sectors", said Prashant Kumar, MD&CEO, Yes Bank in an interview with Business Standard earlier this week.

Sashidhar Jagdishan, MD&CEO, HDFC Bank in an analyst call, following the bank's Q1 earnings said, HDFC Bank is seeing some amount of healthy demand from the rural side, and while there has been some fatigue in the premium urban consumption in the recent past, but with the festival season, which will start shortly, it will have a reasonable amount of impetus on demand.

"The fact that interest rates have come down, the fact that people would have now started to see savings arising out of the fiscal largesse that was given in the last budget, I think all that will play in with the convergence of the sentiments and the moods, which normally the Indian festivities normally bring about", Jagdishan said in the analyst call.

The RBI's monetary policy committee (MPC) has cut policy repo rate by 100 basis points (bps) since February, and the banks have passed on 50 bps of the 100 bps rate cut to the consumers in the form of lower interest rate on loans. Additionally, the RBI is keeping the system flush with liquidity so that the cut in policy rates could be transmitted to lending and deposit rates. The repo rate stands at 5.5 per cent and net liquidity in the system was in surplus of ₹2.55 trillion as of July 24.

Rating agencies estimate credit growth this year (FY26) to be around 11.5 – 12.5 per cent, but there could be some revision to the projections, as credit demand is expected to pick up in the second half of FY26.

Source: *https: https://www.business-standard.com/industry/banking/credit-growth-inches-up-to-9-8-yoy-125072501285_1.html*

SELECT RBI CIRCULARS

JULY 2025

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/70 DoR.RET.REC.42/12.07.160/2025-26	25.7.2025	Department of Regulation	Inclusion of "Deogiri Nagari Sahakari Bank Ltd., Chhatrapati Sambhajinagar" in the Second Schedule of the Reserve Bank of India Act, 1934	All Banks
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12884				
RBI/2025-2026/69 DoR.RET.REC.41/12.07.160/2025-26	25.7.2025	Department of Regulation	Inclusion of "Ahmednagar Merchant's Co-op. Bank Ltd., Ahmednagar" in the Second Schedule of the Reserve Bank of India Act, 1934	All Banks
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12885				
RBI/2025-2026/68 FIDD.CO.LBS.BC.No.14/02.08.001/2025-26	18.7.2025	Financial Inclusion and Development Department	Formation of new district in the State of Arunachal Pradesh – Assignment of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks Concerned
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12883				

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/67 DoR.RET.REC.40/12.07.160/2025-26	17.7.2025	Department of Regulation	Inclusion of "NSDL Payments Bank Limited" in the Second Schedule of the Reserve Bank of India Act, 1934	All Banks
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12882				
RBI/2025-2026/66 FIDD.CO.FSD.BC.No.08/05.05.010/2025-26	11.7.2025	Financial Inclusion and Development Department	Lending Against Gold and Silver Collateral - Voluntary Pledge of Gold and Silver as Collateral for Agriculture and MSME Loans	The Chairman/Managing Director/Chief Executive Officer All Scheduled Commercial Banks (including Regional Rural Banks and Small Finance Banks) All State Co-operative Banks and District Central Co-operative Banks
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12881				

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/65 DOR.STR. REC.39/21.06.008/ 2025-26	10.7.2025	Department of Regulation	Basel III Capital Regulations – External Credit Assessment Institutions (ECAIs) – CareEdge Global IFSC Limited	All Scheduled Commercial Banks (including Small Finance Banks) (excluding Local Area Banks, Payments Banks and Regional Rural Banks)
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12880				
RBI/2025-2026/64 DoR.MCS. REC.38/01.01.001/ 2025-26	02.7.2025	Department of Regulation	Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025	All commercial banks (excluding payments banks), co-operative banks, NBFCs and All India Financial Institutions
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12878				

STATISTICAL SUPPLEMENT

RESERVE BANK OF INDIA

Date : July 31, 2025					
Reserve Bank of India - Liabilities and Assets					
					(₹ Crore)
Item	2024	2025		Variation	
	Jul. 19	Jul. 11	Jul. 18	Week	Year
	1	2	3	4	5
1 Notes Issued	3520478	3787651	3773617	-14034	253139
1.1 Notes in Circulation	3520466	3787633	3773600	-14033	253133
1.2 Notes held in Banking Department	11	18	17	-1	6
2 Deposits					
2.1 Central Government	101	100	101	0	0
2.2 Market Stabilisation Scheme	0	0	0	0	0
2.3 State Governments	42	42	42	0	0
2.4 Scheduled Commercial Banks	1006938	930199	984796	54597	-22141
2.5 Scheduled State Co-operative Banks	8394	8078	8037	-41	-358
2.6 Other Banks	54233	52670	52329	-341	-1904
2.7 Others	639002	776661	738722	-37938	99721
3 Other Liabilities	1748890	2190245	2206803	16559	457913
Total Liabilities/Assets	6978078	7745647	7764448	18801	786370
1 Foreign Currency Assets	4957204	5084872	5095199	10327	137995
2 Gold	501909	723791	728042	4251	226133
3 Rupee Securities (including Treasury Bills)	1345058	1787655	1788867	1212	443809

4 Loans and Advances					
4.1 Central Government	-	0	0	0	0
4.2 State Governments	19805	20431	26294	5864	6489
4.3 NABARD	-	0	0	0	0
4.4 Scheduled Commercial Banks	6416	1223	951	-272	-5465
4.5 Scheduled State Co-op. Banks	0	0	0	0	0
4.6 Industrial Development Bank of India	-	-	-	-	-
4.7 Export- Import Bank of India	-	-	-	-	-
4.8 Others	135553	106493	103826	-2667	-31727
5 Bills Purchased and Discounted					
5.1 Commercial	-	-	-	-	-
5.2 Treasury	-	-	-	-	-
6 Investments	2064	2064	2064	0	0
7 Other Assets	10070	19118	19205	87	9135
* Data are provisional; difference, if any, is due to rounding off.					

Source: https://rbi.org.in/Scripts/WSSView.aspx?Id=27813

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

Microfinance institutions will return to normalcy only in second half of FY26, says Ind-Ra

'Ordinances brought in by T.N. and Karnataka to curb coercive practices of collection agents are expected to impact the sector's return profile in the medium term'

Microfinance Institutions will return to normalcy only by the second half of fiscal 2026, according to a report by credit rating agency India Ratings. The organisation has given the sector a 'deteriorating outlook'.

Ind-Ra cited the recent ordinances by the Tamil Nadu and Karnataka governments creating repayment anxieties as one of the reasons for low profitability. The two State governments had brought in ordinances to curb coercive practices of collection agents. This is expected to impact the "sector's return profile in the medium term, and the normalisation to FY24 levels would be difficult due to the rising operating expense and rationalisation of lending yields," Ind-Ra said in the report. Banks that lend to MFIs have started factoring in non-MFI loans exposure, the author added.

The three-lender norm, which mandates a borrower to take loans from not more than three institutions, would also impact the profitability of the lenders, the rating agency said. NBFC-MFI s are also moving into a high operating cost regime.

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Attrition rates in these companies also hit collections, according to the report.

“The sector has been grappling with elevated field officer attrition during FY25, driven by the availability of alternative employment opportunities. High field staff turnover has disrupted the continuity of customer relationships, which are critical for maintaining repayment discipline and fostering trust,” according to Ind-Ra.

Assets under management (AUM) declined during the previous fiscal and might remain slow to grow in the first quarter of fiscal 2026, Ind-Ra said in the report, adding that profitability was also down in fiscal 2025.

While Ind-Ra gave deteriorating outlook for MFIs, it gave a stable outlook for NBFCs for fiscal 2026.

Source: https://www.thehindu.com/incoming/microfinance-institutions-will-return-to-normalcy-only-in-second-half-of-fy26-says-ind-ra/article69764581.ece#goog_rewarded

Capital SFB Q1 profit rises 7% despite higher bad loan provisions

Capital Small Finance Bank reported a 7% rise in net profit at Rs 32 crore for the first quarter of the fiscal as compared with Rs 30 crore in the year ago period even as its provision to cover bad loans rose nearly four-fold.

Its operating profit was 21% higher at Rs 51.4 crore.

Total provisions for the quarter stood at Rs 8.8 crore as against Rs 2.4 crore earlier. The bank's gross non-performing assets ratio rose marginally to 2.74% at the end of June from 2.69% a year back. Net NPA was at 1.39% against 1.35%.

Defaults by two NBFC-MFIs with a total Rs 15 crore outstanding led to the rise in NPA, executive director Munish Jain said. The bank has no direct exposure to the microfinance sector while it lends to NBFC-MFIs.

"We intend to keep gross NPA below 2.6%," Jain told ET. "On the net interest margin front, our aim is to maintain it at 4.1%," he said.

The bank's gross advances rose 16.4% year-on-year to Rs 7,437 crore while Deposits were up 17% Rs 9,110 crore.

Source: https://economictimes.indiatimes.com/markets/stocks/earnings/capital-sfb-q1-profit-rises-7-despite-higher-bad-loan-provisions/articleshow/122884629.cms

Microfinance as key engine of financial inclusion: How it can be made a strong pillar of Viksit Bharat

Microfinance has emerged as a vital engine of financial inclusion and grassroots economic development. By extending small, collateral-free loans to underserved communities, microfinance institutions (MFIs) are bringing formal credit within reach for millions who remain beyond the purview of traditional banking. As of March 2025, the sector's gross loan portfolio had crossed Rs 3.75 lakh crore (Source: Equifax Microfinance Industry Insights March'25), serving an estimated 79 million borrowers.

Yet even at this scale, the industry believes only about 35% of the potential market has been tapped. A striking 99% of these borrowers are women, amplifying the sector's role in fostering women's empowerment and economic independence. When extrapolated to household and community impact, this translates to over 300 million lives touched, and employment opportunities created for an estimated 120 million people—a cornerstone contribution to India's development priorities.

But despite significant progress, microfinance in India is yet to realize its full potential — especially as India marches toward its vision of Viksit Bharat by 2047, microfinance must evolve from being a support system to becoming a central pillar of inclusive, sustainable development. In Fiscal Year 2024, RBI's Financial Inclusion Index remains at just 62% and about 31% of the total credit outstanding loans in rural households are sourced from informal lenders, with this penetration being particularly high among the most economically vulnerable segments.

Despite facing multiple disruptions over the past decade—including the Andhra Pradesh crisis, demonetization, the 2018 NBFC liquidity crunch, farm loan waivers, the Assam MFI bill, and the Covid-19 pandemic—India's microfinance sector has demonstrated remarkable resilience and adaptability. Progressive regulatory reforms introduced by the RBI in 2011 with creation of NBFC MFI's and in enhancements in 2022, coupled with critical legal clarifications in 2023 that reaffirmed the RBI's jurisdiction over lending activities vis-à-vis state, have bolstered the sector's structural integrity.

However, cracks have begun to surface once again. Starting in the last quarter of FY2023–24, the sector witnessed a rise in delinquencies, which translated into declining profitability and slower growth trajectories. In subsequent quarters of FY2024–25, the situation had further deteriorated. Non-Performing Assets (NPAs)—defined as loans overdue by more than 90 days—crossed the 5% mark, a stark contrast to the sector's historic reputation for 99%+ repayment rates and sub-1% credit costs.

This raises a critical question: What ails microfinance in India today?

Despite its transformative role in advancing financial inclusion, India's microfinance sector—serving close to 80 million borrowers—is currently grappling with a mix of deep-rooted and emerging challenges that threaten its ability to serve as a pillar of Viksit Bharat. Key issues include KYC authenticity, Inconsistent Credit Bureau Data Updates, High Employee Attrition, Over-borrowing, Irresponsible Over-Lending and Governance Lapses. The sector also suffers from a widespread misundersting on interest rates, where a 24% reducing balance rate is commonly thought as an interest burden of Rs 24 for a loan of Rs 100 for a year when it is actually just Rs 13.47!

In the absence of formal credit the borrowers have to depend on informal lenders charging up to 240% - 10 times the average formal rate. Adding to the strain are external disruptions like inflation, wage stagnation, and climate shocks, along with rising incidents of financial vandalism—populist loan waiver campaign promises that disrupt repayment culture and fuel wide spread defaults.

10 Actions to Empower Microfinance and Unlock Its Full Potential

To overcome the structural and operational challenges facing India's microfinance sector—and to enable it to become a pillar of Viksit Bharat—the following ten actions are recommended :

1. **Reliable and Authenticated KYC:** The foundation of responsible lending is knowing your customer. In the wake of the Supreme Court's Aadhaar ruling (2017), most MFIs have moved to Voter ID—which lacks uniqueness as of today. The RBI & Government should help reinstate e-KYC via Aadhaar for regulated financial entities or mandate the use of C-KYC to ensure a unified, tamper-proof system.

2. **Real-Time Credit Bureau Reporting:** The RBI should mandate daily credit bureau updates from all lenders on the microfinance portfolio, along with the integration of KYC-linked deduplication to prevent multiple simultaneous borrowings. This is crucial for risk mitigation and portfolio quality.

3. **Sustainable and Transparent Pricing:** Delivering doorstep, unsecured loans to remote communities involves real costs. A healthy microfinance ecosystem needs to attract long-term capital, which requires the potential for over 15% equity returns. The sector to double its outreach to make formal credit available widely will need an estimated over $4 billion in fresh equity investment. This will also help the entities to leverage through debt from the banking sector and/or the capital markets to grow. The industry also needs to shift to risk-based pricing —a real necessity for differentiation and reward for credit discipline.

4. **Legal Protection Against Financial Vandalism:** The proposed Ban on Unlawful Lending Activities (BULA) Bill from GoI is a welcome move to curb predatory and unregulated lending. But an equally important requirement is an Anti-Financial Vandalism (AFV) Bill, aimed at deterring individuals or groups who disrupt legitimate repayment through misinformation or populist promises of potential loan waivers.

5. **Climate Risk Protection for Borrowers:** As climate shocks intensify, the livelihoods of microfinance borrowers—especially in agriculture and informal sectors—are increasingly vulnerable. The sector needs a climate-linked borrower protection product that covers interest costs during short-term repayment deferrals due to natural disasters, complementing existing credit life insurance schemes.

6. **Workforce Development with Accountability:** Microfinance can generate large-scale rural employment. A national program for certified financial inclusion professionals can prepare youth for roles across lending, insurance, pensions, and investments. Simultaneously, a sector-wide employee bureau must track misconduct, ensuring that fraud or negligence does not go unchecked across institutions as all this leads to higher credit costs.

7. **Strengthening Corporate Governance:** Lending to financially vulnerable populations is a responsibility-heavy activity, and boards must demonstrate active oversight. Institutions must adopt strong governance practices around growth strategy, provisioning norms, pricing models, and executive compensation and incentives, aligning them with long-term sustainability and regulatory expectations.

8. **Reforming Collections and Recovery Frameworks:** The sector must transition toward digital, cashless collections to reduce costs and increase efficiency. Credit bureau reporting, Lok Adalats, co applicant's and cross check of credit discipline for government benefit programs can instil a significant seriousness on repayment discipline.Not paying after taking a loan should not be an option – this is very critical to build a deep and robust credit market. Having said this, a distressed borrower programme is also required to address genuine stress possible in this segment

9. **Empowered and Accountable SROs:** RBI-recognized Self-Regulatory Organizations (SROs) should be empowered to enforce stricter operational norms beyond regulatory minimums. These include caps on number of lenders per borrower, overall indebtedness, no lending to over 30D PD borrowers, and borrower education standards.

10. **Financial Literacy as a National Mission:** Households earning under Rs 3 lakh annually require targeted, structured financial education. While MFIs often provide this during loan onboarding, broader & ongoing efforts from RBI, NABARD, state governments, and the Ministry of Finance are needed to build a culture of responsible borrowing and credit awareness across India's base-of-the-pyramid populations.

    Looking Ahead: The Path to a Viksit Bharat

    For microfinance to become a true driver of India's inclusive growth, a comprehensive, multi-stakeholder approach is essential. By prioritizing policy advocacy, capacity building, digital innovation, public-private partnerships, and responsible lending, we can unlock the sector's potential and make financial inclusion a reality for all. The question now is: Will we act to strengthen this vital sector, or will we allow it to falter?

Source: https://economictimes.indiatimes.com/small-biz/sme-sector/microfinance-as-key-engine-of-financial-inclusion-how-it-can-be-made-a-strong-pillar-of-viksit-bharat/articleshow/122777373.cms

TOP INSURANCE NEWS

India Raises FDI Limit in Insurance to 100%

India's Finance Minister announces a 100% FDI limit in insurance, aiming to boost sector growth and attract foreign investment. The move is expected to increase competition and improve insurance penetration.

New Delhi, Jul 28 (PTI) Raising the FDI limit in insurance to 100 per cent will help the sector achieve its full potential by growing at 7.1 per cent per annum over the next 5 years, outpacing the global growth, Finance Minister Nirmala Sitharaman informed Parliament on Monday.

The finance minister in Union Budget 2025-26 had proposed to raise the limit of foreign investment in insurance sector from the existing 74 per cent to 100 per cent.

Raising the limit will eliminate the need for foreign investors to find Indian partners for the remaining 26 per cent, easing the process of setting up their operations in India, effectively increasing the number of insurers in the country, she said in a written reply to Lok Sabha.

This will attract stable and sustained foreign investment, increase competition, facilitate technology transfer, and improve insurance penetration in the country, she said.

The decision to increase FDI component in a particular insurance company is made by its promoters, depending upon various factors such as capital requirement of the company, solvency requirement, future business plans etc, the minister said.

Replying to another question, Sitharaman said in order to increase coverage under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY), regular campaigns were held at grass root level with active participation of banks and local administration.

Further, she said, a 3-month 'Financial Inclusion Saturation Campaign' has been launched across the country in 2.70 lakh gram panchayats and Urban Local Bodies (ULBs) from July 1, 2025, with the aim of increasing enrolments in PMJJBY, PMSBY and APY.

To achieve saturation in these Jansuraksha schemes, camps are being organized at gram panchayat level and ULBs by banks, providing residents with direct access to information and assistance for enrolling in the scheme, she said.

The initiative is aimed to raise awareness and improve participation, helping to bridge gaps in enrolment under the scheme.

The Centre for Financial Literacy (CFL) project was initiated by the Reserve Bank of India in 2017 with an objective to adopt community-led innovative and participatory approaches to financial literacy, the minister said.

As on March 31, 2025, a total of 2,421 CFLs have been set up across the country with one CFL covering three blocks on an average, she added.

Source: https://money.rediff.com/news/market/india-raises-fdi-limit-in-insurance-to-100/30928320250728

India's Insurance Sector – Projected Boom and Structural Shifts by 2030

India's insurance sector is poised for substantial expansion, with Gross Written Premiums (GWP) expected to grow by 123% by 2030

India's Insurance Sector News

India's insurance industry is poised for substantial expansion, with Gross Written Premiums (GWP) expected to grow by 123% by 2030.

This development reflects changing consumer behavior, increasing insurance awareness, and structural transformations in both retail and institutional segments.

The insights are based on a joint report by the Insurance Brokers Association of India (IBAI) and McKinsey & Company, supported by the IBAI Insurance Insights Survey of 2,500 retail customers

Growth Trajectory of India's Insurance Sector

Rapid increase in GWP:

GWP refers to the total amount of premium revenue an insurer collects from policies issued during a specific period, before any deductions for reinsurance or other adjustments.

GWP to grow from ₹11.2 lakh crore in 2024 to ₹25 lakh crore by 2030.

This reflects a 123% increase in total insurance premium volume

Rising insurance penetration: Insurance penetration (ratio of total insurance premiums collected by insurance companies to a country's GDP) to improve from 3.7% (2024) to 5% by 2030, closing the gap with the global average of 6.8% (2023).

Past performance: Between FY 2020 and FY 2024, total premiums rose from ₹7.8 lakh crore to ₹11.2 lakh crore, showing strong double-digit growth

Retail Segment – Divergent Needs and Behaviors

Dominance of life insurance: Retail GWP is expected to reach ₹21 lakh crore by 2030, with over 90% from life insurance.

Customer pyramid insights: 65% of opportunity lies at the two ends –

UHNI and HNI (Ultra/High Net-Worth Individuals) with assets over ₹8.5 crore.

Mass-market customers (individuals or businesses with relatively similar needs and purchasing power) with basic or first-time insurance needs

Insurance awareness vs. actual coverage:

60% of HNI/UHNI customers believe ideal cover is 10 times of their salary, but only 30% actually hold such coverage.

Intent-coverage gap (a period during which an individual lacks insurance coverage) is a major structural issue.

Influence on purchase decisions:

70% HNI/UHNI: Rely on trusted advisors.

45% mass-market: Influenced by family and friends.

Claims experience:

50% of HNI+ customers considered switching insurers due to poor claims service.

55% SMEs faced claim rejections.

75% need help with claims paperwork

Institutional Segment – Emerging Growth Frontiers

Non-life insurance dominance: Institutional GWP to grow 3 times to ₹2.8 lakh crore by 2030.

SME segment potential:

Currently contributes approximately 10%, but expected to grow fastest.

Half of SME opportunities concentrated in 17 cities and 10 capital-intensive industries: textiles, automotives, pharmaceuticals, industrial goods, etc.

Structural barriers: Low intent to purchase due to –

Perceived non-necessity.

Lack of risk-management knowledge.

Margin pressures.

Role of regulatory push:

70% SMEs purchase insurance due to compliance, not voluntary need.

Seek advisory support, sector-specific products, and handholding in claims.

Policy and Regulatory Implications

Bridging the insurance gap can support financial resilience and economic stability.

The sector offers scope for regulatory reforms, digital outreach, and inclusive insurance models.

Focus needed on –

Customer-centric innovations.

Simplified claims management.

Insurance literacy, especially among SMEs and low-income segments.

India's Insurance Sector

Insurance in India (covers both public and private sector organisations) is listed in the Seventh Schedule of India's Constitution as a Union List subject, meaning it can only be legislated by the Central government.

The primary regulator for insurance in India is the Insurance Regulatory and Development Authority of India (IRDAI) which is a statutory body established in 1999.

India is the fifth largest life insurance market in the world's emerging insurance markets, growing at a rate of 32-34% each year.

Over the past nine years, the insurance sector has attracted substantial foreign direct investment amounting to nearly Rs. 54,000 crore (US$ 6.5 billion), driven by the government's progressive relaxation of overseas capital flow regulations.

The FDI sectoral cap in the insurance sector has been revised from 49% to 74% under the automatic route.

The Union Budget 2025 also announced the further increase of FDI sectoral cap for the insurance sector from 74% to 100%. This enhanced limit will be available for those companies, which invest the entire premium in India.

The insurance industry of India has 57 insurance companies – 24 are in the life insurance business, while 34 are non-life insurers.

Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. There are six public sector insurers in the non-life insurance segment.

In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC Re)

Source: https://vajiramandravi.com/current-affairs/indias-insurance-sector-projected-boom-and-structural-shifts-by-2030/

'India's insurance sector on track to more than double by 2030, gross written premiums could hit ₹25 lakh crore'

India's insurance sector is projected to witness robust expansion, with gross underwritten premiums (GWP) expected to more than double — rising by 123 per cent to Rs 25 lakh crore by 2030 from Rs 11.2 lakh crore in 2024, according to a report by the Insurance Brokers Association of India (IBAI) and McKinsey & Company. This surge is likely to lift insurance penetration from the current 3.7 per cent to 5 per cent, bringing India closer to the global average of 6.8 per cent recorded in 2023.

Between FY 2020 and FY 2024, the industry saw strong double-digit growth, with total premiums across life and non-life segments increasing from Rs 7.8 lakh crore to Rs 11.2 lakh crore, the report said.

"India's insurance sector is entering a new era of opportunity, with the potential to more than double by 2030," said Narendra Bharindwal, President, IBAI

The report said the retail segment could attain GWP of around Rs 21 lakh crore by 2030, of which over 90 percent is driven by the life segment. "Around 65 per cent of the retail opportunity is present at the extreme ends of the customer pyramid-the ultra-high-net-worth individuals (UHNI) and high-net-worth individuals (HNI) at one end, and the mass-market customers at the other end," it said.

The intent to buy insurance is missing, despite awareness, the report said. In the retail segment, among affluent and ultra-high-net-worth and high-net-worth customers (UHNI and HNIs are individuals with household personal financial assets over Rs 8.5 crore), 60 per cent customers believe that their ideal life insurance cover should be 10 times their salary, yet only 30 per cent have this cover. Similarly, in the institutional segment, 70 percent micro and small enterprises purchase insurance because of regulatory or client mandates.

"By 2030, UHNI and HNI customers could account for around 20 per cent of the total projected retail insurance value pool, while the mass-market segment is expected to account for nearly 45 per cent," the report said.

While nearly 70 per cent of affluent and UHNI / HNI retail customers purchase insurance on the recommendations of trusted advisors, 45 per cent of mass market customers rely on the recommendations of friends and family, it said.

The claims experience is a key differentiator in the insurance journey. As many as 50 per cent of affluent and HNI+ customers considered switching their insurers or channel of purchase and nearly half of them switched due to dissatisfaction with the claims process.

Similarly, over 55 per cent of SMEs have had their claims rejected, and over 75 per cent seek assistance with documentation and paperwork in the claims process, the report said.

"These segment-specific insights are derived from the IBAI Insurance Insights Survey, which reveals the behaviour and pain points of 2,500 retail customers," the report said.

GWP for the institutional segment, largely in non-life insurance, is expected to grow nearly three times to reach Rs 2.8 lakh crore by 2030. "While the SME segment currently has a contribution of only close to 10 percent, it is expected to grow the fastest. Around half of the total SME opportunity lies in clusters across 17 Indian cities, in nearly 10 leading, capital-intensive industries such as textiles, automotives, pharmaceuticals, and industrial goods," the IBAI-McKinsey report said.

This segment lacks the intent to buy insurance, often because the enterprises do not entirely believe it is critical, and because lack of guidance and handholding, as well as persistent margin pressure cause them to deprioritize it, it said.

The IBAI survey revealed that when SMEs do buy insurance, it is driven by the need to comply with regulatory and client mandates. "They lack internal risk-management expertise, seeking advisory and guidance, products tailored to their needs, and support on documentation and claims processes. Equipping them to foresee their risks and empowering them through products customized at the sector level could draw them into the fold of insurance protection," it said.

Source: https://indianexpress.com/article/business/insurance-industry-on-track-to-more-than-double-set-to-hit-rs-25-lakh-crore-by-2030-10151922/

TOP CORPORATE BOND MARKET NEWS

Corporate bond market surges, with banks in the lead

Banks remained the dominant issuers, with nearly VNĐ198.5 trillion raised — a surge of 131 per cent year-on-year.

HÀ NỘI — The corporate bond market is making a comeback with large-scale issuances from a wide range of players – not just banks, but also finance companies and real estate firms.

According to a report by MBS Securities on the first half of 2025, June alone saw an eye-popping 106 new bond issuances from enterprises, with a total estimated value of VNĐ123.7 trillion (US$4.86 billion) – up 87 per cent year-on-year and the highest monthly figure on record.

Cumulatively, corporate bond issuance in the first six months reached over VNĐ265.8 trillion, marking a 91.3 per cent increase compared to the same period last year. The average weighted interest rate was around 6.8 per cent, down from 7.2 per cent in 2024.

Banks remained the dominant issuers, with nearly VNĐ198.5 trillion raised - a surge of 131 per cent year-on-year. Leading issuers included HDBank, BacABank, Techcombank, ACB, and BIDV. The average bond yield for banks was 5.6 per cent per annum, with an average maturity of 4.4 years.

Among non-bank financial institutions, Home Credit Vietnam stood out in June with six bond issuances, raising a total of VNĐ2.85 trillion. Consumer finance firms MB Shinsei (Mcredit) and F88 also returned to the bond market.

On June 26, 2025, Mcredit issued VNĐ1 trillion worth of bonds (code MSF12501) with a six-year term, its first issuance of the year. Earlier, on 12 June, F88 issued VNĐ50 billion in 18-month bonds (code F8812503).

According to MBS, this uptick in bond issuance by credit institutions reflects rising demand for medium- and long-term capital. The trend is particularly notable given that credit growth surged to 9.9 per cent in the final month of Q2, while deposit interest rates remained low. Credit growth is estimated to be 1.3 to 1.5 times faster than capital mobilisation.

Real estate ranked second in bond fundraising, with a total issuance of VNĐ40.2 trillion, up 24 per cent year-on-year. The average yield stood at 10.5 per cent per annum, much higher than the banking sector, with an average term of 2.5 years. Notable issuers included Vingroup, TCO Real Estate, and An Thînh General Trading and Services.

A separate report by SSI Securities (S&I Ratings) showed the corporate bond market recorded VNĐ258 trillion in issuances during the first half of 2025 - up 67 per cent compared to the same period in 2024. Q2 alone contributed more than VNĐ233 trillion through 188 issuances, 98 per cent of which were private placements.

Banks accounted for a staggering 75 per cent of total bond volume (nearly VNĐ193 trillion), solidifying their leading role. In contrast, the real estate sector, which once made up nearly 50 per cent of the market during the 2021 peak, now only accounts for 17 per cent (about VNĐ43 trillion). — VNS

Source:https:https://vietnamnews.vn/economy/1722200/corporate-bond-market-surges-with-banks-in-the-lead.html

India's corporate bond market booms: Record Rs 10 trillion raised in corporate bonds in 2025, says Rajkumar Subramanian of PL Wealth

India's corporate bond market has hit a historic milestone in 2025, with total fundraising nearing ₹10 trillion—a record high that signals a significant shift in corporate financing strategies.

According to Rajkumar Subramanian, Head of Product & Family Office at PL Wealth, this surge has been fueled by a combination of lower interest rates, abundant liquidity, and rising capital expenditure by corporates.

The trend highlights a maturing debt market, where private placements, shorter-duration issuances, and institutional investor appetite are driving growth.

However, Subramanian also notes that despite this boom, challenges such as limited retail participation and a shallow secondary market still need to be addressed to unlock the market's full potential. Edited Excerpts –

Q) How would you describe the current size and depth of the corporate bond market in India?

A) India's corporate bond market has evolved into a substantial segment of the broader financial ecosystem, with outstanding issuances valued at over ₹53.6 lakh crore, representing nearly a quarter of the country's total bond market as per RBI's June 2025 data.

While this reflects impressive growth in absolute terms, the market's depth remains limited. Institutional investors—mutual funds, insurance companies, banks, and pension funds—dominate with over 95% of holdings.

Retail participation is minimal, constrained by historical barriers such as high minimum investment thresholds and restricted access to transparent pricing.

Despite a robust primary issuance environment, the secondary market remains thin, with average monthly turnover hovering below 4% of outstanding volumes.

Over-the-counter trades continue to dominate, limiting liquidity and price discovery. While structural foundations are in place, enhanced transparency, broader investor inclusion, and deeper secondary activity are essential to transform the market into a more vibrant and inclusive capital-raising avenue

Q) What factors are driving the record-breaking surge in corporate bond issuances in 2025?

A) Several converging factors have propelled corporate bond issuance in 2025 to unprecedented levels, with total fund-raising nearing ₹10 trillion.

This marks a significant shift in corporate funding dynamics. Lower interest rates—following 100 basis points of cumulative rate cuts by the RBI—created an attractive window for issuers to tap long-term capital at competitive costs.

At the same time, narrowing spreads and abundant liquidity in the system further incentivized bond market access. Corporates have also displayed strong intent to finance capex and refinance high-cost legacy debt.

Non-financial corporate capital expenditure has seen double-digit growth, underpinned by rising business confidence and stronger balance sheets.

Issuers increasingly favour private placements, which offer streamlined execution. Notably, shorter-duration issuances (<5 years) have seen a sharp uptick, reflecting both issuer and investor preferences amid interest rate volatility.

Institutions such as mutual funds and insurers, seeking yields above traditional deposits, have remained active participants, supporting this supply glut.

Together, these factors signal a more mature borrowing environment—where strategic capital planning, investor appetite, and regulatory headroom are converging in favour of bond financing.

Q) How is the U.S. debt situation influencing global bond markets?

A) The growing fiscal strain in the U.S.—driven by rising deficits and mounting concerns over debt sustainability—is increasingly influencing global bond markets.

Recent Federal Reserve minutes highlight a cautious policy stance, with rates held steady and balance sheet normalization continuing through quantitative tightening.

This has kept long-end U.S. Treasury yields elevated, setting a higher benchmark for global sovereign and corporate yields. The steepening yield curve and elevated term premiums are prompting global investors to reassess duration risk and tighten allocations, particularly in emerging markets.

In India, despite a cumulative 100 basis points of policy rate cuts by the RBI between February and June 2025, the benchmark 10-year G-Sec yield has remained range-bound at 6.25%–6.45% from April through July—signalling muted monetary transmission.

This divergence underscores the influence of external headwinds, including sustained U.S. rate pressures, geopolitical uncertainties, and risk-averse investor sentiment, which are outweighing the impact of domestic policy easing.

As confidence in fiscal prudence erodes, investors are increasingly reallocating towards gold, shorter-duration debt, and high-grade corporate instruments. In effect, the U.S. fiscal trajectory is no longer a local issue—it is reshaping global capital flows and repricing risk across markets.

Q) Why has the issuance of ultra-long-term U.S. Treasuries slowed down recently?

A) The reduction in ultra-long-term U.S. Treasury issuance is driven by a complex interplay of market sentiment, fiscal optics, and evolving policy priorities.

Investor appetite for long-duration paper has waned amidst persistently high term premiums and volatile demand at recent auctions. As yields on 30-year Treasuries edge closer to 5%, the risk-reward dynamic has become less favourable — particularly in a climate of uncertain inflation trajectory and geopolitical tensions.

Fed communications have also reflected concerns around the balance sheet runoff's impact on market liquidity. Although the central bank continues to unwind its holdings, reinvestment preferences now lean toward shorter maturities, indirectly weighing on the long-end segment.

In parallel, the U.S. Treasury appears to be recalibrating its issuance strategy—emphasizing short- and medium-tenor securities to manage rollover risks, reduce interest costs, and retain flexibility amid fiscal headwinds. Until demand normalizes and policy direction stabilizes, ultra-long bond issuance is likely to remain subdued.

Q) What reforms could help deepen India's corporate bond market further?

A) To unlock the full potential of India's corporate bond market, a combination of regulatory, structural, and operational reforms is essential.

First, broadening participation through lower issuance thresholds and flexible investment norms—especially for pension and insurance funds—can catalyse demand and supply. CRISIL estimates such measures could enable ₹4–7 lakh crore in additional issuance capacity.

Second, aligning the tax treatment of debt mutual funds with other asset classes—by restoring indexation benefits and revisiting long-term capital gains taxation—can improve their competitiveness and encourage greater retail and institutional participation in the bond market.

Third, recent initiatives like SEBI's "Bond Central" platform are encouraging steps toward improving transparency, standardizing disclosures, and lowering the investment minimums to ₹10,000. This could meaningfully widen the retail investor base.

Deepening the secondary market is equally critical. Encouraging market-making, credit default swap usage by funds, and establishing robust buyback frameworks will help address liquidity constraints.

Finally, supporting securitization, especially for stressed assets, can develop a diversified risk-return spectrum within the fixed-income space. These reforms, implemented in tandem, can transform the current institutional-heavy landscape into a more inclusive, liquid, and dynamic market.

Source: https://economictimes.indiatimes.com/markets/bonds/indias-corporate-bond-market-booms-record-rs-10-trillion-raised-in-corporate-bonds-in-2025-says-rajkumar-subramanian-of-pl-wealth/articleshow/122837041.cms?from=mdr

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