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punjab national bank

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STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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For any feedback or valuable suggestions: *Reach us at eicsmead@pnb.co.in*

FOREWORD

FROM THE DESK OF MANAGING DIRECTOR & CEO

Today, we have completed one year of our Bank's in-house monthly publication PNB ECOLENS. Looking back on the past year, we are proud of what we have accomplished.

From launch until now, PNB ECOLENS has evolved into becoming an essential source of economic data, information on major banking and economic events and industrial outlook. The Team has gone beyond, to deliver the best content to the readers. Over the past one year, the Bulletin had articles on many informative topics and all this was done with commitment of rigorous analysis and a deep respect for the intelligence of the readers.

There is still much work to be done. The careful monitoring and analysis of economic events have become more important now as we enter into a more volatile global arena.

As we look forward to another year, there are more possibilities ahead and I am sure that PNB ECOLENS will continue to inform and empower the readers and cover the most relevant issues while ensuring that the Bulletin engages with the readers.

I congratulate Team PNB for successfully completing one year and thank our readers for support, engagement and feedback.

With best wishes
Atul Kumar Goel

FROM THE DESK OF EXECUTIVE DIRECTOR

It has been one year since we started the journey of PNB ECOLENS in April 2022 and I extend my heartiest congratulations to the entire team for successful completion of one year of its existence. I firmly believe that PNB ECOLENS has been able to come up to the expectations of the targeted readers.

In the constantly changing market scenario, it is quite important to remain updated and finding all the vital information at one place really serves the motive. PNB ECOLENS is that step which is giving a snapshot of the economy through the monthly publication which is available to all its readers.

During its journey of one year, PNB ECOLENS has evolved and outlined the trend and analysis of various economic and banking parameters along with the latest developments taking place in the economic and banking space. Many new features were added to the bulletin which provided more value addition to the readers. I hope that the publication will continue to facilitate in forming an outlook on evolving macro-economic sector and benefit all our readers immensely.

This annual edition of PNB ECOLENS is more special as it has participation from across banking which is commendable. It has added more value to the bulletin.

I once again congratulate the entire team of SMEAD on One Year completion and convey my best wishes to the division for coming out with such an informative publication. I would urge all the readers to share their feedback with the Bank’s research team.

With best wishes
Kalyan Kumar

FROM THE DESK OF GENERAL MANAGER, SMEAD

We are delighted to celebrate the first anniversary of PNB ECOLENS. With constant support from the readers and contributors, the Bulletin's journey was exciting and engaging.

As we reflect on the past 365 days, we feel proud of the diversity and inclusivity, the Bulletin has highlighted. We have been privileged to bring you the latest trends and whereabouts of the economy and banking industry, which included graphical representation of various economic indicators. The Bulletin also emphasized on the industrial outlook by providing briefs on different industries every month. In addition to this, we also incorporated the gist of latest RBI Circulars related to Banks for enriching our Bulletin further.

The Division also worked on the feedbacks received in order to deliver quality contents and a unique reading experience for the readers.

Our Bank believes in the concept of 'One Team' and as a result the contents of this month's Bulletin is not only an effort from the Division but also a contribution from employees across the country through an Article Writing Competition organized by the Division.

In the coming months, we are determined to provide you with fresh perspectives and insights, by exploring new topics, themes and ideas. We also want to take this opportunity to thank each one of you for the support towards the Bulletin.

With best wishes
Prem Kumar Agrawal

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1. FROM THE DESK OF CHIEF ECONOMIST

RBI's Monetary Policy Action – Walking the tight rope between Inflation and Growth

RBI announced its Monetary Policy on 6th April, 2023 after 3 days deliberation. RBI opted for a pause post 6 consecutive rate hikes and kept the repo rate unchanged at 6.50% unanimously. RBI also kept its stance unchanged at "withdrawal of accommodation".

The RBI's action was contrary to the expectations of 25 bps hike by the market analysts. With rate pause the RBI has also decoupled from the global tightening cycle as its action was in contradiction to the policy actions of central banks in advanced economies of US, Euro Areas where they have hiked rates recently.

The policy appears to be a hawkish pause as the MPC turns data dependent whilst it awaits the monetary efficacy from prior rate hikes to play out into the deposit and lending rates. The monetary policy actions usually impact the economy with a lag of 5-6 months.

RBI has also undertaken many liquidity measures and has squeezed the liquidity in the system. Besides, the material improvement in external sector outlook amid easing trade deficit and services exports surge, has implied support for rupee from the current account side and given some breather to RBI as well on rates stance.

The RBI wishes to wait and watch how the situation pans out amid the threats of El Nino, the global banking turbulence, OPEC production cuts and geopolitical tensions. RBI has insisted that the pause is only for this meet and going ahead if the situation warrants, it can go for more rate hikes.

The pause is appropriate from real rate perspective. Going forward, RBI expects inflation to average around 5.0-5.2% in FY'24. With repo rate of 6.5%, the real rate tends to be around 1.3 – 1.5%. As the inflation will fall back into the tolerance band of RBI, it will have enough elbow room to reduce the repo rate and achieve real rate of around 1% in FY'24.

The decision of pause reflects that the RBI is cognizant about the growth of Indian economy and is trying to balance between both growth and inflation unlike central banks of the West that are focused on reducing inflation and consequently are slowing down the economies.

India's growth is facing global headwinds and a pause by RBI will provide respite to the growth story. In our view, this reflects a forward-looking monetary policy that takes into cognizance elevated global growth risks, moderating inflation trajectory, and the need to wait-and-watch and assess the impact of the sharp policy tightening already delivered.

The RBI's decision to keep the repo rates unchanged comes as a welcome respite to homebuyers as well. This particularly gives relief to affordable and mid segment homebuyers who feared a possible rate hike, making property buying via home loans even harder. The home loan interest rates have gone up from 6.50 per cent to around 8.75 per cent with a series of rate hikes in the past and the move to pause will give a temporary reprieve and support the existing growth momentum in the real estate sector.

Going forward, we believe that inflation print will be aligned to RBI's expectations and RBI to maintain an extended pause and evaluate the lagged impact of previous rate hikes and global uncertainties on growth -inflation dynamics. It might go for rate cuts by Q3 of FY'24.

If inflation does not fall in line with the MPC's assessment for Q1'FY24, another hike could be in the offing, especially if the financial stability situation stabilizes. Also, if FED hikes the rates again in its May FOMC meet, then RBI will have to hike the rates to bridge the gap between the interest rates of both the economies.

RBI is also exuding strong confidence in India's growth story as it has increased the GDP's projection of FY'24 to 6.5% from earlier projection of 6.4%.

The other major measures announced by RBI like creating a Centralized portal for unclaimed deposits, operation of pre-sanctioned credit lines at banks through UPI and grievance redress mechanism relating to credit information reporting by credit institutions will further enhance and ease banking for the customers. The measures are customer friendly and will bring more transparency in operations related to credit institutions.

The step to enable Unified Payments Interface (UPI) payments from pre-sanctioned credit lines will pave the way for more innovation in credit products. It will catalyze micro credit further by reducing the time and effort required for customers to secure loans, ultimately driving economic growth and development.

Deepak Singh

(Deputy General Manager)

RUPEE VS DOLLAR SCENARIO: SHIFTING FOCUS ON EXPORTS

Unless you have been living under a rock, the news of Rupee depreciating against US dollar must have reached you in some way or the other.

As soon as rupee goes down, the normal reaction is of panic, India being an Oil importer, our import bills swell, the forex deposits come under pressure, the importers cry themselves hoarse. All talk is about going back to the status quo as soon as possible. All this is true and obvious.

But by looking at the obvious, we are missing a very important point. We want to be a 5 trillion economy. Right? We want to give the world an alternate to China. Right? How do we plan to reach there. By importing to our heart's content or by Exporting our manufactured goods? If you said the latter, you are right.

India needs to get its manufacturing act right in a big way to be a consideration as a China alternative by the world. Yes, some renowned brands have started making their products here. That's some start! However, to make any meaningful noise as a manufacturer in this world dependent on China for literally everything, is going to be a long haul.

The government understands this and Atmanirbhar mission is a great initiative in this direction. However, this Rupee depreciation owing directly to the Russia-Ukraine war can act as an unlikely boost for India. Confused? Well read on.

While it is debatable as to what China does with its currency can be termed as 'Manipulation', but it's safe to say that China wields a tight leash on its Currency (Renminbi aka Yuan) to ensure its exports remain more attractive for the world and no one is complaining. This along with their government's strategic policies to push their manufacturers has worked wonders for China over the years and for all these years the whole world has been eating out of their hands.

Now with China's ambitious vision of being a World power and their aggressive military manoeuvres, the Covid shock came to the world not just as a disease but as a supply-chain shock. Countries of the world coming to the realisation that a China alternate is the need of the hour. China's top exports are Computers, Broadcasting Equipment, Integrated Circuits, Office Machine Parts etc. This is the time when India can fill that space.

Though RBI by itself would not do with Rupee what China does to its currency, but in the current situation, the depreciating rupee can be a silver lining for our manufacturers. With Oil price coming down gradually and with sufficient forex reserves with our central bank a weak rupee may actually be a much-needed shot in the arm for our manufacturers and help us realise our '5 trillion' economy mission much earlier than anticipated.

With inflation peaking in the US (Indicator: Fed opting for a 25-basis increase instead of 75-basis points half-an-year ago), and some indicators signalling US is not going in recession as of now, the possibilities for our exporters are great as demand from US, with whom we have net trade (Exports-Imports) surplus, to not wean away due to the predicted recession. Our IT Services export will also see a spurt and the coming quarters for our domestic IT companies seem promising.

India's presidency of the G20 is poised to elevate its partnership with Africa – a continent and a partner that will make a difference. At a time when the US-China is at loggerheads and Russia-Ukraine war is polarising the world, India has taken stand and spoken at various international forums stating that Africa's growth and progress is intrinsic to global balance. Indian exports to African countries have also seen increase in the recent past and offers Indian exporters a promising future in case of decrease in demand from Europe and US.

At the domestic front, among other things, the efficient implementation of Chip manufacturing in India and Multi Modal Logistics Parks (MMLPs) as part of Gati Shakti National Master Plan will be the key monitorable going ahead.

It may thus be concluded that while the rupee depreciation has its challenges, it presents a significant opportunity for India to shift its focus to exports and achieve its long-term goals. The government must continue to implement policies that support the manufacturing sector and leverage this opportunity to make India a global manufacturing hub.

Barun Chakravarty
Senior Manager
ZRMC Delhi

TAKEAWAYS FOR INDIAN BANKING INDUSTRY FROM UNFOLDING GLOBAL BANKING FIASCO

The period of easy money with near zero percent interest with bonds buying spree initiated by the United States after the 2008 financial crisis to spur its flagging economy has come to an end. Buying of bonds was termed "Quantitative Easing- Large scale assets purchase", giving a new word to the financial lexicon.

Unabated quantitative easing for a long period enabled the easy money to find its way out to the other economy across the world in form of FDI/FII/FPI sending the equity market to dizzying heights in emerging countries across the globe beyond the intrinsic valuation. Many countries across the world including India have struggled to manage their exchange rate since 2008 amidst the quantitative easing spree of the United States. In course of quantitative easing, inflation has been in the comfort zone in the United States i.e., below 2 percent until early 2022. After that, it shot up to 6 percent causing an alarm bell to the US Government and mandarins of Federal Reserves.

The United States, the world's largest economy has been cold about the repercussions of its zero-interest-rate span coupled with quantitative easing in the interconnected world. But post COVID, the situation changed when inflation started rising in the United States due to disruption in supply chains in wake of the ongoing Russia-Ukraine war and untargeted huge payout to its citizens by the United States during the pandemic to halt the slowing down of its economy and arresting the downward spiral of demand.

Indian policymakers did not toe the western countries in paying out to its citizen during the pandemic, stuck the targeted benefits to its needy and not to every citizen and avoided the menace of inflation like other economies.

During the pandemic, Silicon Valley Bank (SVB), predominantly a banker of start-up companies, faced unprecedented increase in deposits with no demand for credit/advances. SVB parked its short-term deposits in long-term treasury bonds to earn interest on deposits when the interest rate on loans and advances was near zero percent in the US. Amidst rising inflation occurring after a considerable period in the United States, the Federal Reserve of the US started rising the interest rate leading to the collapse of bond prices causing mark-to-market losses for Bonds held by SVB. Bond prices are inversely proportional to Interest rates. Federal Reserve has raised the interest rate by 500 basis points (5%) from zero percent interest rate in quick succession in the last six months.

Depositors of SVB were aware of collapsing bond prices amidst interest rate hikes by the Federal Reserve and they made a beeline to withdraw their deposits and bank run commenced and ultimately Silicon Valley Bank collapsed. Traditionally credit risk has been a major reason for the failure of banks but the present Banking crisis in the US has been triggered by interest rate risk.

A Swiss Bank, Credit Suisse also collapsed similarly and was however, rescued by UBS. It sends a strong signal to all the Banks and their stakeholders across the world that in a way to an excessive obsession with the size of the Bank, it must be considered through the prism of the risk-return milieu and matrix.

Banks and commercial financial institutions in India may not be hit by an Interest rate crisis but Banks and their stakeholders must be vigilant for all the known risks and anticipate unknown risks in the fast-changing economic landscape that offers unprecedented banking business opportunities that have never been witnessed before in Indian economic history.

In the Indian context, a high standard of corporate governance is the sine qua non for the Banks. The rising interest rate is here to stay for quite some time before a pause is taken by Reserve Bank as inflation is still hovering above the comfort zone of RBI and the full impact of rate hikes is yet to play out in coming months amidst massive job cuts by tech companies and start-up. Banks must tread with caution & attentiveness from here and must search for an oasis for opportunities for furthering their banking business opportunities by data analysis continuously.

The other important aspect is the practice of ethical banking with an easy and seamless process of doing banking business to cater to its present and prospective customers. Removing the unnecessary layers of the decision-making process in the banking business during the interface with the customers to provide the best banking services without comprising all the checks and balances with aid of digital technology is going to redefine effective leadership in Indian Banking Industry.

The high-performance culture with best HR practices in its letter and spirit would catapult a bank into the league of high-performing successful banks with the culture of constant learning, unlearning, and relearning by its workforce when India is aiming for a 5 trillion dollar economy by 2025-26 and 7 trillion dollars economy by 2030. The growth is nothing but the expansion of credit that brings massive opportunities for the Banks to grow amidst rising prosperity in India due to growing GDP and per capita income.

Deepak Ashish
Senior Manager – HRD
CO Mumbai Western

SUSTAINABLE DEVELOPMENT GOALS - OPPORTUNITIES FOR FINANCIAL SYSTEM

The avarice to become rich has led to over exploitation of the available resources. This exploitation has jeopardized the very existence of the mankind. It is our duty to ensure that the fruits of modern developments are reaped by the future generations. It calls for our focus on the growth of social business. Such businesses that have a social, environmental or development focus require huge capital investments. These businesses do not generate or guarantee immediate or windfall profits. However, they guarantee human sustenance. Realising its importance, Sustainable Development Goals (SDGs) was conceptualised by the United Nations by adopting "2030 Agenda for Sustainable Development" vide its Resolution dated 25th September 2015.

India is also signatory to the said Resolution. It provides a shared blueprint for achieving a better and sustainable future for all. It lays down 17 Sustainable Development Goals (SDGs) integrating social, economic and environmental dimensions of development. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The SDGs are not legally binding, but have become de-facto international obligations being signatory to it. Countries are expected to take ownership and establish a national framework for achieving these goals. In adopting the Sustainable Development Goals, the member states have committed to reshape their policy with respect to financial system, market participants, regulators and wider stakeholders. In this regard, the organisers of the Sustainable Stock Exchanges (SSE) initiative – UNCTAD, the UN Global Compact, UNEP FI and the PRI – together with other organisations around the world, have initiated projects, convened global gatherings and produced major reports discussing and analysing the structure, operation and sustainability of today's financial system. Let us examine the opportunities it offers for financial system in India.

GREEN FINANCE

Green finance means financing projects that are environmentally sustainable or those that adopt measures to protect our mother earth from climate change. Source of energy is required to be changed from traditional fossil fuel to renewable sources like solar, wind, biogas, etc. It involves usage of clean transportation means that involves lower greenhouse gas emission; energy efficient projects like green building; waste management that includes recycling, efficient disposal and conversion to energy. It calls for climate change adaptation, sustainable land use including sustainable forestry and agriculture, and biodiversity conservation. In order to meet the financial needs for these types of projects, new financial instruments such as green bonds; carbon market instruments (e.g. carbon tax); and new financial institutions (e.g. green banks and green funds) are being established. They together constitute green finance.

Our Government has been promoting green finance through several fiscal and financial incentives. These incentives are in line with India's commitments under the 2015 Paris Agreement to reduce greenhouse gas emission intensity by 33 to 35 per cent below 2005 levels, and to achieve 40 per cent of installed electric power capacity from non-fossil sources by 2030. To achieve these targets, Government has been offering subsidies on installation cost of the rooftop solar panels as subsidy to the institutional, residential and social sectors in most states. In addition, beneficiaries can avail a generation-based incentive wherein they can receive 2 per unit of generation, if the generation exceeds 1100kWh-1500kWh per year. Further, the excess power can be sold at a tariff set by the government. Two phases of Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme in 2015 and 2019 were launched to enhance the flow of credit, reducing the up-front purchase price of all vehicles and developing the infrastructures (such as charging stations) to encourage green vehicle production and sales. The Government has also brought in a Production Linked Incentive (PLI) Scheme for manufacturing of high efficiency modules in the arena of renewable energy.

SOCIAL STOCK EXCHANGE

The social stock exchanges aim at offering the investors a platform where only shares of social businesses are traded. An investor has a choice to invest in social business with a mission. It is akin to the traditional stock market where we invest money in the company or business of our choice through the fundraising instruments like Equity and Social Venture Funds (SVFs), Zero Coupon Zero Principal Bonds, Mutual Funds (MFs), various pay-for-success structures, other securities and Debt instruments.

CARBON TRADE

The concept of carbon credit came into vogue as a part of an international agreement popularly known as Kyoto Protocol (KP). It is a voluntary treaty signed in December 1997 by most of the countries including the European Union, Japan and Canada (excluding US & Australia) to reduce Greenhouse Gas (GHG) emission by 5.2% below 1990 levels from 2008- 2012.The KP also aims to tackle global warming by setting target levels for nations to reduce greenhouse gas emissions worldwide. The scheme allows developed nation polluters to fund emissions cuts in developing countries, which is cheaper than cutting emissions at home. India acceded to the KP in August, 2002. India is in a position to reap maximum benefits from the global carbon trade. According to estimates, India could emerge as one of the largest beneficiaries accounting for 31% of the world's total carbon trade which is expected to rake in at least 5-10 billion dollars over a period of time. India, being a developing country, is exempted from the requirements of adherence to the Kyoto Protocol. However, it can sell the Carbon Credit to the developed countries.

CONCLUSION

Achieving the SDGs could open up an estimated $12 trillion in market opportunities, according to the Better Business Better World report by the Business & Sustainable Development Commission. Seizing such opportunities will require innovation. It calls for the banks, insurers and investors to redesign their business models. Let us work together for a better earth and for a better tomorrow.

Suman Saurabh
Assistant General Manager – Law
Head Office, HRD

OPEN BANKING : INNOVATION AND TRANSPARENCY

The concept of open banking is gaining popularity across the world and India is no exception. Open banking is a banking system that enables the customer to share their financial data with third party- service/ product providers through APIs i.e. Application Programming Interfaces. Thus, It facilities the creation of new financial products and services. It promotes competition, innovation and transparency, which further leads to better products and services for Customers.

The opening banking system is continuing to grow and evolve since its inception and in 2023, it has produced gems in financial sector like UPI, Cred, One Card etc. which was impossible to this few years back. The Reserve bank of India has promoted the system with initiatives like Account Aggregator (AA) framework. AA is a data sharing platform enabling customers to share data across multiple financial institutions in safe and secure way. It also allows customers to access their financial information from variety of sources like mutual funds, insurance companies, banks, etc., through single platform. Thus, it simplifies the whole financial system and management for customer and at the same time enables financial institutions to create new, better, innovative and customised products based on customer's financial data.

The main change it has brought in Indian society is financial inclusion. India with vast majority still unbanked or underbanked has deep penetration of mobile and its related services in recent years. This technology penetration has helped the banking reach these audiences with wide range of financial services even if they don't have any traditional bank account. Products like Bhim QR, e-rupee etc. have such potential and these kinds of products will be beneficial to small and medium sized businesses who often struggle for credit access from traditional banks.

The innovation and competition brought in financial sector by open banking has made the customer a king in the gradually opening economy of India. Emerging technologies like Internet of Thing (IOT), Artificial Intelligence (AI) and blockchain are engines behind their continuous evolution. They enable financial institutions to create more personalised and innovative products and services. AI powered chatbots like TARS, Tidio, AlphaChat, etc., provide financial advice and services whereas block chain technology provides secure and transparent transactions. These systems provide new revenue generation models like fee-based income from customer for sharing his analytic or numerical information and from new value-added services. This also forces traditional banks to adopt to open banking systems in order to compete with third –party service providers which further drives competition and innovation.

However, the benefits come with the challenges and the most significant one is data privacy and security. Since the data is shared to third party, there is risk of data breach and fraud. However, RBI has taken many steps to check those factors. One major step was compulsion to have data servers of financial institutions in India. Lack of awareness and education is also major concern with Indian market especially on the open banking system and its working. RBI, NSDL, Banks, FinTech and other financial institutions are working in this direction by educating customers and promoting the benefits of open banking system. The recent example includes increase in fraud of UPI transactions through QR codes. Here, RBI undertook ads, banners and flyers across various media to inform the customers that they need not require to share UPI pin to receive money. This has significantly reduced the UPI transactions frauds.

Thus, the advantage of opening banking system far out-weighs the dis-advantages. As the open banking system continues to evolve, it will put plugs on the loopholes i.e. disadvantages. It has a potential to create a more innovative, competitive and inclusive financial services industry, which will ultimately benefit the customers and financial institutions equally.

Kundan Kishor Meshram, Senior Manager - Marketing, CAC Ahmedabad

THE UPI JOURNEY : A FINANCIAL OUTLOOK

Recent years have seen a technological revolution in governance in India. Digital Payments transactions have been consistently increasing over the last few years, as a part of the Government of India's strategy to digitise the financial sector and economy. Further, concerted efforts have been made to promote financial inclusion as one of the important national objectives of the country.

Government of India launched Digital India Mission on 1st of July 2015 with mainly the objective of A) Providing digital infrastructure as utility to every citizen, B) Rendering governance and services on demand and C) Digital empowerment of citizens on large scale. To facilitate this change, RBI along with NPCI or National Payment Corporation limited, which was founded in 2008 by joint coalition of RBI, IBA and with 10 ten major banks as its main promoter, launched state of the art deep Fintech innovation to cater the rising demand of P2P (Person to Person) and P2M (Person to Merchant) real time aggregator i.e., UPI or Unified Payment Interface in 2016.

UPI is a real-time interbank payment system for sending or receiving money. UPI allows a customer to pay directly from a bank account to different merchants, both online and offline, without the hassle of typing credit card details, IFSC code, or net banking/wallet passwords. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Since its release, it has integrated with more than 358 banks in India. The objective of UPI is to integrate all the payment mechanism in India and make them uniform for all retail payments.

The UPI service after its successful launch has reaped many beneficial outcomes. It has helped banks and financial institution by enabling seamless transaction for customers, it takes out load from existing payment system like IMPS, NEFT and RTGS ensuring the optimum output. UPI limits the use of cash thus enabling more transparency. The customers are benefitted as UPI provides round the clock operation, one application for various bank accounts, it is easy and secured, grievance and redressal on phone app itself, etc. It helps the merchants and small-scale business by providing seamless collection of funds from customers, real time settlement in accounts, resolves the problem of COD (Cash on Delivery), hassle free settlement as compared to POS, and to tap the customer with no credit or debit card.

Owning up to the success of UPI, RBI continued its commitment for facilitation of seamless and hassle-free ecosystem and launched UPI 2.0 in August 2018. The newly enhanced UPI 2.0 brought with it many long overdue facilities and features such as linking of overdraft account, one time mandate, single intent and QR to check authenticity of merchant, invoice in the inbox, view and verify credential of invoice to check whether you are paying the right merchant or not. In December 2019, with the adamant success of UPI, Google suggested Federal Reserve Board to follow UPI as an example in developing FedNow a real time payment system for United States.

On 9th March 2022, RBI Governor launched UPI 123 PAY in order to get more and more people on-board digital experience through feature phones. He further added that there are more than 40 crore Indians using feature phones and they are unable to use digital payment methods. A common server site library has been created to allow feature phone holders to use digital method to transact. This includes receiving and Paying fund through giving missed call on number displayed at merchant outlet. Customer receives call back and in order to authenticate the transaction the user has to enter UPI pin. The new and enhanced service also includes making payment through interactive voice response pays without the requirement of active internet connection. This also includes proximity sound-based payment which uses sound waves to enable contactless offline and proximity data communication on any device.

During March 2023, transactions through Unified Payments Interface (UPI) increased 60% year-on-year to a record 8.7 billion 23, this is as per data from National Payments Corporation of India (NCPI). With UPI transaction achieving milestone record for both the number of transactions and amount of transactions, leaving the banking industry to capture the current market share of digital payment environment. Since majority of the market is dominated by only 2-3 big private players presenting a huge opportunity for banks to capture the market.

As the digital environment is dominated by innovative applications providing faster and secure state of the art features to cater the demand of increasing customer base, banks also have a huge scope to gain by capturing and enabling their customer base to use banks' own application. However to do this, banks have to consistently provide better application support, in-app innovation, security patch and consistent update for their application which will enable the customer to have more convenient and trustworthy option amongst the available peer application and interface.

Prince Manglesh Vyas
SWO – A
BO Surat Main

3. HEDGING WITH INTEREST RATE SWAP

Interest Rate Risk is one of the significant risks faced by Financial Institutions, especially the banking sector. A major part of a bank's current or future earnings is closely related to the interest rate and its movement. As the vital function of a bank is financial intermediation, it exposes banks to interest rate risks by creating mismatches in the maturity structure and re-pricing terms of their assets as well as liabilities. For a financial institution, managing interest rate risk is important and impacts its core income, i.e. net interest margin. Therefore, one of the important sources of uncertainty to bank profitability is fluctuations in net interest margins, which could adversely affect finances of that particular institution.

Experts like D. W. Diamond, Smith and Stulz endorsed management of interest rate risk as they lead to the efficiency of intermediation of the financial institution as well as improve their value. Banks mitigate interest rate risks through buying bonds of different duration, selection of assets and liabilities, rate setting and hedging through interest rate derivatives, etc.

Silicon Valley Bank is one of the most recent examples of the impact of lack of hedging vis-à-vis the bank's performance. The bank reported virtually no interest rate hedges on its massive bond portfolio at the end of 2022. In its annual financial report for 2022, the bank terminated or let expire rate hedges on more than $14 billion of securities[1]. The rest of the story is well-known to anyone who avidly follows the financial market or banking sector.

One of the main products for hedging is an interest rate swap product. These swaps are essentially financial instruments that effectively turn an investor's fixed-rate loans or bonds into a floating rate by paying a third party. An empirical study also found that firms that use interest rate swaps to hedge the interest rate risk associated with their credit lines draw down gains significantly more from those lines than non-hedged firms.

Interest rate swaps have their own advantage. Essentially an interest rate swap provides commercial comfort in terms of the cost of borrowing. No matter how high-interest rates rise; the borrower must only pay the pre-agreed fixed rate under the swap.

Inter-creditor arrangement is an essential part of such arrangement; a hedging institution selling a swap will be a creditor of the borrower and may share the security/ guarantee package with other creditors. This implies that detailed legal terms for the hedging agreements will affect both the hedging bank and the borrower.

Nevertheless, the financial crises have underpinned the importance of Interest Rate Swaps as a hedge. The building blocks for smooth adoption are expected to be - clear and detailed norms, analyzing and framing legal terms and conditions, and improving the depth and liquidity of the market.

Dipanwita Dutta, Asst. General Manager – Economist

[1]https://www.wsj.com/livecoverage/stock-market-news-today-03-13-2023/card/silicon-valley-bank-dropped-a-hedge-against-rising-rates-in-2022-6MiD9ZLVY9CF8zbIM7ze

4. GOVERNMENT INITIATIVES FOR CREDIT GROWTH

Growth in bank credit has kept pace with industrial growth, with a sequential surge evident since January 2022. While a large share of bank credit continues to be assigned to large industries, credit to micro, small and medium enterprises (MSMEs) has also seen a significant increase. The factors that will likely support credit growth are:

1. **GDP Growth:** India will likely remain one of the fastest growing economies in the world.
2. **Other macro-economic indicators** such as IIP at 5.2%, core sector at 6.0% points towards sustained economic recovery mainly from the industrial segments. Indian economy is intrinsically better positioned to avail the upcoming opportunities in credit growth.
3. **RBI monetary policy:** Considering that,WPI has eased and this slowdown will be now be reflected in CPI we can expect RBI to slowdown the pace of rates hikes, thus shifting the focus back on credit growth.
4. **Budget:** After the flagship budget of last year on GatiShakti based on infrastructure sector this year's budget prioritized "Saptarishi" (Inclusive development, Reaching the last mile, Infrastructure and Investment, Unleashing the potential, Green Growth, Youth Power and Financial sector). The growth and investment in all these sectors are necessary to achieve the vision of $5 trillion GDP growth. Some of the sector specific measures are:
   - **A. Retail** The budget FY24, focuses on electric vehicle, educational and skill development schemes and has given more purchasing power in the hands of populous through revision of rates and tax slabs, all these factors will instill credit growth in the retail segments. The residential real estate market in India had astounding progress in 2022, setting new sales records of 68% YoY, further demonstrating the industry's prominence as one of India's fastest-growing industries. Reforms in stamp duty, the introduction of affordable rental housing complexes and government-aided schemes will boost this asset class.
   - **B. Agriculture:** Income support is provided to farmers through various schemes run by the government of India.
   - **C. MSME:** MSMEs formed a very prominent part of the announcements made under the Aatmanirbhar Bharat Abhiyaan.
   - **D. Infrastructure Credit:** The capital expenditure outlay in the FY 24 budget was raised again for the third year in a row, by 33% to Rs. 10 lakh crore, which would be 3.3% of GDP.

Conclusion

The outlook for credit growth is positive however, impact of rising interest rates and liquidity pressures can likely moderate the credit growth rate.

Neha Gulati, Senior Manager - Economist

5. TAKEAWAYS ON RISK MITIGATION FROM SVB-LIKE EVENT

US-based commercial lender Silicon Valley Bank (SVB) became the largest US bank to fail since the 2008 financial crisis, after it was shut down by US regulators on 10.03.2023. SVB's collapse led to a decline in global banking and financial stocks.

Shortly after the fallout of SVB, problems brewed at Swiss based Credit Suisse bank after its promoter appeared to rule out providing any more funding for the embattled Swiss Lender. The bank's reputation was already marred with various controversies. The bank is now sold to its long term rival UBS for $3.2 billion.

From these two episodes we can imbibe the following lessons for the Indian Banking Industry:-

- Stress testing should be conducted across all risk siloes. Banks need to urgently build balance sheet modeling, stress testing, and scenario analysis capabilities that transcend organizational risk and balance sheet silos and link to their strategic planning process. Additionally, reverse stress testing (i.e., considering what it will take to "break the bank") will force banks to have a more complete understanding of the interconnectedness and correlation of various risk types.
- Bank's must assess the concentration risk (industries, geographies, and archetypes) not just for loan portfolios but also in their deposit portfolios and, as a result, more aggressively challenge net liquidity outflow assumptions in times of market stress.
- Further, in today's complex and ever changing fast environments, the interplay between risks is quite significant. Like we have seen here, ALM risk led to crystallization of interest rate risk leading to hit in solvency ratios. Similarly, reputational, conduct risk, cyber risk etc. can very quickly lead to run on the bank. The Banks should incorporate all the aforementioned risks in its stress testing scenario.
- At present, regulators have left it to bank for designing scenarios based on its own business models and inherent risks along with management actions. However, designing a broad framework and constant update of the same may be done by regulator in the light of evolving risk scenarios.
- By all definitions, SVB had plenty of liquidity (high-quality liquid assets, as defined by prudential standards). What SVB lacked was the ability to convert the liquidity to cash to meet payment obligations in a period of market stress without resorting to a fire sale of assets and a subsequent immediate recognition of large losses. Thus, liquidity should not be mistaken for cash.
- There should be zero tolerance for non-compliance of regulatory and statutory guidelines, as the same has spillover effect over reputational risk of the bank.
- A "new risk" revealed by SVB's collapse is the possibility that online banking enables more devastating and accelerated bank runs. Previous bank runs were characterized by queues of customers outside attempting to withdraw deposits. Online banking takes away the physical constraint on a bank run.
- The prevalence of online banking allows faster deposit withdrawals, which could be accelerated by speculation about bank solvency on social media. Going forward, regulators will need to consider what this means for financial stability.
- Banks in India also need to be watchful of the stress in books due to MSME, Retail Loans due to rising interest rates scenario. Banks will have to be proactive in recognizing stress and acting.

Chhavi Sachdeva, Manager - Economist

6. CLASSROOM

a. Core Inflation, its Importance and the Current Scenario

Definition

Consumer Price Index (CPI) measures the overall change in prices of a basket of goods and services over time. The basket includes things like food, clothing, housing etc. CPI is a macroeconomic indicator of inflation, which is used by the Central Bank to inspect and maintain price stability.

On the other hand, **Core Inflation** is a measure of inflation that excludes the prices of certain volatile items like food and energy that can be subject to sudden and unpredictable price swings. By excluding these items, core inflation aims to provide a more stable and a long-run outlook.

Deriving Core Inflation

Core Inflation (CI) is the change in the price of all goods and services (P_{all}) minus the change in the price of energy and food (P_{ef}).

Or, $\mathbf{CI = P_{all} - P_{ef}}$

Importance of Core Inflation

It is important to distinguish between a temporary and permanent change in prices. This is where the Core Inflation comes into effect. Core inflation, which ignores the temporary price changes by excluding the volatile components, gives the actual price change scenario of the economy. Food and Energy prices may shoot up in one month due to various shocks, and may come down in the next. But, the prices of other non-volatile items do not change quickly, and hence change in these items are the real indicators of price rise or price fall.

Therefore, the Central Bank, policy makers and economists keep an eye on the Core Inflation along with CPI, as it helps them to take/formulate long-run decisions/policies.

However, it is worth mentioning, that the rise in prices of volatile items cannot be completely ignored, as these changes sometimes act as the early warning signals of price pressures in the economy.

Current Scenario in the Indian Economy

India's CPI declined to 5.66 per cent in March 2023 from February's figure of 6.44 per cent. Even though Core Inflation has been sticky and remained around 6 per cent since the beginning of the pandemic, indicating the underlying inflationary pressure in the economy, has now declined in March 2023 to 5.8 per cent.

The current decline in core inflation is a silver lining amidst the 'price-rise' concerns, justifying the decision of Repo Rate pause in the last Monetary Policy Committee meet.

Sagnik Bose, Manager - Economist

b. Balance of Payment & Rupee Relationship

The balance of payments (BOP) is a record of all financial transactions made between individuals, businesses, and the government of a particular country with the rest of the world during a specified period, typically one year. The BOP consists of two main components:

- **The current account** records all transactions related to the export and import of goods and services, as well as income earned from foreign investments and payments made to foreign investors. This includes transactions such as trade in goods and services, income from investments, and transfers of money.
- **The capital account**, on the other hand, records transactions related to the purchase and sale of assets between countries, such as foreign investments in real estate, stocks, and bonds.

The balance of payments is important because it reflects a country's economic relationship with the rest of the world, and it helps to determine the value of its currency in international markets. When a country runs a surplus in its balance of payments, it means that it is exporting more than it is importing, which can lead to an appreciation of its currency. Conversely, when a country runs a deficit in its balance of payments, it means that it is importing more than it is exporting, which can lead to a depreciation of its currency.

The value of a country's currency, such as the Indian rupee, is determined by various economic factors, including the country's balance of payments position. In general, if a country has a current account surplus, it means that it is exporting more goods and services than it is importing. This leads to an inflow of foreign currency, which increases the supply of foreign exchange in the country's market. This increase in the supply of foreign exchange relative to the demand for it leads to a strengthening of the country's currency. On the other hand, if a country has a current account deficit, it means that it is importing more goods and services than it is exporting. This leads to an outflow of foreign currency, which reduces the supply of foreign exchange in the country's market. This decrease in the supply of foreign exchange relative to the demand for it leads to a weakening of the country's currency.

Therefore, in the case of India, if the country is experiencing a current account surplus, it leads to an increase in the supply of foreign exchange in the market, which could strengthen the rupee. Conversely, if the country is experiencing a current account deficit, it leads to a decrease in the supply of foreign exchange, which could weaken the rupee. However, the value of the rupee is also influenced by other factors, such as interest rates, inflation, and political stability, and therefore, it is difficult to attribute changes in the rupee's value solely to the balance of payments position.

India's balance of payments history reflects the country's efforts to balance its need for foreign investment with its desire for economic independence and growth. While the country has made significant strides in improving its BOP position, it continues to face challenges in maintaining a sustainable current account balance. The fresh impetus in the recent years given to manufacturing as well as towards enhancement of energy generation through alternate renewable sources will reduce India's import burden and the resultant cash outgo. With the improved BOP position, and reduced debt burden to finance the deficit can have far reaching socio-economic outcomes in medium to long run.

Ayesha Bhati, Manager - Economist

7. GIST OF LATEST RBI CIRCULARS FOR BANKS

Date of Circular	01-Apr-2023
Ref. No.	RBI/2023-24/01 FIDD.CO.GSSD.BC.No.03/09.09.001/2023-24
Subject	**Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)**

Gist: The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs).

Banks should take the measures to step up their advances to SCs/STs which include Planning Process, Role of Banks, Role of SC/ST Development Corporations, Reservations for SC/ST beneficiaries under major Centrally Sponsored Schemes and Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC), Monitoring and Review and Reporting Requirements.

Date of Circular	01-Apr-2023
Ref. No.	RBI/2023-24/03 FIDD.CO.FID.BC.No.1/12.01.033/2023-24
Subject	**Master Circular on SHG-Bank Linkage Programme**

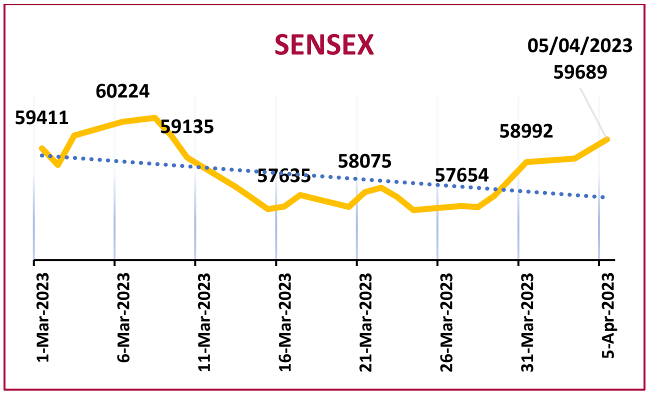
Gist: The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/ instructions on the subject has been updated and enclosed. The Master Circular consolidates the circulars issued by Reserve Bank on the subject up to March 31, 2023.

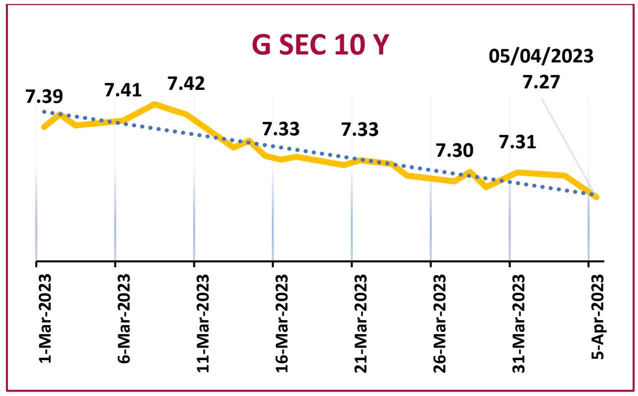
Date of Circular	01-Apr-2023
Ref. No.	RBI/2023-24/06 DOR.STR.REC.3/21.04.048/2023-24
Subject	**Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances**

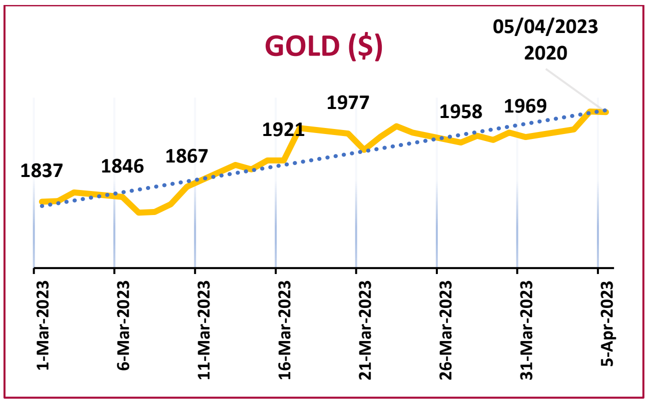
Gist: Please refer to the Master Circular DOR.STR.REC.4/21.04.048/2022-23 dated April 1, 2022 consolidating instructions/guidelines issued to banks till March 31, 2022 on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances. The Master Circular consolidates instructions on the above matters issued up to March 31, 2023.

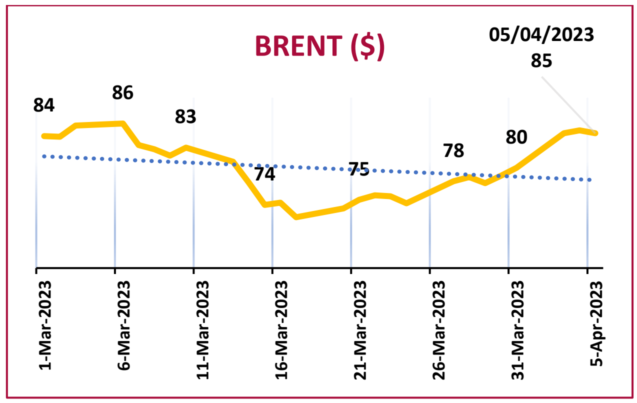
(Duration:21st Mar'23 to 2nd April'23)

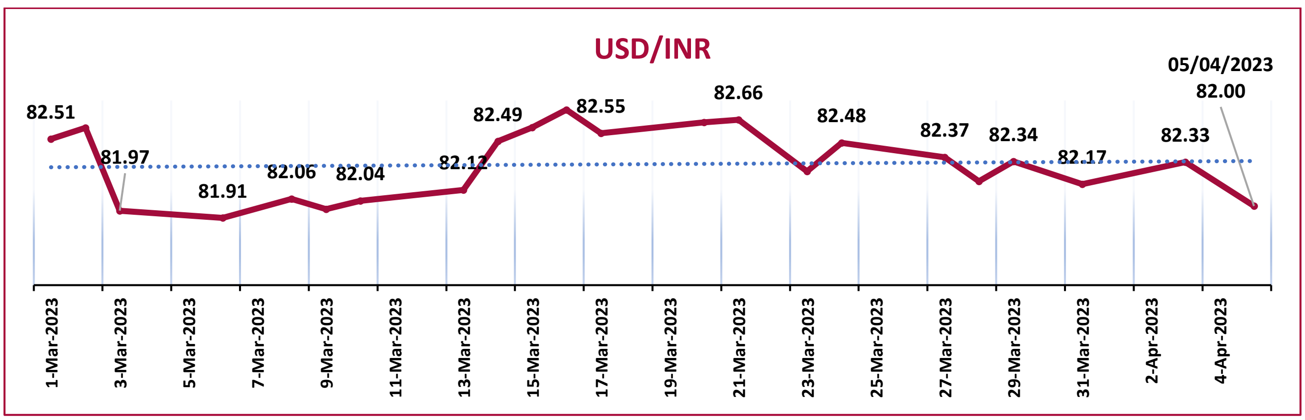
8. DAILY ECONOMIC INDICATORS

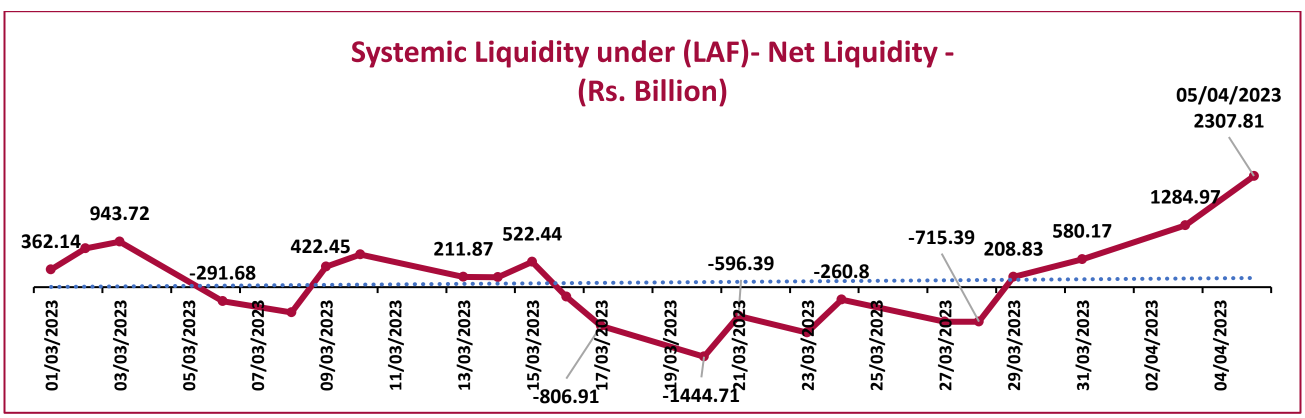








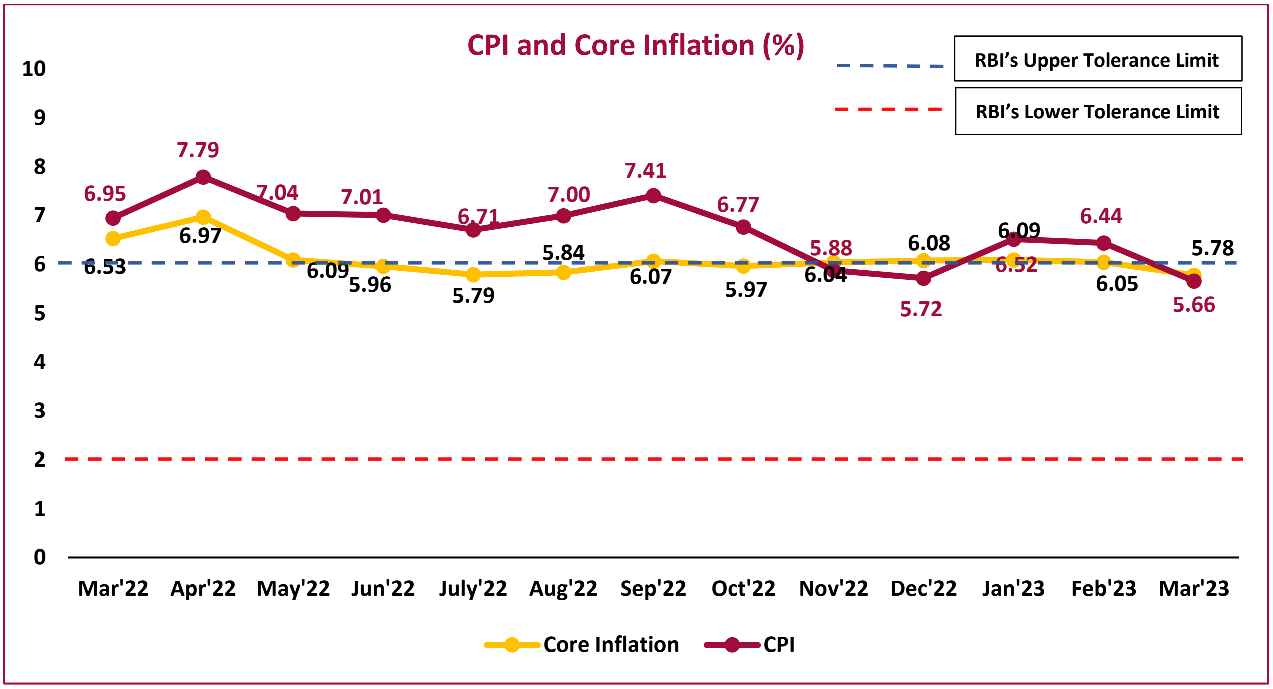


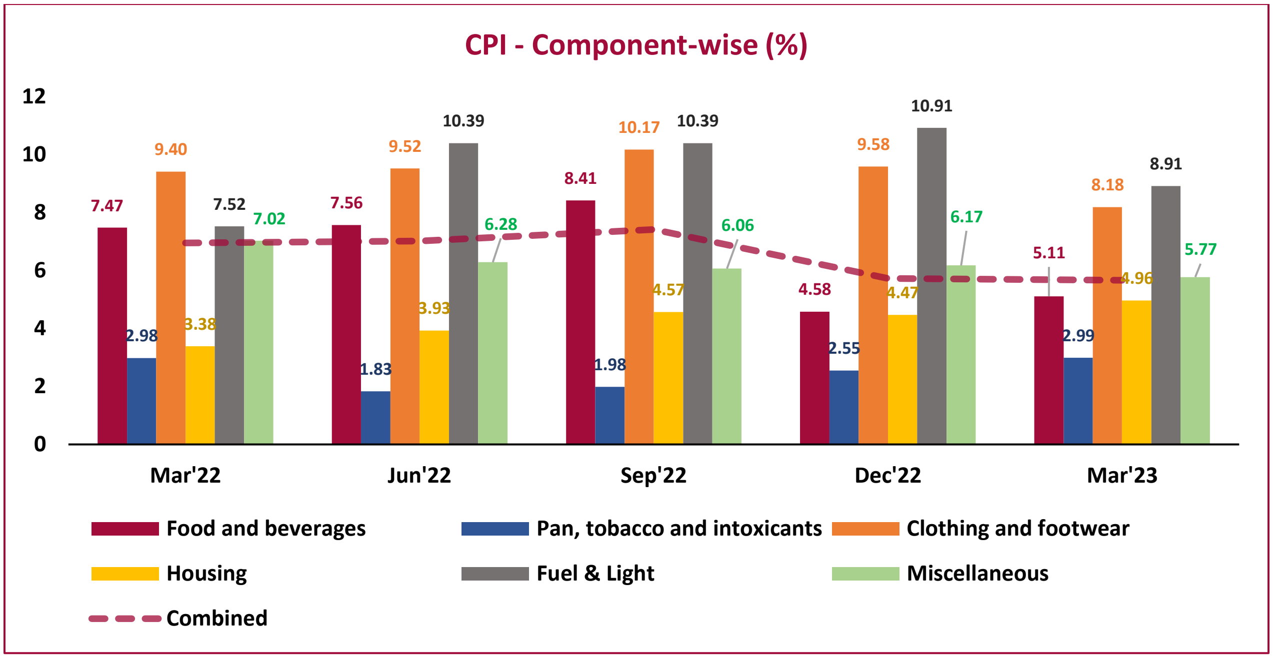


9. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation back to RBI's tolerance level

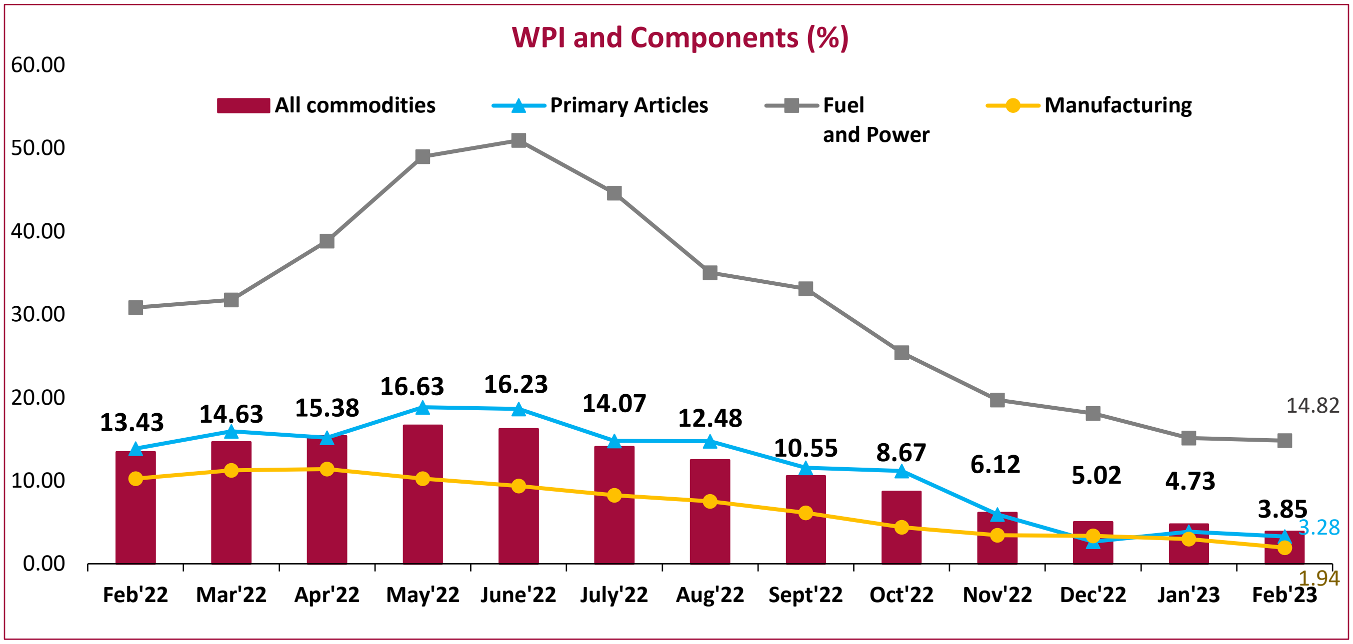




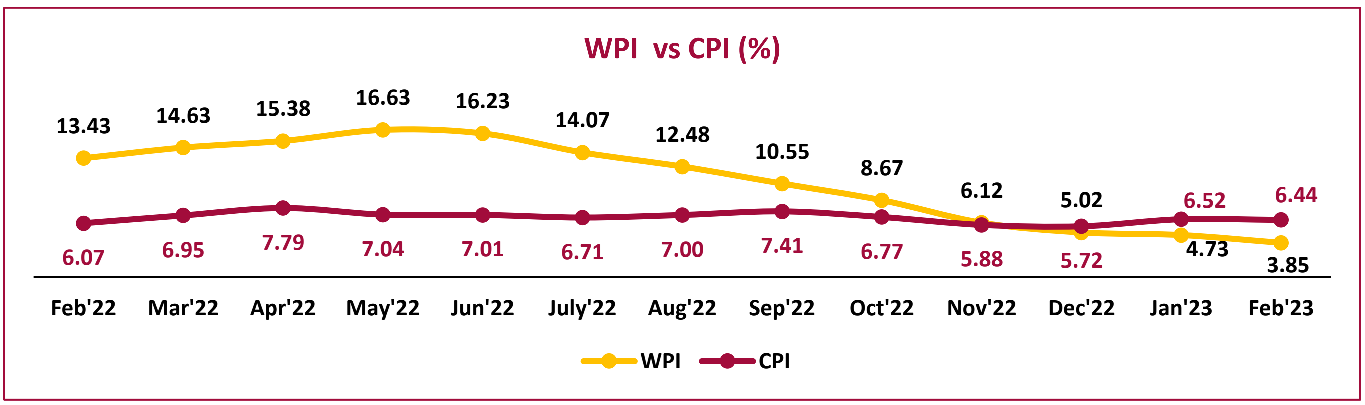
India's retail inflation in March 2023 was at 5.66 per cent, due to high base and easing price pressures across categories. Food and beverages, which accounts for 45.86 per cent of CPI basket, moderated to 5.11 per cent in March 2023 from 6.26 per cent in the previous month.

WHOLESALE PRICE INDEX (WPI)

WPI eases to a 25-month low



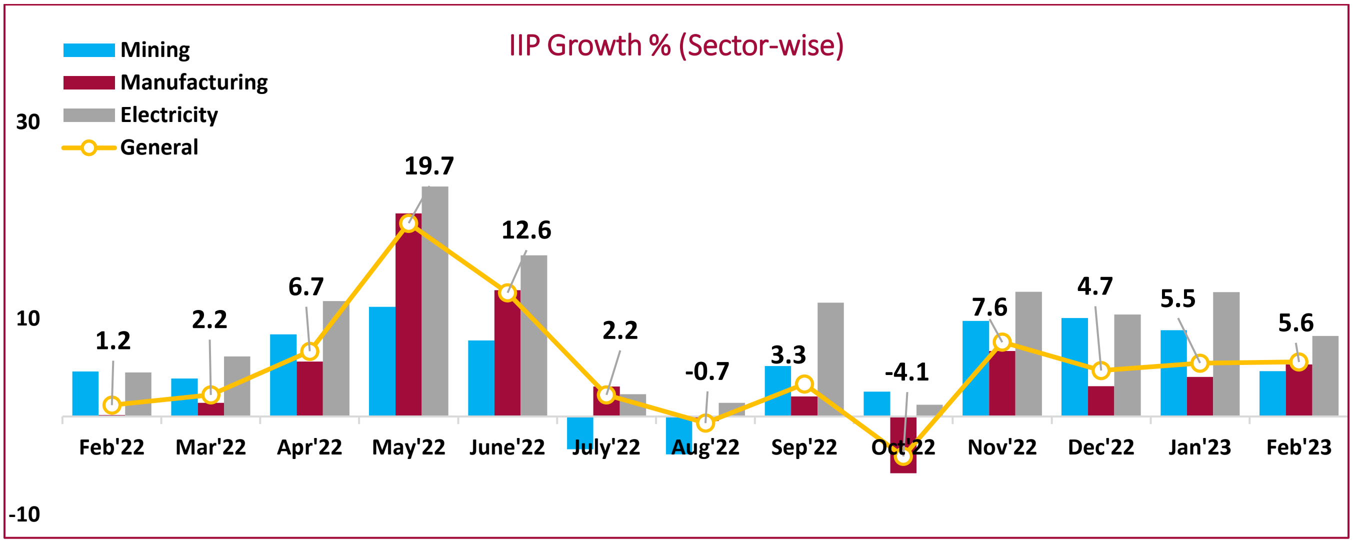
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Dec	13.78	**2.67**	38.08	**18.09**	10.71	**3.37**	9.68	**-1.02**	14.27	**5.02**
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Jan	15.60	**3.88**	34.36	**15.15**	9.50	**2.99**	10.40	**2.38**	13.68	**4.73**
Feb	13.87	**3.28**	30.84	**14.82**	10.24	**1.94**	8.19	**3.81**	13.43	**3.85**



This is the ninth straight month of decline in WPI-based inflation. Decline in the rate of inflation in February, 2023 was primarily contributed by fall in prices of crude petroleum & natural gas, non-food articles, food products, minerals, computer, electronic & optical products, chemicals & chemical products, electrical equipment and motor vehicles, trailers & semi-trailers.

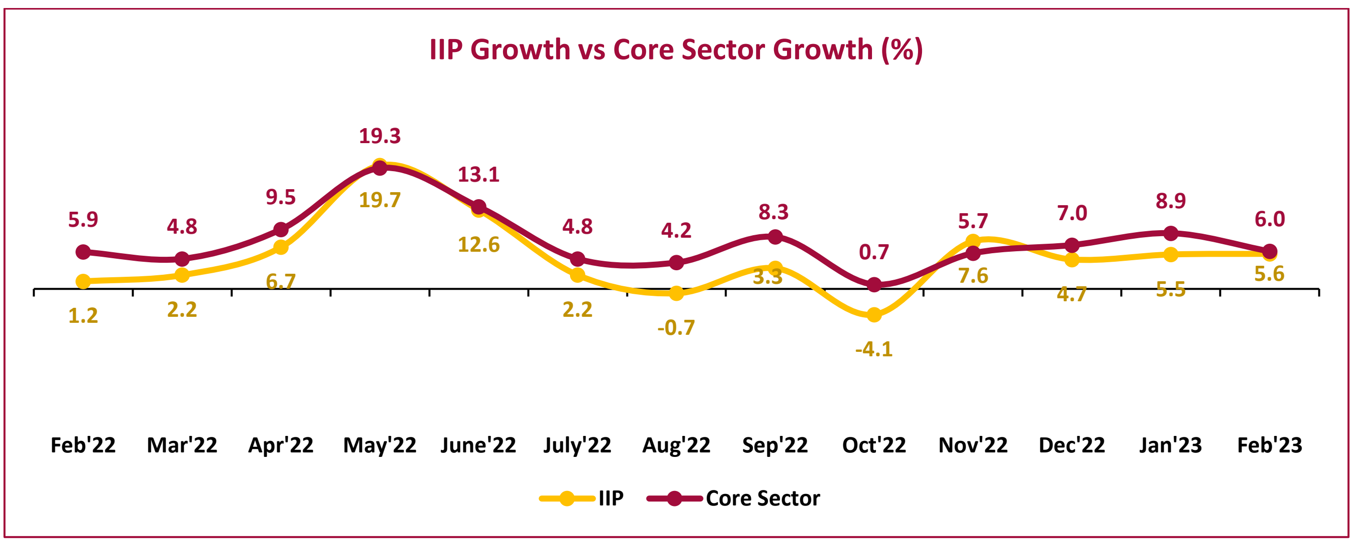
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP Growth continues show improvement



IIP growth % (Usage-wise)

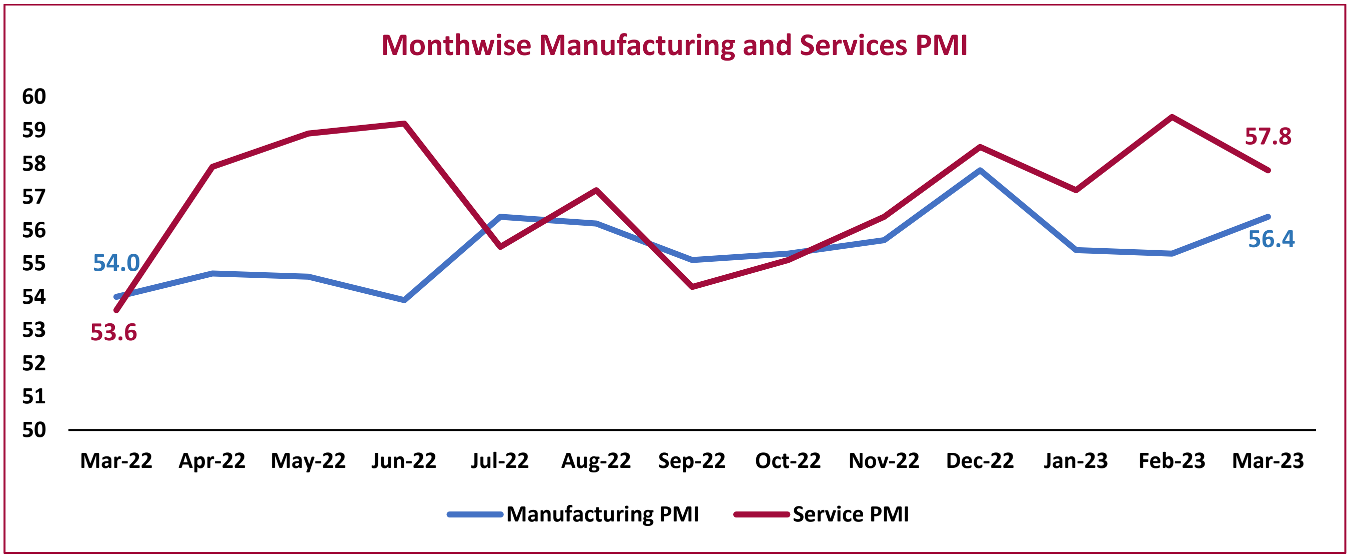
Component	Weight	Feb'22	Feb'23	April-Feb'22	April-Feb'23
Primary Goods	34.05%	4.6	6.8	10.0	7.9
Capital Goods	8.22%	1.3	10.5	19.0	13.4
Intermediate Goods	17.22%	4.1	-0.3	17.0	3.8
Infra/Construction Goods	12.34%	8.6	7.9	20.3	8.1
Consumer Durables	12.84%	-.9.7	-4.0	14.2	1.5
Consumer Non- Durables	15.33%	-6.8	12.1	4.0	0.8



Growth in factory output, or index for industrial production, once again showed an upward trend and rose to 5.6% in February 2023. The growth in electricity output slowed down to 8.2% whereas manufacturing continued to show recovery and stood at 5.3%.

PURCHASING MANAGERS' INDEX (PMI)

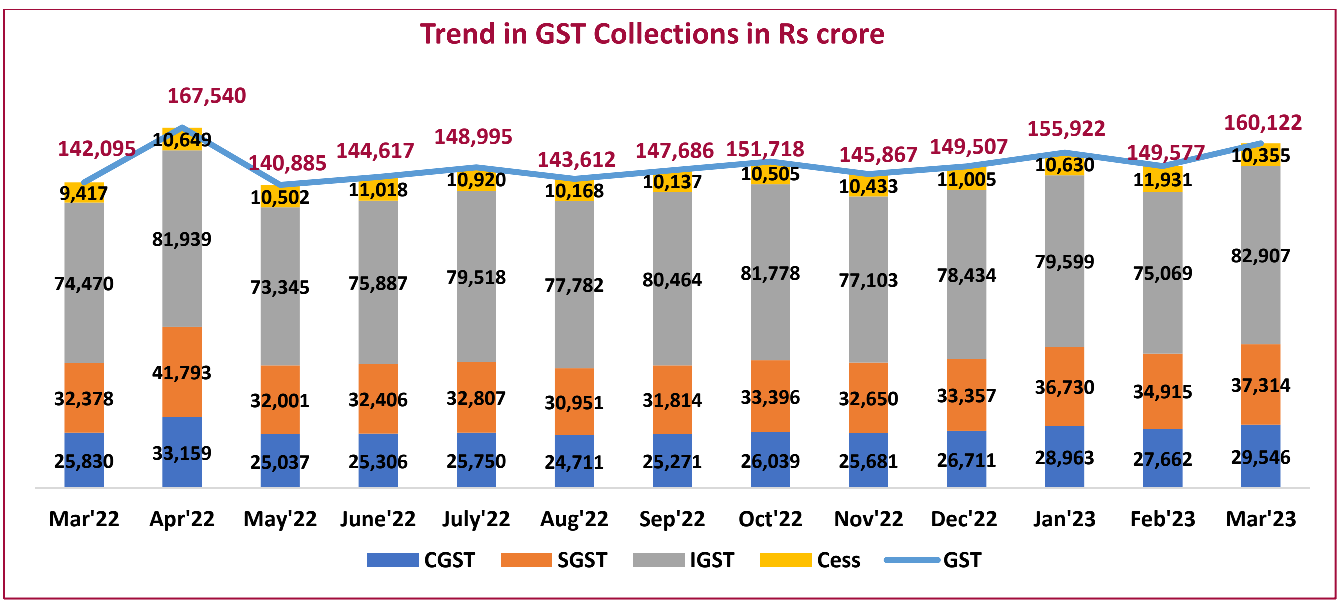
Services PMI slows down while Manufacturing PMI rises



India's services PMI slowed down to 57.8 in March after expanding to a 12-year high in February. It was 59.4 in February. Despite falling from February and thereby indicating a slower rate of expansion, the March figure was consistent with a substantial uptick in output. India's purchasing managers' index (PMI) for manufacturing in March increased to a three month high of 56.4, from 55.3 in February, as input costs declined and output expanded.

GOODS AND SERVICES TAX (GST)

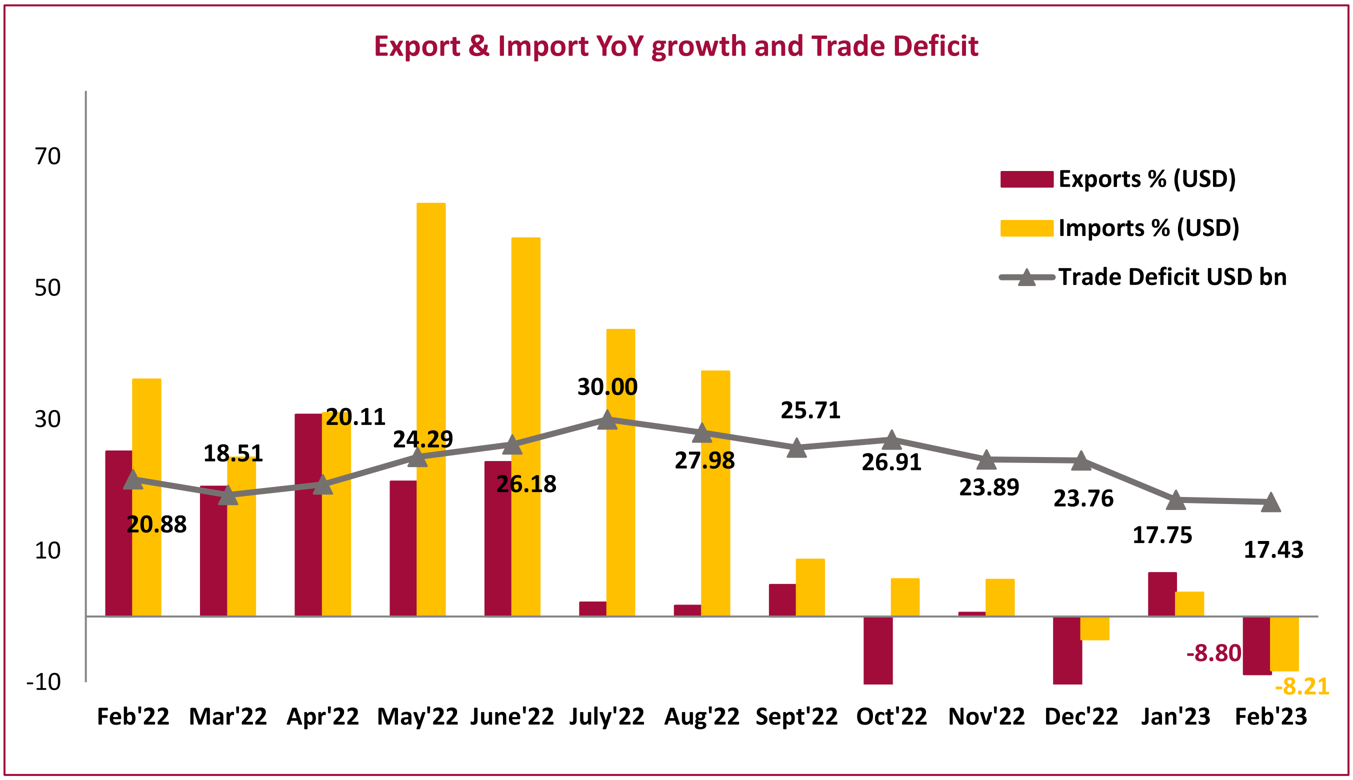
GST Collections show improvement with YoY growth of 13%

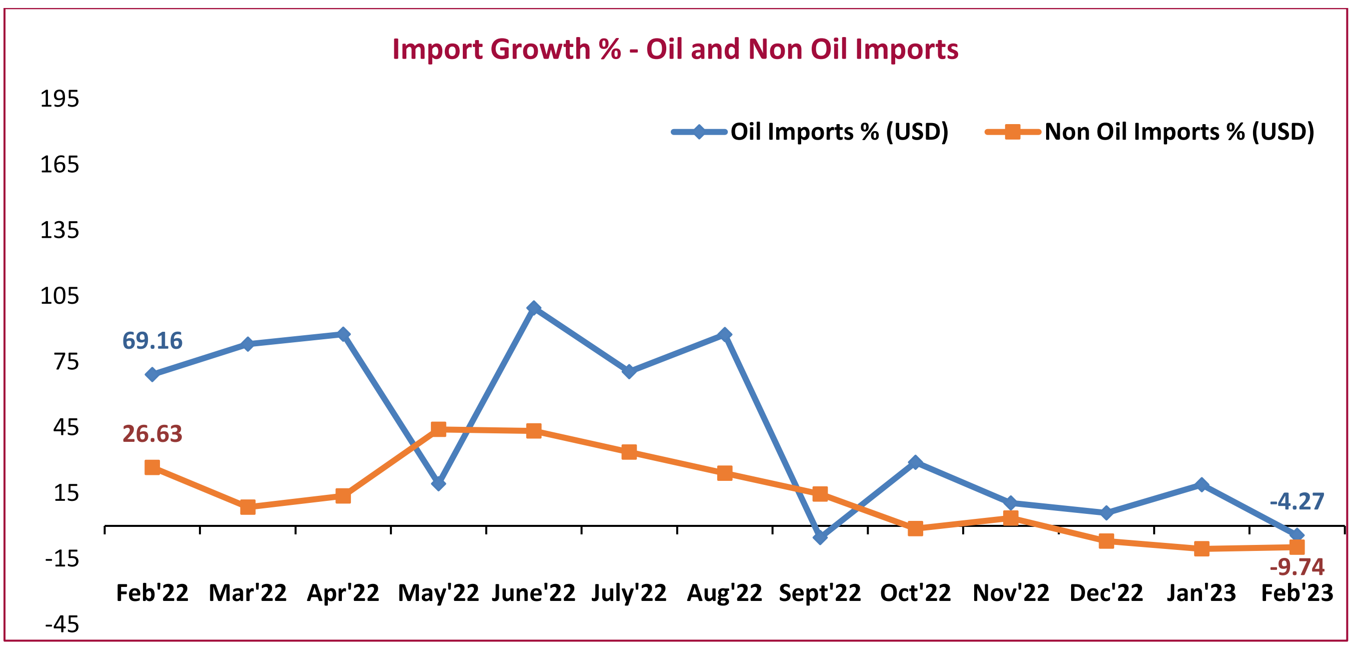


The Goods and Service Tax (GST) revenue collection in March 2023 stood at Rs.1,60,122 crore, up by 13 per cent on an annual basis. It was the second highest collection during Financial Year 2022-23.

FOREIGN TRADE

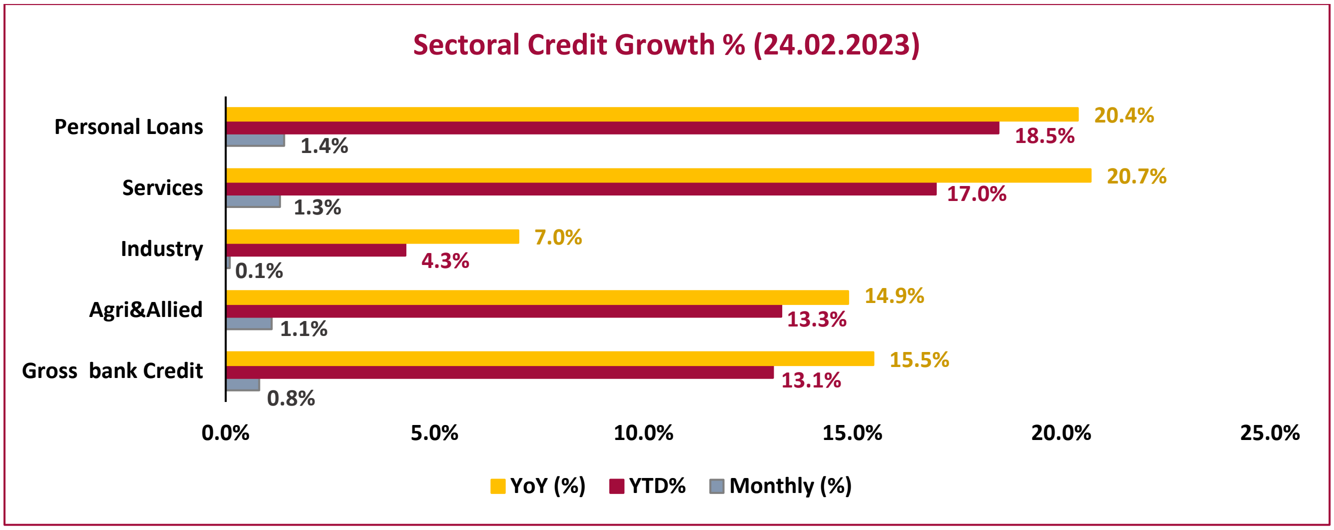
India's export and import dip over 8%





Merchandise exports declined to $33.88 billion, down 8.8% year-on-year in February 2023. Meanwhile, Merchandise imports also declined to $51.31 billion, down by 8.21% year-on-year in February 2023. The trade deficit during the first eleven months of this fiscal widened to $247.53 billion against $172.53 billion during the year-ago period.

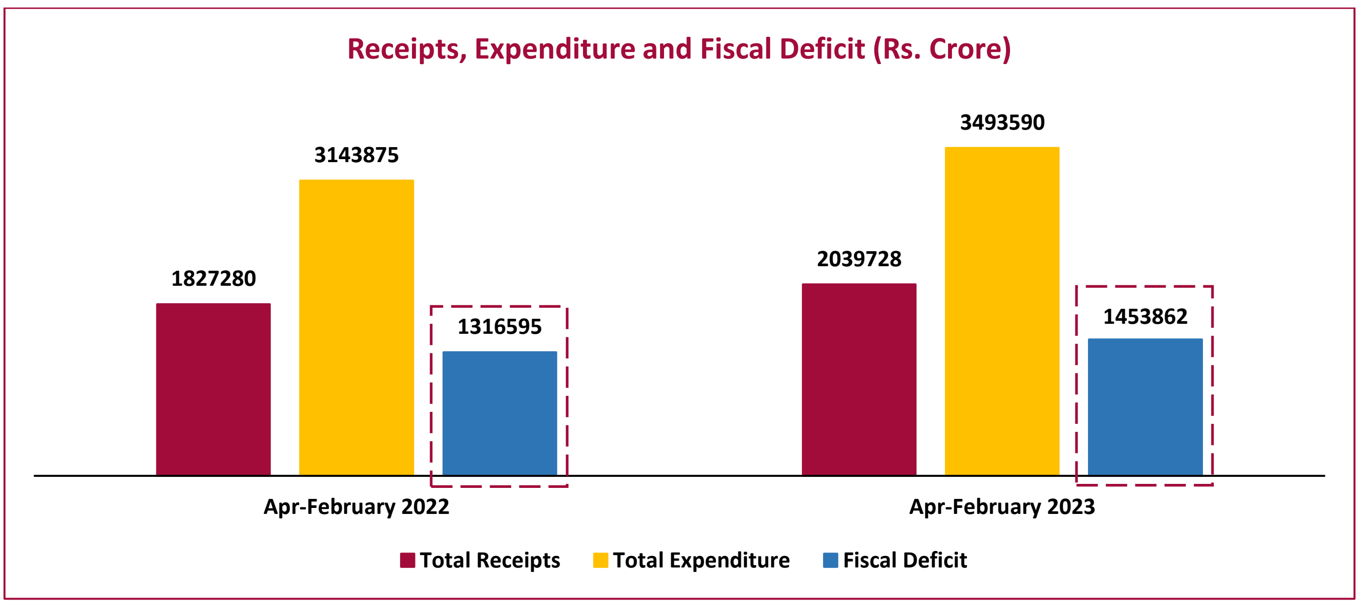
SECTORAL CREDIT



BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	25.03.22	10.03.23	24.03.23	YoY (%)	Fortnightly (%)
Deposits	164.65	179.58	180.44	**9.6%**	**0.5%**
Advances	118.91	135.49	136.75	**15.0%**	**0.9%**
Business	283.57	315.07	317.19	**11.9%**	**0.7%**

FISCAL DEFICIT

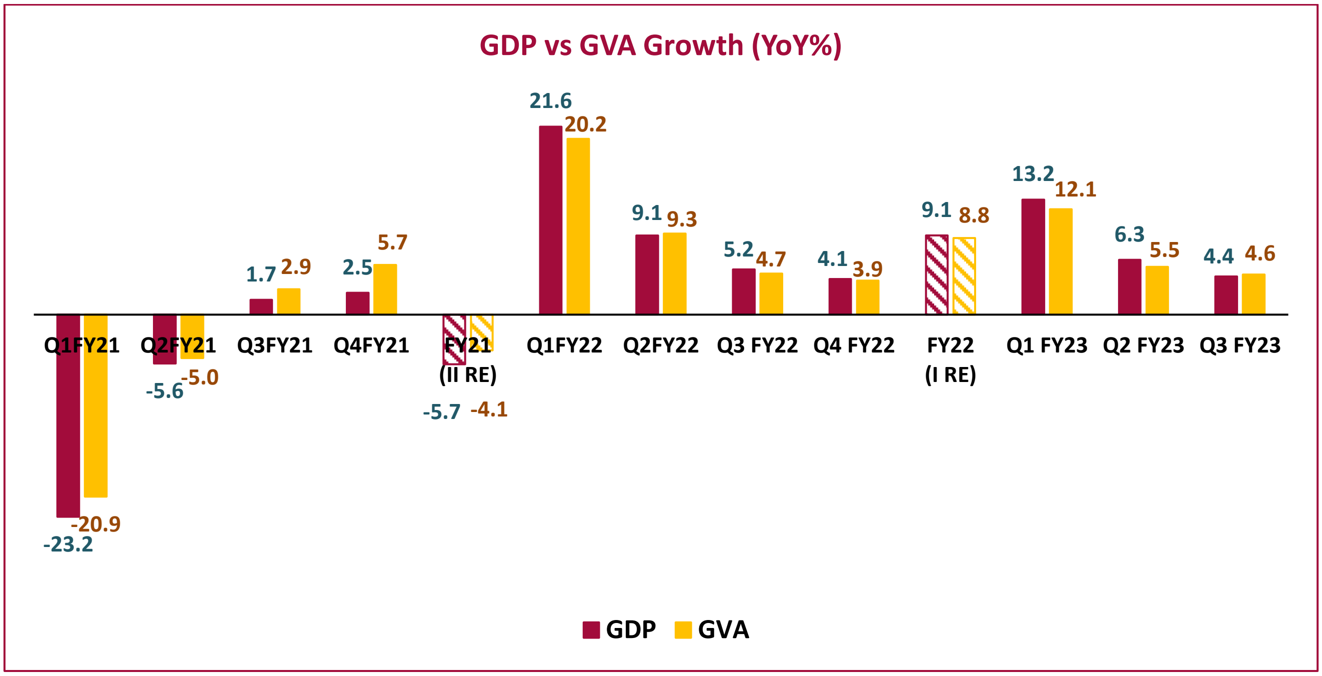


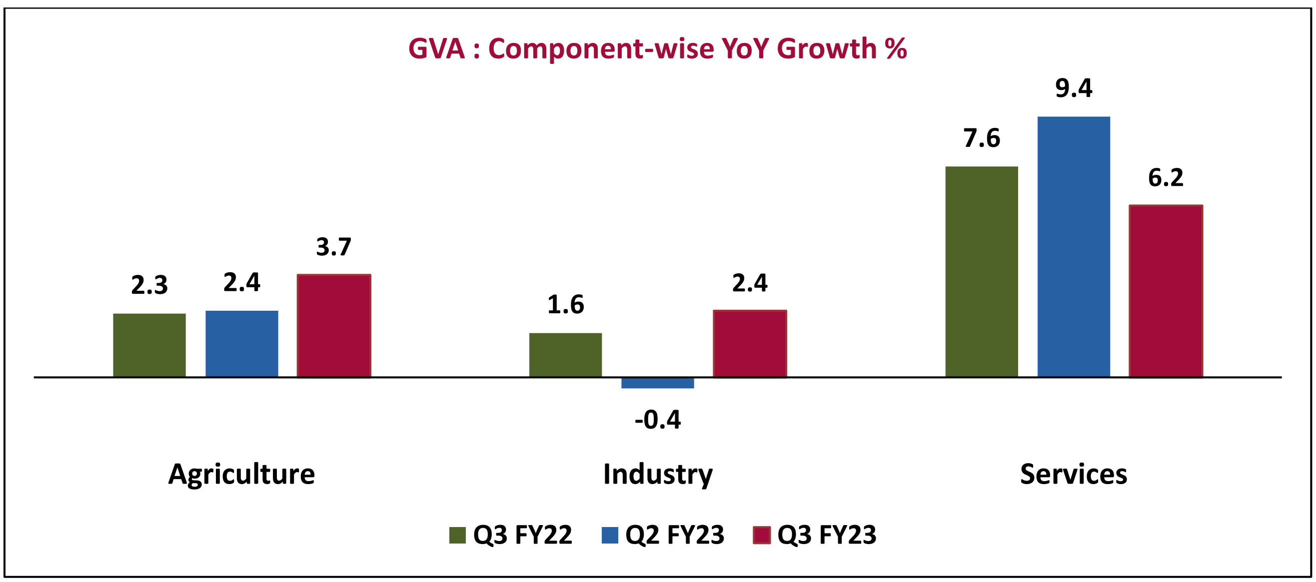
The fiscal deficit for the eleven months till February'23 is 82.8% of annual estimates.

10. QUARTERLY ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP) & GROSS VALUE ADDED (GVA)

GDP growth slows down from the previous two quarters



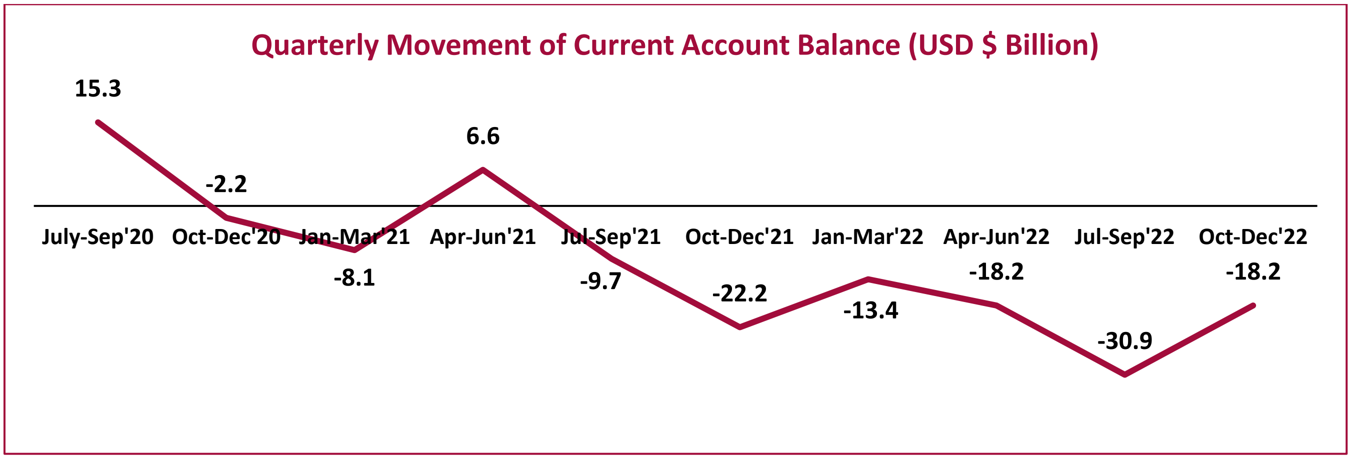


GDP for Q3 FY23 grew by 4.4% as compared to a growth of 6.3% in the previous quarter (Q2FY23) and a growth of 5.2% in Q3FY22. **GVA growth was pegged at 4.6%** in Q3 FY23. The Manufacturing industry, which plays an important role in the country's growth, experienced a contraction due to the subdued demand, rate hikes and rising input costs. Hence, the reasonable growth in Agriculture Sector was not enough to push the overall GDP Growth.

INDIA'S GDP OUTLOOK OF VARIOUS AGENCIES

Agency	FY24
RBI	6.5%
World Bank	6.3%
IMF	5.9%
ADB	6.4%
Economic Survey	6.5%

CURRENT ACCOUNT DEFICIT



The Current Account Deficit declined to $18.2 billion in the December quarter of FY23 against a deficit of $30.9 billion in the preceding three months. It is 2.2% of GDP.

11. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	-0.10	Jan 29, 2016 (-20 bps)	Apr 28, 2023
European Central Bank (ECB)	Europe	3.50	Mar 16, 2023 (50 bps)	May 04, 2023
Federal Reserve	U.S.A	5.00	Mar 22, 2023 (25bps)	May 03, 2023
Bank of England	U.K	4.25	Mar 23, 2023 (25bps)	May 11, 2023
Peoples Bank of China	China	3.65	Aug 22, 2022 (-5 bps)	-
Reserve Bank of India	India	6.50	Feb 08, 2023 (25 bps)	Jun 08, 2023

12. INDUSTRY OUTLOOK

Bio-Pharmaceuticals

While the biopharmaceuticals industry is evolving with a shift in focus from recombinant proteins and antibodies towards more complex cell and gene therapies, it is expected to expand at CAGR of 8-10% over the next five years and thus form the core of the pharmaceutical industry. The biopharmaceuticals market is segmented by product type (Monoclonal Antibodies, Purified Proteins, Recombinant Proteins, Recombinant Hormones, Vaccines etc) and, therapeutic applications (Oncology, Inflammatory and Infectious Diseases, Autoimmune Disorders, Metabolic Disorders, Hormonal Disorders, Cardiovascular Diseases, Neurological Diseases, and Other Diseases). The key emerging trends in the industry include genomics, immuno-oncology drug development, personalized/precision medicine, real-world evidence, remote patient monitoring, electronic health records, biosimilar uptake, decentralized/virtual clinical trials, digital therapeutics, and patient empowerment among others.

Though the sector has ample scope in terms of the rising demand, growth is also wrought with challenges. In order to remain viable, businesses need to ensure integration, cost-effectiveness, efficiency including speedy manufacture and delivery of required drugs customer excellence, as well as to attain innovative solutions and investor support. Building these capabilities requires a multifaceted approach that includes improvements in operations, quality compliance, and control strategies. The proficiency of the industry may thus be strengthened through skilled manpower, industry academia partnership, modifications in policy etc. Further, AI, big data, cybersecurity, digital media, social media, virtual and augmented reality, IoT, robotics, application programming interfaces, cloud computing, 3-D printing, and blockchain among others would certainly play an enormous role in the development of the sector, as in several others. Of these, across all geographies, AI, followed by big data are expected to have the biggest impact in the immediate timespan.

With efforts across the world to overcome these challenges, the biopharmaceuticals segment hold immense promise and is likely to bring about a measurable change in the healthcare sector, thus benefiting mankind.

Aditi Wadhwa Nair, Chief Manager, SMEAD

13. EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS

1. **UPI transactions up 60% in March to record 8.7 bn (FE, 02.04.2023)**

- Transactions on the Unified Payments Interface (UPI) platform rose 60% year-on-year (y-o-y) in March to a record 8.7 billion, data from National Payments Corporation of India (NPCI) showed.
- In terms of value, payments on the platform rose 46% y-o-y to Rs 14.05 trillion.
- The platform witnessed 7.5 billion transactions in February and 8 billion in January. However, in terms of value, transactions had fallen to Rs 12.35 trillion in February from Rs 12.98 trillion in January.

2. **Non-food credit growth falls to 15.9% in February (FE, 01.04.2023)**

- Banks' non-food credit growth moderated to 15.9% on a year-on-year (YoY) basis in February, from 16.7% in January, sectoral credit data released by the Reserve Bank of India showed.
- As per the data, banks' non-food credit stood at Rs 134.1 trillion as on February 24. The growth was led by a rise in agriculture and industry loans, which stood at Rs 16.5 trillion and Rs 32.9 trillion, respectively.

3. **Govt asks state-run banks to conduct more robust stress tests (FE, 29.03.2023)**

- India has asked state-owned banks to focus on their stress testing methods after they were found to have fallen behind on developing models that are meant to ward off risks of failure. The matter was reviewed at a March 25 meeting of the bank leaders with Finance Minister Nirmala Sitharaman, who met to discuss progress of a reform agenda for the lenders, according to officials familiar with the matter.
- Sitharaman in June announced that banks would come up with stress-testing models that would help them respond to customer needs and competition. None of the 12 lenders, referred to as public sector banks, have built comprehensive stress testing models on scenarios in line with recommendations, the officials said, declining to be identified as the meeting was private.

4. **PSU banks recover 14 pc of written-off loans in last 5 years: Nirmala Sitharaman (ET, 28.03.2023)**

- Public sector banks could recover only 14 per cent of the written-off loans worth Rs 7.34 lakh crore in the last five years ending March 2022, Parliament was informed. Of Rs 7.34 lakh crore written-off loans, state-owned lenders recovered Rs1.03 lakh crore, Finance Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.
- So after recovery, net written-off stood at Rs 6.31 lakh crore in the last five years.
- Replying to another question, the Finance Minister said non-performing assets (NPAs), including, those in respect of which full provisioning has been made on completion of four years, are removed from the balance-sheet of the bank concerned by way of write-off as per RBI guidelines and policy approved by bank boards.

5. **FM Nirmala Sitharaman reviews PSBs' performance amid stress in US financial systems (FE, 25.03.2023)**

- Finance Minister Nirmala Sitharaman reviewed the performance of public sector banks (PSBs) on various financial health parameters and their resilience in the wake of the current global financial scenario emanating from the failure of some international banks in the US and Europe.
- She urged the banks to remain vigilant about the interest rate risks and regularly undertake stress tests.

14. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department Of Commerce*
- *S & P Global*
- *Press Information Bureau*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Petroleum Planning & Analysis Cell (PPAC)*
- *Investing.com*
- *News from Business Standard, Financial Express, Economic Times, The Mint*
- *Cogencis*

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QUOTE OF THE MONTH

"Either write something worth reading or do something worth writing"

- Benjamin Franklin

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