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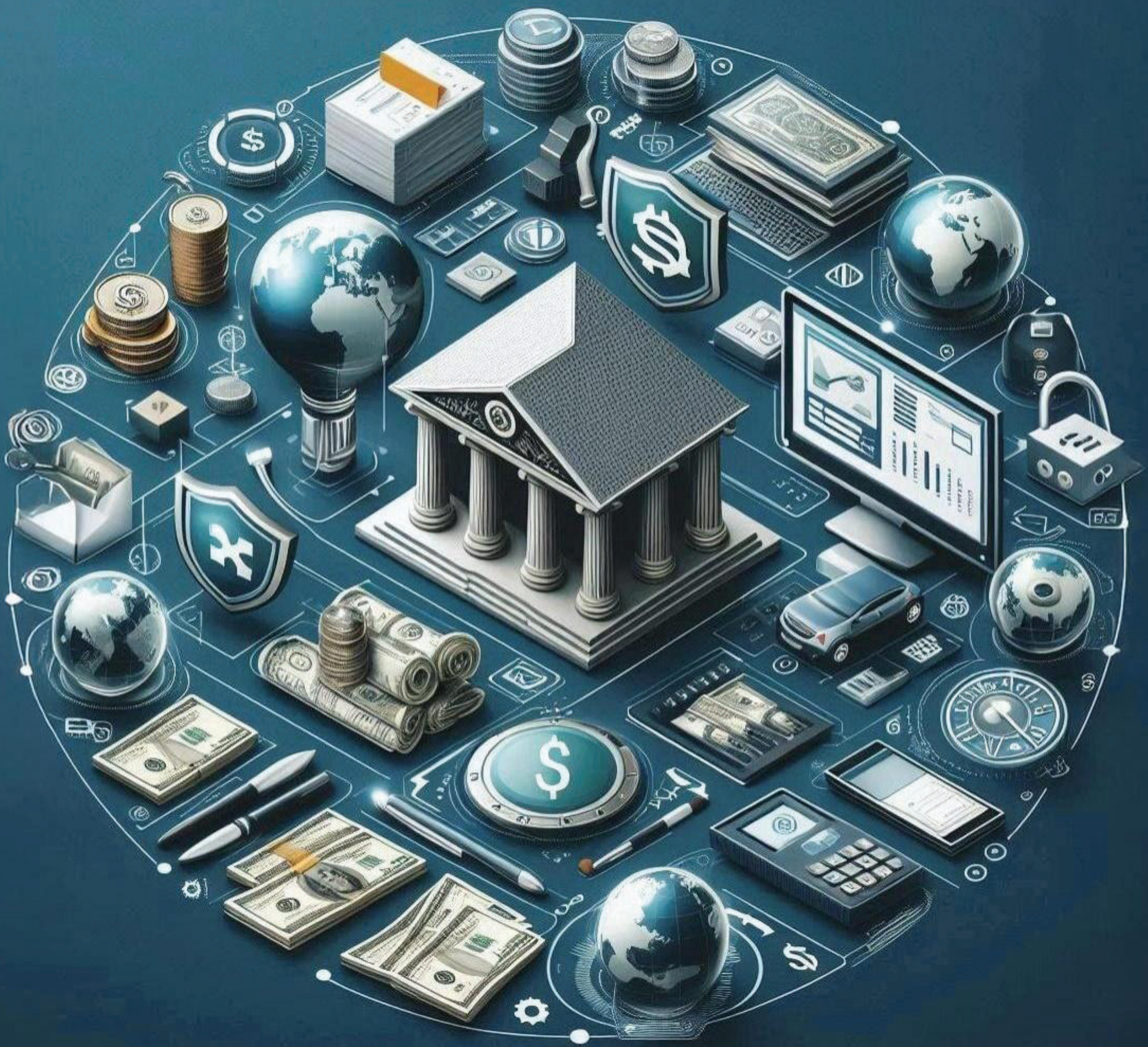

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INDUSTRY ARTICLE IN THE MONTH

MANDATORY BRSR CORE 9 PRINCIPLES & ASSURANCE REPORTING

Background:

According to OECD and IMF, the greatest risk facing the world is climate change. Industries significantly impact environmental changes, prompting governments worldwide to enforce stringent regulations like mandatory climate disclosures and sustainability frameworks aligned with global standards.

The human population crossed 1 billion in the year 1800 and will cross 10 billion by 2050. The rapid population growth is exerting significant pressure on Earth's finite resources, with over 1 million species at risk of extinction and substantial declines in freshwater and marine ecosystems. Atmospheric CO2 levels have risen from 280 ppm in the pre-industrial era to 420 ppm, which resulted in global warming and subsequently melting glaciers, rising sea levels and unprecedented extreme weather events.

To tackle these severe effects of climate change, the Paris agreement came into place in 2015. Paris agreement is an international treaty on climate change to limit global warming well below 2o Celsius and preferably 1.5o Celsius compared to pre-industrial levels. Countries responded with their Nationally Determined Contributions (NDC) monitored on 5-year cycle since 2020.

Global Scenario of ESG Reporting and non-financial disclosure

In view of the above, most responsible corporates and regulators are now putting more emphasis on ESG (Environment, Social & Governance) rather than mere financial performance and financial reporting. Global standards like GRI, SASB, and IIRC, along with the EU's CSRD mandate for large companies, have elevated ESG disclosure practices, driving greater corporate transparency and accountability. Recently, the IASB has framed Assurance Standards for ESG reporting and gradually most corporates would need an "ESG Assurance Audit".

In response to Paris Agreement, India has pledged carbon neutrality by 2070, outlined through its Panchamrit strategy with 2030 goals like achieving 500 GW of non-fossil energy capacity, 50% renewable energy, reducing 1 billion tons of carbon emissions, and cutting carbon intensity by 45%. The country's approach to non-financial disclosures reflects global influences while adapting to its unique regulatory and economic context.

SEBI Regulations

The Securities and Exchange Board of India (SEBI) has been instrumental in advancing ESG disclosures through amendments to the Listing Obligations and Disclosure Requirements (LODR). In 2021, SEBI introduced the Business Responsibility and Sustainability Report (BRSR), a comprehensive framework aligning Indian companies with global sustainability practices. The BRSR ensures companies contribute to India's sustainable development goals while remaining globally competitive.

BRSR framework comprises of Section A with general information about the company & materiality, Section B with management approach, policy & board structure details and Section C with disclosures addressing performance measures across the nine principles as mentioned below.

- Principle 1 - Ethical Business Practices and Governance
- Principle 2 - Sustainable and Safe Products and Services
- Principle 3 - Employee Well-being
- Principle 4 - Respect for Stakeholders' Interests
- Principle 5 - Respect for Human Rights

- Principle 6 - Environmental Responsibility
- Principle 7 - Responsible Political Engagement
- Principle 8 - Inclusive Growth and Equitable Development
- Principle 9 - Community Engagement and Development

BRSR Core & Assurance

In 2023, the introduction of BRSR Core advanced sustainability reporting by integrating assurance processes and extending the scope to include value chain members. The framework emphasizes job creation, business transparency, and fair wages, embedding sustainability more deeply into corporate governance. Its applicability is detailed in the following table.

Financial Year	BRSR Core Reporting	9 Key Attributes (Reasonable Assurance)	9 Key Attributes - Inclusion of Value Chain with Comply or Explain Basis
2023-24	Top 1000 Listed	Top 150 Listed	-
2024-25	Top 1000 Listed	Top 250 Listed	Top 250 Listed
2025-26	Top 1000 Listed	Top 500 Listed	Top 250 Listed (Limited Assurance)
2026-27	Top 1000 Listed	Top 1000 Listed	Top 250 Listed (Limited Assurance)

The BRSR Core represents a subset of the comprehensive BRSR and includes a specific set of key performance indicators (KPIs) / metrics across following nine ESG attributes.

Sr	ESG Attribute	Parameter	Principle/Questions
1	GHG Footprint	Direct, Indirect Emissions & Intensity	Pr.6 / Q.7
2	Water Footprint	Total water consumption & Intensity	Pr.6 / Q.3
3	Energy Footprint	Total Energy consumption & Intensity	Pr.6 / Q.1
4	Waste Management	Total Waste generated & Intensity	Pr.6 / Q.9
5	Employee Wellbeing	Spending & measures of safety	Pr.3 / Q.1, Q.11
6	Gender Diversity	Wages Equality & POSH complaints	Pr.5 / Q.3, Q.7
7	Inclusive Growth	MSME purchases & smalltown purchases	Pr.8 / Q.4, Q.5
8	Customers, Suppliers	Data Breaches & Accounts Payable	Pr.9 / Q.7 & Pr.1/Q.8
9	Openness of Business	Concentration of sales & purchases	Pr.1 / Q.9

Third party assurance by an independent assurance provider is building confidence in the system with checks on the collected data, related evidence and effectiveness of the internal controls. Assurance is of the two types

1. **Reasonable assurance** offers high confidence through detailed testing and confirmation.
2. **Limited assurance** involves less scrutiny and a basic review with lower confidence levels.

Reasonable assurance on the BRSR Core's nine attributes is mandatory and limited assurance on the other data.

With the introduction of BRSR Core, SEBI has also emphasized the need for credible assurance of the data disclosed. Companies (in phased manner) will need to engage third-party assurance providers who follow recognized standards such as ISAE 3000 and SSAE 3000 for their ESG data. The Statement on Standards for Attestation Engagements (SSAE) 3000, issued by the Institute of Chartered Accountants of India (ICAI), serves as the umbrella standard for assurance engagements on sustainability information, with specific standards like SSAE 3410 for greenhouse gas (GHG) emissions disclosures. This assurance will add credibility and instill confidence among investors and other stakeholders, ensuring that reported data is accurate and reliable.

The BRSR Core framework offers substantial benefits to both Indian companies and India as a whole by encouraging transparency, accountability, and sustainable practices. For companies, it leads to better risk management, increased investment, and improved governance, altogether it enhances India’s global reputation, supports sustainable growth, and aligns with broader environmental and social goals.

TOP SPEECHES

Transformative Governance through Sound Boards (Keynote Address by Shri Shaktikanta Das, Governor, Reserve Bank of India - November 18, 2024 - at the Conference of Directors of Private Sector Banks, Mumbai)

To set the tone for today's Conference, let me take a step back and reiterate the expectations from bank Boards which I had shared in the form of a 10-point Charter in the last year's Conference. The Charter essentially covered the tenets of a strong governance framework. What I am going to speak today is essentially built on top of that foundation. The expectations I shared last year were with respect to: (i) Governance and Stability; (ii) Ensuring requisite qualification and expertise in the Board; (iii) Objective and Independent Board; (iv) Role of Chairperson, Board Committees and Managing Director/Chief Executive Officer; (v) Corporate Culture and Value System; (vi) Quality of Information; (vii) Effective oversight of Senior Management; (viii) Business Model and Conduct; (ix) Integrity and Transparency of Financial Statements; and (x) Independence of Assurance Functions. I would like to urge you all to go through my last year's address which is available on the Reserve Bank's website.

Turning to today's Conference, the theme focuses on transformative governance. But what exactly does this entail? While the term may have multiple interpretations, here it signifies creating a governance framework that not only meets current regulatory standards but also proactively addresses emerging risks, opportunities, and changes in the financial landscape. Boards must move beyond traditional oversight roles and embrace agility, foster innovation, and ensure sustainability and adaptability to today's dynamic environment. I would like to share some thoughts on these aspects with you today.

The Indian banking sector is transitioning through a time which is replete with opportunities as well as risks and challenges. The banking sector remains strong and stable1. All the financial indicators have improved since we met in May last year, reflecting the efforts of the various participants of the banking sector, including their managements and Boards. I take this opportunity to congratulate the managements and Boards of banks for this achievement. To keep the resilience of the banking system intact, the strong fundamentals that we have today should be leveraged to reinforce and fortify the defences. Good times, after all, are the best times to reinforce resilience and grow sustainably.

The key principle underlying good governance is growth with stability; profitability with sustainability.

Importance of situational awareness for robust governance

In our rapidly evolving and technology-driven environment, organisations face significant challenges and risks. Factors like technological advancements, the rise of new-age fintech entities, third-party dependencies and climate change are reshaping the economic landscape. Amid these shifting tides, Boards should serve as a lighthouse for banks and provide steady guidance to help navigate these challenges and steer towards safe and prosperous shores. In this context, I would like to highlight a few points.

First, the Boards may adopt a proactive approach in identifying and addressing potential challenges. This necessitates clear understanding of both the external conditions as well as the internal currents within the organisation. The Board needs to continuously assess external factors like regulatory changes, shifting market winds, overall macroeconomic changes and advances in technology. Boards should also be fully cognisant of the organisation's internal strengths, vulnerabilities, and operational conditions, so that they have a clear situational awareness. Such an approach would enable the Board of Directors to properly guide the management to be well-prepared to weather unexpected challenges and navigate toward sustainable growth.

Second, Boards must be cognizant of build-up of concentrations in their business model. Excessive reliance on specific sectors, markets, or customer segments can expose the bank to amplified risks, particularly in times of economic stress or industry shifts. For instance, as you would be aware, seeing a build-up of concentration across certain loan segments, the Reserve Bank took a few counter-cyclical measures last year. Similarly, Boards can play a proactive role by regularly monitoring the bank's portfolios, identifying potential areas of over-concentration, and taking pre-emptive steps to maintain a balanced approach.

Third, the Boards must also remain vigilant to operational risks, particularly those arising from IT outsourcing and reliance on third-party vendors. As banks increasingly depend on external service providers for key operations, the potential for disruption grows, especially when coupled with vulnerabilities, if any, in cybersecurity. The CrowdStrike incident earlier this year demonstrated how a faulty patch update could cause millions of computers across countries to crash and create disruptions across several industries. Therefore, it is necessary to ensure that third-party relationships are thoroughly assessed, monitored, and governed with a focus on security and resilience. This includes implementing strong cybersecurity protocols, conducting regular risk assessments, and ensuring that third parties adhere to the same high standards of security expected within the organisation.

Fourth, technology has now facilitated innovative business models in banks, either in competition with or in collaboration with fintech. As digital platforms and financial technologies rapidly evolve, banks find themselves exploring new ways to deliver services, reduce costs, and enhance customer experience. There is, however, a need to balance innovation with security and stability. The key questions Boards should ask the managements include: (i) Does the bank understand the potential negative externalities of technological solutions (e.g., bias in AI models), and are there adequate mitigants in place? (ii) Are current governance structures, policies, and processes sufficient to manage risks related to third-party dependencies, consumer protection, cybersecurity, and data privacy? (iii) Are these innovations compliant with regulations in letter and in spirit? (iv) Is the bank investing adequately in scalable solutions to ensure that downtime is minimised?

Empowering assurance functions for stronger governance

Assurance functions— viz. risk management, internal audit, and compliance—can serve as invaluable resources for Board Directors. They provide critical insights into both the internal health of the organisation and its exposure to external risks. In order to effectively leverage these functions, Boards need to actively safeguard the independence of these functions and ensure that the connected teams are adequately resourced with skilled staff and are given due prominence within the organisation. Recognising the importance of these functions, the Reserve Bank has been organising conferences of Heads of Assurance functions and is also asking for their presence at the supervisory meetings with banks. I would, therefore, encourage Boards to build further on these initiatives.

Encouraging Diversity of Opinion

Another way for Boards to deepen their understanding of issues is by actively avoiding the pitfalls of groupthink and fostering an environment that encourages and welcomes a diversity of ideas. When Boards create space for varied perspectives, they gain a more comprehensive view of potential challenges and opportunities. Additionally, the Board should ensure that contrarian opinions are examined and decision thereon are recorded. A Board that is not open to review, or diversity of opinions, risks missing crucial insights.

It is also important for Boards to give due consideration to the critical views of senior management, employees, whistle-blowers, and, most importantly, customers. Often, these perspectives contain early warning signals of potential issues that might otherwise go unnoticed. There has to be healthy relationship and mutual respect between the Managements and Boards.

Given the dynamic and evolving landscape of the financial sector, it is crucial for the Directors to stay well-informed. As mentioned in my speech last year, ongoing orientation programmes may be helpful in facilitating this. These programmes should focus not only on business and regulatory updates but also on developments in risk management, technology, and governance practices.

I would also like to urge the MD & CEOs to ensure that the Board is provided with all the requisite information in a timely manner, and that meeting agendas are circulated well in advance with adequate background information.

Customer Centricity

Having spoken about proactive governance, I would now like to address another aspect that is also extremely important in the context of good governance, namely, customer centricity. Trust is the bedrock of banking, and the industry fundamentally relies on the faith of depositors and investors for its stability and growth. Building and maintaining this trust requires banks to place customers at the heart of their operations and ensuring that products, services, and policies genuinely meet customer needs and expectations.

In this context, it is disheartening to see the nature of some of the complaints and the observations in our inspection reports. There are instances where complaints are misclassified as customer queries. We also come across instances of rejected grievances not being escalated to the internal ombudsman of banks. I would like to urge the Boards and their Customer Service Committees to closely look into these aspects to ensure that banks have a genuine commitment to customer centricity.

The flexibility and space available to the banks for formulating their internal Board approved policies in line with the regulatory expectations needs to be used with utmost prudence, especially when it has a bearing on customers. Boards should give a close look at service charges and penalties when they are treated as avenues of profit or when forced bundling of products is done, or when disclosures to customers are non-transparent or selective. Ensuring fair lending practices and implementing robust grievance redress systems are critical to protecting customers' interests.

While progress has been made in enhancing customer awareness, there remains significant potential to improve financial literacy, particularly for the marginalized, less savvy, and rural population. These groups often struggle to navigate the complex financial landscape and are more vulnerable to usurious interest rates, fraud, and other unfair practices.

Board of Directors should also focus on strengthening the internal governance framework within the bank. Unethical practices, such as mis-selling of products or the opening of accounts without proper KYC verification need to be curbed. Staff incentives should be carefully structured to avoid encouraging mis-selling or unethical practices. While such practices may yield short-term gains, they ultimately expose the bank to significant long-term risks, including reputational damage, supervisory scrutiny, and financial penalties.

As I proceed to conclude, I would like to touch upon our collective aspirations for the future. As India progresses towards becoming a developed and more inclusive economy by 2047, it is imperative that our banking and financial sector—both public and private—align their strategies with the developmental aspirations of our people. I would like to request the Board members to set clear and actionable objectives that support these aspirations. Together, we should foster a financial system that is resilient, inclusive, and sustainable for future generations.

This year also marks the 90th year of the Reserve Bank. We have set ambitious goals for RBI@100, which include deepening financial inclusion, expanding credit availability, globalising India's financial sector, and universalising India's payment systems. Achieving these goals will require active collaboration with the banks. I look forward to your continued support in helping us realise this vision.

Let me now conclude. A well-functioning Board of Directors with proactive oversight of governance, supported by robust assurance functions and policies built around customer centricity, is what sets a resilient and agile bank apart from an ordinary one. Such a Board would ensure that the organisation remains adaptable to change, anticipates emerging risks, and builds a strong foundation for sustainable growth. By maintaining a sharp focus on both internal and external challenges, a Board can drive long-term success and build trust within the financial ecosystem. With this, I wish you an insightful and enriching Conference.

Thank you and Namaskar.

Source - https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1480

Joachim Nagel: Joint European Responses to the Challenges We Face

Speech by Dr Joachim Nagel, President of the Deutsche Bundesbank, at the European Banking Congress, Frankfurt am Main, 22 November 2024. The views expressed in this speech are those of the speaker and not the view of the BIS

Ladies and gentlemen,

I am pleased to be here again at the European Banking Congress. It is my particular pleasure to share the stage today with my French colleague and dear friend, François Villeroy de Galhau.

François and I are convinced that close cooperation between Germany and France is essential for a strong Europe. And that a strong and united Europe is needed to meet the challenges of our times. These are sentiments we have also put to paper in a joint statement that we will be making following our speeches.1

As central bankers, our main task is to ensure price stability, and I am happy that the period of very high inflation is behind us. Today, our focus is on longer-term challenges that will affect our economies and could also affect the inflation rate.

How times have changed

When the European Banking Congress premiered in 1991, the world had just witnessed significant political shifts, including the fall of the Iron Curtain, the collapse of Communist regimes, and the breakup of the Soviet Union.

There was a widespread impression that the Western model of liberal democracy and a market economy had emerged as the superior system. From today's perspective, however, that belief proved to be premature.

Autocratic regimes did not disappear, but have instead gained strength and influence.2 Some even do not shy away from military aggression. Russia's terrible attack on Ukraine made us painfully aware that the peace dividend after the end of the Cold War has gone; we have to put significantly more investment into our defence capabilities.

But also in democracies, our liberal values are turning out to be vulnerable and under threat from populist movements. The European Union has become a common scapegoat for populists. This makes it more difficult to promote further European integration.

How to boost our resilience and prosperity

Yet, Europe is facing major economic challenges.

Events such as the pandemic or more recent geopolitical tensions have laid bare the risks involved in unilateral trade dependencies. More diversified supply chains are therefore desirable, but that might be costly.

Rising labour scarcity due to demographic change is a serious impediment to growth. Furthermore, we have to press ahead with the digital and green transitions. In particular, these two transitions will require substantial financial resources, the better part of which needs to come from private investors.

Lastly, the results of the recent US elections could seriously challenge Europe – both politically and economically.

In a nutshell, the European model of prosperity is coming under mounting pressure. Against this backdrop, we need to ask ourselves how Europe can strengthen its resilience and maintain its prosperity.

Clearly, we will only rise to the challenges we face if we act together.

Europe must stand united. Europe must not allow itself to be divided.

But that calls for a readiness to compromise on all sides.

Single Market and financial integration

At the first edition of this event back in 1991, my predecessor Helmut Schlesinger delivered a keynote.

Schlesinger, who recently turned 100, said in his speech back then that "Creating a monetary union alone would not be very helpful unless an internal market for goods and services, including financial services, already existed."3

However, 33 years later, we have to conclude that this condition remains partially unfulfilled.

There are still too many areas where we are leaving the benefits of the Single Market untapped. We should do what we can to finally complete the Single Market. It is now up to Brussels to pick up the valuable ideas from the Letta and Draghi reports and implement them with determination and courage.

Helmut Schlesinger was right to emphasise financial services, as shown by the financial and sovereign debt crisis.

As of today, however, financial markets remain fragmented. And that is due not least to Member States' reluctance to subordinate national interests to the common cause.

We have to overcome this mindset and tear down the invisible walls obstructing financial market integration.

Take the banking union, for example.

We have already had a banking union for more than ten years, and yet it's still incomplete. It is still lacking a joint deposit guarantee scheme and a solution to the "doom loop", created by the links between sovereigns and banks.

We need to move forward on both issues.4 But as I said, there needs to be a willingness to compromise.

Completing the banking union would mark a milestone on the path to a fully-fledged economic and monetary union. And make the union more resilient in times of geopolitical fragmentation.

The same can be said about the capital markets union. François and I have been advocating for it for many years.5

While I know the devil is in the detail here, it is still frustrating to see how slow progress has been. However, I am confident that we will finally move forward in the new EU legislative session.

All the more so, as the outcome of the US elections has added further urgency to the need for action.

Trade policy

The economic implications of the change of administration in the US may go far beyond the financial sphere.

We cannot rule out that the incoming US administration will impose a general tariff on all imported goods, plus an additional tariff specifically on imports from China. After all, this was repeatedly announced during the election campaign.

Implementing such tariffs would re-ignite international trade conflicts and further impair our multilateral order. Combined with other plans, they might inflict significant GDP losses in the United States and abroad.6 And they would probably lead to rising inflation rates – on both sides of the Atlantic.

In this environment, Europe should act adequately and prudently. We should keep in mind that a rules-based, multilateral trading system and trade agreements are to the benefit of all.

Trade is not a zero-sum game. If everyone specialises in what they do best, all sides can win.

Our goal should be to enhance economic resilience without sacrificing the advantages of globalisation and free trade.

Conclusion

Ladies and gentlemen,

Let me conclude. Europe is dealing with multiple challenges. We will best navigate them by working together as a united Europe. We have to build a more resilient and prosperous Europe. Let's do it!

Source: https://www.bis.org/review/r241125t.htm

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1 Villeroy de Galhau, F., J. Nagel (2024), Gemeinsamer Appell zur Wiederbelebung des deutsch-französischen Dialogs, guest contribution published in the Frankfurter Allgemeine Zeitung and Le Monde, 22 November 2024, full text in English available on the websites of Deutsche Bundesbank and Banque de France.

2 The Polish-American historian Anne Applebaum has written lucidly about this development. For her work, she was awarded the Peace Prize of the German Book Trade here in Frankfurt just a month ago.

3 Schlesinger, H. (1991), The establishment of a durable economic and monetary union in Europe, speech at the Europäischer Bankentag 1991, 27 September.

4 Nagel, J., N. Véron (2024), Breaking the vicious circle between banks and sovereigns for good,

5 Villeroy de Galhau, F., J. Nagel (2022), Time for a genuine capital markets union, guest contribution published in Handelsblatt and Les Echos, 14 November.

6 Obst, T., J. Matthes and S. Sultan (2024), What if Trump is re-elected? Trade policy implications, IW-Report, No 14, Berlin / Cologne.

TOP BANKING NEWS

- **FinMin issues advisory to banks to promote transparency in transfer policy**

The Finance Ministry on Tuesday issued a host of suggestions with regard to 'Transfer Policy' of public sector banks with an aim to promote greater transparency.

According to an advisory issued to heads of public sector banks (PSBs), the Department of Financial Services asked lenders to incorporate advices suitably in their respective 'Transfer Policy' with the approval of their boards and take immediate action for its implementation and compliance from 2025-26.

"PSBs are also advised to send a copy of the policy, so modified, to this Department, at the earliest," the communication said.

The transfer policy has been reviewed with an aim to promote greater transparency and ensure formulation of a uniform and non-discretionary policy, it said.

Some of the changes advised include banks to automate the transfer process and to develop an online process for the same with facilities of giving location preference options to its employees, it said.

"Women employees be transferred as far as possible to nearby places, stations, regions," the letter said, adding that grievances received from employees citing violation of transfer policies be dealt in a considerate manner.

Transfer timelines are clearly defined and strictly adhered to and transfer exercises may be completed before June, every year, it said.

Mid-year transfers may be avoided as far as possible except in case of promotions and administrative exigencies, it added.

"Banks to accommodate officers up to Scale-III in the respective linguistic region in order to ensure seamless customer service to the extent possible, considering various factors including availability of vacancies, administrative exigencies etc," it said.

It further asked banks to designate certain regions as 'Difficult areas' and the employees posted there be given preference for transfer after completion of their tenure.

Source: https://www.business-standard.com/industry/news/milk-production-annual-growth-rate-slips-further-to-3-78-in-fy24-124112601313_1.html

- **Banks' credit to industry grows by 8% in Oct against 4.8% last yr: RBI data**

Banks' credit to industry grew by 8 per cent in October 2024 compared to 4.8 per cent in the year-ago period, according to the RBI data released on Friday.

The Reserve Bank data also showed that credit to agriculture and allied activities registered a growth of 15.5 per cent year-on-year (y-o-y) in October 2024, compared to 17.4 per cent seen in the same month of last year.

Among major industries, credit to 'chemicals and chemical products', 'petroleum, coal products and nuclear fuels', and 'all engineering' recorded a higher growth in October 2024 as compared to their respective growth rates a year ago.

Personal loans growth decelerated to 15.8 per cent (y-o-y) in October as compared to 18 per cent recorded a year ago, largely due to decline in growth in 'other personal loans', 'vehicle loans' and 'credit card outstanding'.

However, 'housing' -- the largest constituent of personal loans segment -- recorded an accelerated growth on year.

RBI further said credit growth to services sector was at 14.1 per cent in October 2024 (20.4 per cent a year ago), primarily due to lower growth in credit to 'non-banking financial companies' (NBFCs) and trade segment.

However, growth of credit to 'commercial real estate' accelerated in October 2024.

Non-food bank credit in October 2024 grew at 12.8 per cent, as compared to 15.5 per cent a year ago, RBI said.

Data on sectoral deployment of bank credit for October 2024 was collected from 41 select commercial banks, accounting for about 95 per cent of the total non-food credit deployed by all scheduled commercial banks

Source: https://www.business-standard.com/industry/banking/banks-credit-to-industry-grows-by-8-in-oct-against-4-8-last-yr-rbi-data-124112900849_1.html

- **All eyes on whether RBI Governor Das gets another extension**

With less than a month to go of Reserve Bank of India Governor Shaktikanta Das's six-year tenure, all eyes are on whether he will get another extension. His term is set to come to an end on December 10.

As of now, there is no indication on this matter, sources said, but pointed out that there has been no appointment process and nor are any potential candidates being scouted. "There is no clarity at all on the RBI Governor's term. The decision is still under wraps," two top sources said.

Prime Minister Narendra Modi has been known to continue with key appointments during his third term with no major ministerial reshuffle as well. A decision is expected in the coming weeks by the Appointments Committee of Cabinet.

Das, former Secretary, Department of Revenue and Department of Economic Affairs, Ministry of Finance, Government of India, assumed charge as the 25th Governor of the RBI on December 12, 2018. Prior to the appointment, he was serving as Member, 15th Finance Commission, and as India's G20 Sherpa.

He took over at the RBI after the sudden resignation of Urjit Patel as RBI Governor. Das's term was later extended by three years. Das helmed the RBI during the Covid-19 pandemic and ensured stability in the markets.

As RBI Governor, Das chairs the RBI's Monetary Policy Committee, which is set to meet from December 4 to 6. While analysts believe a rate cut by the MPC is likely to be delayed into early 2025, they are keenly awaiting the announcement on the Governor's term.

The Centre has recently appointed three members to the MPC, including Ram Singh, Saugata Bhattacharya and Nagesh Kumar. RBI Deputy Governor Michael Patra, who is also a member of the MPC, is likely to step down in January 2025 and the RBI has invited applications for the DG's post.

In October this year, Das was ranked as the top central banker by the US-based Global Finance magazine for a second year in a row and received the award for A+ grade in Central Bank Report Cards 2024.

Prime Minister Narendra Modi has also congratulated the RBI Governor for the award. "Congratulations to RBI Governor Shri @ DasShaktikanta for this feat, and that too for the second time. This is a recognition of his leadership at the RBI and his work towards ensuring economic growth and stability," the PM had said on X.

Source: https://www.businesstoday.in/industry/banks/story/all-eyes-on-whether-rbi-governor-das-gets-another-extension-454132-2024-11-18

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2024-2025/90 A.P. (DIR Series) Circular No. 19	11.11.2024	Foreign Exchange Department	Operational framework for reclassification of Foreign Portfolio Investment to Foreign Direct Investment (FDI)	All Category – I Authorised Dealer Banks
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12749				
RBI/2024-2025/89 FMRD. MIOD.07/02.05.002/2024-25	08.11.2024	Financial Markets Regulation Department	Reporting of Foreign Exchange Transactions to Trade Repository	All Authorised Dealers
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12748				
RBI/2024-2025/88 FMRD.FMD. No.06/14.01.006/2024-25	07.11.2024	Financial Markets Regulation Department	'Fully Accessible Route' for Investment by Non-residents in Government Securities – Inclusion of Sovereign Green Bonds	All participants in Government Securities market
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12747				
RBI/2024-2025/87 DOR.AML. REC.49/14.01.001/2024-25	06.11.2024	Department of Regulation	Amendment to the Master Direction - Know Your Customer (KYC) Direction, 2016	All the Regulated Entities
https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12746				

Source- https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
					(₹ Crore)
Item	2023	2024		Variation	
	Nov. 24	Nov. 15	Nov. 22	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	11817	0	-11817	0
4.2 State Governments	16275	28634	22714	-5920	6439

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

2. Foreign Exchange Reserves*								
Item	As on Nov. 22, 2024		Variation over					
			Week		End-March 2024		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5545695	656582	-7176	-1310	154439	10163	560238	58647
1.1 Foreign Currency Assets #	4787282	566791	-22350	-3043	25437	-4159	380497	38260
1.2 Gold	570744	67573	15823	1828	131424	14898	184384	21235
1.3 SDRs	151906	17985	-564	-79	683	-147	8	-233
1.4 Reserve Position in the IMF	35763	4232	-85	-15	-3105	-430	-4651	-615

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

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Nov. 15, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2023-24	2024-25	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	21854018	-173517	1607946	1378792	2354506	2202158
	(21783785)		(1479712)		(2226272)	(2260160)
2.1a Growth (Per cent)		-0.8	8.9	6.7	13.6	11.2
			(8.2)		(12.9)	(11.6)
2.1.1 Demand	2513660	-49082	126748	69806	256314	206481
2.1.2 Time	19340358	-124435	1481198	1308985	2098192	1995677
2.2 Borrowings	917362	53908	397188	139420	367655	74845
2.3 Other Demand and Time Liabilities	945520	-4715	97582	8092	177461	58287
7 Bank Credit	17362301	-75591	1945572	930137	2672994	1741494
	(16904346)		(1364973)		(2092396)	(1864138)
7.1a Growth (Per cent)		-0.4	14.2	5.7	20.6	11.1
			(10.0)		(16.2)	(12.4)
7a.1 Food Credit	45157	15102	20355	22076	-11979	4896
7a.2 Non-food Credit	17317145	-90693	1925217	908062	2684973	1736598

1. Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.
2. Figures in parentheses exclude the impact of the merger.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2024	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2023-24		2024-25		2023		2024	
	Mar. 31	Nov. 15	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	24831618	26290391	-170857	-0.6	1462984	6.5	1458773	5.9	2406823	11.2	2483647	10.4
	(24939860)	(26360624)	(-172137)	(-0.6)			(1420763)	(5.7)			(2425645)	(10.1)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3410276	3455942	-1298	0	-21637	-0.7	45666	1.3	161181	5.2	201143	6.2
1.2 Demand Deposits with Banks	2586888	2655547	-49592	-1.8	128486	5.5	68659	2.7	257024	11.7	206463	8.4
1.3 Time Deposits with Banks	18739918	20081131	-118037	-0.6	1359531	8.2	1341214	7.2	1984963	12.4	2052634	11.4
	(18848160)	(20151364)	(-119317)	(-0.6)			(1303204)	(6.9)			(1994633)	(11.0)
1.4 'Other' Deposits with Reserve Bank	94536	97771	-1930	-1.9	-3397	-4.4	3234	3.4	3655	5.2	23406	31.5
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7512016	8052942	33158	0.4	203338	2.8	540926	7.2	756109	11.4	684071	9.3
	(7603571)	(8104159)	(30534)	(0.4)			(500588)	(6.6)			(628784)	(8.4)
2.1.1 Reserve Bank	1193213	1308855	97702		-348803		115642		-123724		206532	
2.1.2 Other Banks	6318803	6744087	-64544	-0.9	552141	9.7	425284	6.7	879833	16.3	477539	7.6
	(6410358)	(6795305)	(-67168)	(-1.0)			(384946)	(6.0)			(422252)	(6.6)
2.2 Bank Credit to Commercial Sector	16672145	17686602	-41865	-0.2	1351809	9.4	1014457	6.1	2102078	15.4	1905157	12.1
	(17202832)	(18144557)	(-44944)	(-0.2)			(941725)	(5.5)			(1782513)	(10.9)
2.2.1 Reserve Bank	14406	9149	-245		-21309		-5257		-9421		3909	
2.2.2 Other Banks	16657739	17677453	-41621	-0.2	1373118	9.5	1019714	6.1	2111499	15.5	1901248	12.1
	(17188426)	(18135408)	(-44700)	(-0.2)			(946983)	(5.5)			(1778605)	(10.9)

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

5. Liquidity Operations By RBI

(₹ Crore)

Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Nov. 18, 2024	-	-	-	74200	3512	100351	0	-	-	-171039
Nov. 19, 2024	-	-	-	22565	3166	57757	-	-	-	-77156
Nov. 20, 2024	-	-	-	-	2966	50490	-	-	-	-47524
Nov. 21, 2024	-	-	-	-	11991	47045	302	-	-	-34752
Nov. 22, 2024	-	-	25001	-	4806	51952	924	-	-	-21221
Nov. 23, 2024	-	-	-	-	1962	45833	-	-	-	-43871
Nov. 24, 2024	-	-	-	-	774	42152	-	-	-	-41378

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

Source: https://www.rbi.org.in/Scripts/BS_ViewWssExtractdetails.aspx?id=59211

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **NBFCs brace for slower growth as asset stress, fund costs pinch**

Mumbai: The September quarter results for non-banking financial companies (NBFCs) were mixed, as most lenders felt the ripple effects of the Reserve Bank of India’s recent regulatory actions and slowdown in credit flow from banks.

Higher funding costs and emerging asset quality concerns—especially in retail, unsecured, and microfinance portfolios—hit profitability in the second quarter, and may lead to a cut in earnings forecasts for FY25.

Bajaj Finance, India’s largest retail-focused NBFC, observed rising stress across retail and SME portfolios. As a response, the company has been tightening credit exposure in specific segments.

“The underwriting actions that we have taken in the last 4-5 months, also gives us the confidence that...(it) should start to result in benefit from Q4,” managing director Rajeev Jain said in the analyst call. He added that the company's recent measures have reduced the share of borrowers with three or more personal loans to around 8-9% from a previous 13%.

A major source of asset quality stress across NBFCs was rural and microfinance lending. Bajaj Finance highlighted issues in its rural B2C portfolio, while Mahindra & Mahindra Financial Services (or Mahindra Finance) attributed 40% of its sequential rise in gross stage 3 assets in Q2 to the tractor segment.

“It is mostly the agrarian states where cash flows have been disrupted– Madhya Pradesh, Maharashtra, Gujarat, Andhra Pradesh, and Telangana. These states have seen a slightly higher amount of pain,” Mahindra Finance's MD and CEO Raul Rebello said in the earnings call. “The cash flow is not just in the agri sector, but some of the LCV (light commercial vehicle)... the CV customer segment has also seen a bit of elevated pain in Q2 which has had a bearing on our collection efficiency. And the intensity of our collection has had to go up.”

Both Bajaj Finance and Mahindra Finance have indicated that any margin improvement will not necessarily lead to increased profitability as they look to cut exposure to unsecured segments and invest in secured lines of business.

Jairam Sridharan, CEO of retail lending at Piramal Enterprises, said that among unsecured loans, "the most steady increase in risk” was in business loans, including some microfinance portfolios.

“The 90-day delinquency has been trending up. The portfolio is also seasoning, so that has something to do with this, apart from what's going on in the macro environment as well. Within unsecured business loans, and all unsecured loans in general, sub- ₹50,000 category is where we are seeing the steepest risk deterioration,” Sridharan said, adding that the company’s exposure to this segment was less than ₹750 crore.

Best of the rest

Shriram Finance was the outlier, posting better asset quality for the quarter and steady growth of around 20% in its AUM. Stage 2 and stage 3 assets declined 6 bps and 7 bps in the quarter, respectively.

“This is in complete contrast to the numbers reported by peers. Management highlighted that while there are signs of overleveraging and stress in the unsecured segment, the company appears to have fared relatively better than peers on account of low exposure (personal mix at 3%). ROA (return on assets) remains strong and consistent (3.1% over the past six quarters), which we find commendable," Macquarie Capital said in a note.

According to industry experts, sectoral stress and the higher cost of funds are expected to weigh on NBFCs' growth and profitability for the remaining two quarters of FY25.

In a recent note, Icra Ratings said it expects growth in NBFCs' assets under management to slow sharply to 16-18% in FY25 from 25% in FY24. The share of the retail segment and NBFCs in banks' incremental credit flow declined to 42.9% as of August 2024 from 48.9% a year ago.

"As a sizeable portion of bank credit flow to the NBFCs is towards on-lending to the retail segments, overall credit to the retail segment may slow down in the next 12-18 months" Icra said.

While demand for retail credit remains strong, the regulatory nudge to prevent overheating in certain segments of the retail space is the key factor driving slower growth,

The RBI has been highlighting the significant growth in unsecured lending over the past year, along with potential challenges related to asset quality. In November 2023, the central bank increased the risk weights on specific segments of unsecured loans, such as personal loans and credit cards, by 25 percentage points, bringing them to 125%. Additionally, it raised the risk weights on bank credit to NBFCs. Following the covid pandemic, banks had significantly increased their lending to NBFCs, primarily driven by the growth in retail and unsecured loans.

Source: https: https://www.livemint.com/industry/banking/nbfc-banks-earnings-q2-npa-bajaj-finance-mahindra-finance-piramal-enterprises-shriram-finance-retail-loan-11730702212136.html

- **NBFCs growth to remain under pressure amid loan disbursement slowdown, tighter regulations: Report**

The report highlighted that the strong asset under management (AUM) growth witnessed by NBFCs in FY23 and FY24 has weakened in FY25 so far, and this trend is likely to continue.

It said "The healthy AUM growth recorded in FY23/24 has come under pressure thus far in FY25F, and should persist due to lower disbursement growth in FY24/ 1H25"

The key reasons for the slowdown as per the report include reduced disbursement growth, a potential decline in unsecured loans such as personal loans, credit cards, and microfinance due to asset quality concerns, and tighter regulatory oversight.

Furthermore, moderation in the growth of vehicle sales and average selling prices (ASP) is expected to affect auto loan disbursements, particularly in the new vehicle segment.

However, the report remains optimistic about certain segments, including small and medium enterprise (SME) loans, loans against property (LAP), and used vehicle financing. These areas are expected to maintain growth momentum despite the broader slowdown in the sector.

He report also projected a continued decline in disbursement growth, which is expected to moderate to 12 per cent year-on-year in FY25, down from 19 per cent in FY24 and 38 per cent in FY22 and FY23.

Adding to the challenges, the cost of funds for NBFCs is likely to remain high. The expectation of imminent interest rate cuts has diminished, leaving little room for relief on borrowing costs.

In the second half of FY25, NBFCs may face further pressure due to a slowdown in bank loan growth to the sector. This is expected to push NBFCs towards costlier funding options, such as higher-rate borrowings.

The report said "With the expectations for imminent rate cuts waning, we do not expect any respite on cost of funds for NBFCs. Going forward, cost of funds should remain elevated, at least in 2H25F, driven by declining growth of bank loans to NBFCs".

Additionally, factors like rising marginal cost of funds-based lending rates (MCLR) for banks and the recent increase in the spread of NBFC yields over government securities (G-Sec) yields are likely to further strain profitability.

Overall, while certain segments may perform well, the broader NBFC sector is set to face significant headwinds in the near term. (ANI)

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/nbfcs-growth-to-remain-under-pressure-amid-loan-disbursement-slowdown-tighter-regulations-report/articleshow/115798426.cms

- **BFSI Summit: Industry experts discuss future growth paths for NBFCs, MFIs**

In India's evolving financial landscape, non-banking financial companies (NBFCs) and microfinance institutions (MFIs) are also adapting to reach the last mile, said industry experts on Thursday at the Business Standard BFSI Insight Summit 2024, India's biggest banking, financial services, and insurance (BFSI) event. Speaking to Business Standard's Manojit Saha, Shachindra Nath, vice chairman and managing director of U GRO Capital, a tech-driven NBFC, and Venkatesh N, founder and managing director of IIFL Samasta, a financial institution committed to women's economic empowerment, highlighted that despite the adaptability of NBFCs and MFIs, their market reach cannot rival the extensive networks of banks. They underscored the need for partnerships with banks through co-lending models and stressed the need for specialised financial institutions to serve India's micro, small, and medium enterprises (MSMEs) effectively.

According to Nath, partnerships with banks through co-lending models help NBFCs leverage both innovation and stability. He said, "We (NBFCs) are better equipped to adapt to newer things. NBFCs as institutions have more power to innovate. But there are challenges too. For instance, unlike a marketplace like Amazon, where there is only a product and customers, financial institutions have an additional element—the regulators. Thus, NBFCs face more oversight. Between a bank and an NBFC, NBFCs have an added layer of supervision. Banks are supervised by the RBI, while NBFCs also have other regulators ensuring NBFCs lend responsibly."

He added that after reaching a particular size in terms of customers and lending growth, NBFCs should consider converting to banks. However, before that, partnering with banks for co-lending is essential to effectively serve MSMEs and smaller borrowers. Emphasising the dynamic between speed and tradition—fintechs and traditional banks—he said, "We are still a few years from becoming a bank. We are like a Ferrari attached to a bullock cart. There's no choice but to be as traditional as banks while exploring tech innovations so that we can jointly offer the benefits of banking to customers. These benefits do not necessarily require becoming a bank; they can be realised through partnerships with banks."

However, he noted that NBFCs could not match the banking sector's reach and cautioned that rapid growth in NBFCs could introduce potential systemic risks. "Large NBFCs might create inter-linkages and could weigh on the financial system. NBFCs often borrow from multiple banks, and if any issues arise, the banks could also be affected," he said.

Discussing the impact of Covid-19 on lending institutions, he said, "Covid hit the microfinance industry hard. Retail trade in Tier-II, III, and IV areas is improving but has not yet reached pre-Covid levels."

- **India lacks large MSME financial institutions: Venkatesh N**

  Elaborating further on the impact of Covid-19, Venkatesh N said the microfinance sector is still grappling with post-pandemic recovery and faces regulatory and operational challenges, affecting return on equity.

  He highlighted the need for specialised financial institutions to serve MSMEs in the country, suggesting that in the future, MFIs may seek small finance bank licences to meet their customers' evolving needs. "NBFCs, especially MFIs, are reaching remote, underserved regions but face income assessment challenges due to undocumented earnings. MFIs continue to support lower-income households, with many customers relying on informal income sources, with some customers staying with us for 5-6 years," he said.

  "If you look at our operations, we have remote branches in areas where banks are not present. The way NBFCs are used is quite remarkable; we've managed to reach inner pockets. We rely on customers' word for income assessment, as it's often undocumented, which poses a challenge," he added, noting, "The stress in the microfinance sector should recalibrate within a few months."

  He further stated that MFIs need help with high borrowing costs and slow fund deployment due to new regulations. "Despite no liquidity crunch, operational costs remain high, affecting return on equity," he said.

  Source: https://www.business-standard.com/specials/bs-events/bfsi-summit-industry-experts-discuss-future-growth-paths-for-nbfcs-mfis-124110701241_1.html

TOP INSURANCE NEWS

- **Demand for super top-up health insurance plans rises after Covid pandemic**

Labour minister Mansukh Mandaviya on Thursday met with employee associations of gig and platform workers to discuss possible options to provide them social security benefits like health insurance and pension.

According to sources, various options have been discussed such as deducting contribution per transaction undertaken by the gig worker or levying a cess.

"Since a gig or platform worker can be working on several platforms, they cannot be brought under the employer and employee relationship. Accordingly different options are being looked into," said the source.

One of the options is to assign a unique ID to such workers based on which contributions per transaction can be deducted through the platform. Sources indicated that this may not be deducted from the customer.

This is being seen as one of the top priorities for the government and the scheme could be ready by early next year.

For generation of a unique ID, aggregators have already been asked by the ministry to register these workers on the e-Shram portal.

The new version - e Shram 2.0 is set to be launched by the labour minister on Monday. Sources said the portal will not only onboard several schemes for unorganised sector workers but will also enable registration of gig and platform workers.

"This will also enable the ministry to understand how many such workers are there in the country. Social security benefits will accordingly be formulated," the source explained.

While NITI Aayog had estimated such workers at 7.7 million in 2020-21, sources said they could have possibly increased to 2 crore by now.

The Code on Social Security, 2020 provides for framing of suitable social security measures for gig workers and platform workers for life and disability cover, accident insurance, health and maternity benefits as well as old age protection. It also provides for setting up a Social Security Fund to finance the welfare scheme.

Source https://www.businesstoday.in/personal-finance/insurance/story/labour-minister-meets-employee-associations-of-gig-workers-to-discuss-health-insurance-pension-benefits-450536-2024-10-17

- **'Insurance coverage expansion to underserved segments can save govt $10 bn'**

'Insurance coverage expansion to underserved segments can save govt $10 bn'

The government could potentially save nearly $10 billion annually by expanding insurance penetration to include underserved populations and events, which could be redirected towards stimulating economic growth, according to a McKinsey report.

This includes providing comprehensive life insurance cover, which could help reduce the burden of ex gratia benefits to families affected by the loss of life or livelihood due to accidents and other unforeseen events. Robust and affordable private health insurance coverage could lessen the strain on public healthcare, freeing government funds to improve India's healthcare infrastructure, the report stated.

Additionally, targeted interventions in crop insurance could help minimise crop losses, compensate for crop damages, reduce loan defaults, and enhance production yields, according to the report.

Further, creating natural disaster insurance pools with mandatory coverage for ecologically sensitive areas could minimise financial losses for small and medium-sized enterprises (SMEs) and other businesses affected by catastrophic events.

The gross written premium of Indian insurance has exceeded $130 billion, growing at a compound annual growth rate (CAGR) of 11 per cent in the three-year period FY20-23, outpacing its Asian counterparts. From FY16-23, the life insurance segment recorded an 11.4 per cent CAGR, while the general insurance market grew by 15 per cent over the same period.

This growth aligns with the Insurance Regulatory and Development Authority of India's (Irdai) goal of "Insurance for All by 2047," aimed at enhancing availability, accessibility, and affordability. The regulator has introduced customer-centric regulations that simplify the purchase process, allowing insurance players to innovate and cater to a larger consumer base.

Furthermore, the growth of private and digital insurers is outpacing that of public sector insurers. Capital influx into the insurance sector is also driving this expansion.

"Substantial investments in innovation and growth have transformed the insurance industry. Fueled by domestic and foreign private capital, insurers have prioritised enhancing customer experiences through digital channels, optimising sales strategies, and improving business performance metrics like policy persistence," the report noted.

Current regulations cap foreign direct investment (FDI) in insurance at 74 per cent, and private equity firms can invest directly in insurers.

However, despite these efforts, challenges remain. The industry's penetration rate slipped to 4 per cent in FY23 from 4.2 per cent in FY22, highlighting gaps in product innovation, distribution efficiency, and renewal management.

"Operational inefficiencies, profitability issues, gaps in coverage, limited regulatory support that stifles innovation, and rapidly evolving risks are significant challenges hindering the industry's performance. Additionally, limited financial literacy and suboptimal advisory services have exacerbated concerns about misselling," the report said.

Over the past five years, the top five private life insurers in India have recorded a 17 per cent CAGR in new business premium, while their profit rose by only 2 per cent, indicating issues with cost management and operational efficiency. Rising expenses—including commissions, operational costs, employee salaries, and marketing—contribute to these challenges.

On the regulatory front, certain measures have impacted insurers' profitability, including new surrender value norms for life insurers and stagnation in third-party pricing for motor insurance.

"The change in surrender value methodology may lead to higher payouts, while reducing the minimum premium term from two years to one could drive up costs. The stagnation of third-party pricing for motor insurance, which has grown by less than 2 per cent annually since 2019 (compared with an inflation rate of 5 to 6 per cent), hampers market competitiveness and discourages innovation in the motor insurance sector," the report observed.

To build a resilient ecosystem, insurers must focus on driving value growth. While factors like rising premiums, strong competition, and capital inflows may support short-term gains, long-term success will depend on prioritising innovation. Insurers need to adapt to evolving customer needs, invest in talent and technology, and commit to sustainability. Data, analytics, and technology will be key enablers in this process.

Source: https://www.business-standard.com/finance/insurance/insurance-coverage-expansion-to-underserved-segments-can-save-govt-10-bn-124111301769_1.html

- **GST on healthcare and life insurance services raised over Rs 16,000 crore in FY24**

  Revenue from goods and services tax (GST) levied on healthcare and life insurance services fetched over Rs 16,000 crore last fiscal, Minister of State for Finance Pankaj Chaudhary informed the Lok Sabha on Monday.

  In all, Rs 16,398 crore was collected as GST from healthcare and life insurance services in FY24, including Rs 8,135 crore from life insurance and Rs 8,263 crore from health insurance. Additionally, Rs 2,045 crore was also raised as GST from re-insurance on life and health insurance last fiscal, including Rs 561 crore from reinsurance on life and Rs 1,484 crore on health care.

  In contrast, GST on healthcare and life insurance services brought in Rs 16,770 crore in FY23 including Rs 9,132 crore from life insurance and Rs 7,638 crore from healthcare insurance.

  "At present, GST on health insurance services is levied at standard rate of 18%," Chaudhary said in response to a question. Specific health insurance schemes catering to the needs of differently abled and economically weaker sections of the society, such as Rashtriya Swasthya Bima Yojana (RSBY), Universal Health Insurance Scheme, Jan Arogya Bima Policy, Niramaya Health Insurance Scheme are exempt from GST, he further said.

  "In pre-GST (service tax) period also, health and life insurance services were taxed at the standard rate and similar exemptions were given for specific health and term life insurance schemes catering to the needs of economically weaker sections of society," the minister further said.

  In response to another question, he said that recommendations of the Group of Ministers (GoM) looking into issues pertaining to GST on life and health insurance will be placed before the GST Council when received.

  "The issue of exempting or reducing the GST on life and health insurance was placed before the GST Council in its 54th Meeting held on 9 September 2024 at New Delhi. After detailed deliberations, the GST Council recommended to constitute a Group of Ministers (GoM) to holistically look into the issues pertaining to GST on life insurance and health insurance," he said, adding that the GoM on life and health insurance was constituted under the Chairmanship of Samrat Chaudhary, Deputy chief minister of Bihar. The first meeting of the GoM was held on October 19, 2024 at New Delhi where the issues of GST rates on health and life insurance policies were discussed. "The recommendations of the GoM when received will be placed before the GST Council," he said.

  The GST Council is slated to meet on December 21 in Jaisalmer where it is expected to take up the issue of GST on life and health insurance.

  Source: https://www.businesstoday.in/personal-finance/insurance/story/gst-on-healthcare-and-life-insurance-services-raised-over-rs-16000-crore-in-fy24-455045-2024-11-25

TOP CORPORATE BOND MARKET NEWS

- **Best corporate bond mutual funds to invest in November 2024**

  Are you planning to invest in relatively-safe debt schemes to take care of your near-term goals? Or are you searching for 'relatively safe' debt funds to invest for three years or more? If your answer is yes, you can consider investing in corporate bond funds in November 2024.

  These schemes invest at least 80% of their corpus in the papers of the highest-rated companies. This makes them relatively safer than other debt schemes such as credit risk funds. They are also safer than gilt funds and long term debt funds that are highly sensitive to interest rate changes in the economy.

  You should pay attention to these two factors: safety and interest rates. Safety became a crucial factor for debt fund investors after a series of defaults and downgrades in the debt space almost three years ago. The shutting down of six schemes by Franklin Templeton Mutual Fund shook conservative investors in debt schemes. Though the environment is different now, you should still proceed cautiously.

  The second factor of interest rate changes assumes significance at the current juncture. The central banks are trading very cautiously as the inflationary scenario continues to be persistent and they have been warning investors that a rate cut may take time. In India too the RBI has been holding interest rates and it is undecided on the rate cuts.

  Don't think that corporate bond funds do not have any risk. Sure, the highest rating of AAA offers you higher safety. But make sure your fund manager is not taking any extra risk to make extra returns.

  Here are our recommended corporate bond funds you may consider investing to take care of your short-term investments. There are no changes in the recommendation list this month. If you are investing in these schemes, you can relax and continue with your investments. Follow our monthly updates regularly.

Best Corporate Bond Funds to invest in November 2024:

- HDFC Corporate Bond Fund
- Aditya Birla Sun Life Corporate Bond Fund
- ICICI Prudential Corporate Bond Fund
- Sundaram Corporate Bond Fun

Methodology

ETMutualFunds has employed the following parameters for shortlisting the debt mutual fund schemes.

1. Mean rolling returns: Rolled daily for the last three years.
2. Consistency in the last three years: Hurst Exponent, H is used for computing the consistency of a fund. The H exponent is a measure of randomness of NAV series of a fund. Funds with high H tend to exhibit low volatility compared to funds with low H.
   i) When H = 0.5, the series of returns is said to be a geometric Brownian time series. This type of time series is difficult to forecast.
   ii) When H <0.5, the series is said to mean reverting.
   iii) When H>0.5, the series is said to be persistent. The larger the value of H, the stronger is the trend of the series
3. Downside risk: We have considered only the negative returns given by the mutual fund scheme for this measure.

   X =Returns below zero

Y = Sum of all squares of X

Z = Y/number of days taken for computing the ratio

Downside risk = Square root of Z

4. Outperformance: Fund Return – Benchmark return. Rolling returns rolled daily is used for computing the return of the fund and the benchmark and subsequently the Active return of the fund.

Asset size: For debt funds, the threshold asset size is Rs 50 crore.

Source: https://economictimes.indiatimes.com/mf/analysis/best-corporate-bond-mutual-funds-to-invest-in-november-2024/articleshow/115717392.cms?from=mdr

- **Corporate bond issuances rebound in November as market gains stability**

Corporate bond issuances rebounded in November following a decline in October as the market gained certainty after the US Federal Reserve adopted a dovish stance, according to market participants. In October, fundraising through corporate bonds experienced a 40 per cent drop, primarily driven by an increase in the cost of borrowing.

Estimates suggest that Indian companies might have raised Rs 82,590 crore as of November 28, according to market sources, against Rs 33,148 crore in October.

Fundraising in November might have been the third-highest in the current financial year (2023-24) after May and June. Corporate bond issuances were Rs 1.03 trillion and Rs 1.2 trillion in May and June of the current year, respectively

Market participants anticipate that December's issuances may surpass those of November due to positive market sentiment. The market believes that interest rates may have reached their peak and have instilled a sense of stability, prompting investors to explore opportunities within the debt market.

Furthermore, the market is projecting a total increase of a minimum of 15-20 per cent in corporate bond issuances for the entire current financial year compared to the last year.

The main factor driving the increase in issuances in November was the deferral of issuances initially slated for October, market participants said.

Issuers postponed these issuances due to heightened market volatility, with the US yield hovering around 5 per cent. Investors, wary of uncertainty, refrained from placing large bets in the corporate bond market and turned towards the government bond market as the latter is more liquid in nature.

"The primary reason for so many issuances is the stability in the market because in October there was a lot of volatility in the market," said Ajay Manglunia, managing director and head (institutional fixed income) at JM Financial.

"Issuers who were not able to raise money in October due to high rates came to the market in November," he added.

In October, the yield on corporate bonds rose nearly 10-15 basis points (bps) across maturities.

Another factor leading to the rise in issuances was the Reserve Bank of India's (RBI's) decision to raise the risk weight on banks' credit exposure to non-banking financial companies (NBFCs), market participants said.

"After the RBI circular on risk weighting, many public sector undertakings, including Power Finance Corporation, REC, Small Industries Development Bank of India, Indian Railway Finance Corporation, Canara Bank, and many more corporates have tapped the bond market this month. The market is speculating about many corporates including Bharti Telecom, Bank of Baroda, DME and many others to tap the bond market before policy," said Venkatakrishnan Srinivasan, founder and managing partner, Rockfort Fincap.

“Many corporates are also keen to raise funds through bonds for their acquisition deals,” he added.

Following the RBI's recent action, the cost of borrowing for NBFCs from banks is projected to increase by 10-30 bps. On the other hand, there was a slight rise in yields on corporate bonds, ranging from 5-10 bps due to the incremental surge in bond supply in November.

However, on a year-on-year basis, primary issuances experienced a decline of around 20 per cent in the month. In the second half of the current calendar year, the issuances were down by around 18 per cent compared to a year-ago period.

Source: https://www.business-standard.com/economy/news/corporate-bond-issuances-rebound-in-november-as-market-gains-stability-123112901056_1.html

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