Subscribers Copy-
Not for free circulation

BANKERS PLUS

Volume V, Issue 12 March 2025

Mutual Credit Guarantee Scheme for Micro, Small & Medium Enterprises

CONTENTS

BANKERS PLUS- MAR 2025
VOLUME V, ISSUE 12

Published by,
Ramya Education Enterprise
5G-807, Provident Sunworth, NICE Junction, Mysore Road, Bangalore-60
www.ramyaedu.com

Important Notice

BANKERS PLUS- MAR 2025
VOLUME V, ISSUE 12

Editor's Desk

Welcome to **March 2025** edition of '**Bankers Plus'**. Thanks for accepting Bankers Plus as your **'trusted source'** for updating professional Knowledge & making this the most **preferred magazine** among Bankers.

Recently I interacted with many entrepreneurs who have built their businesses successfully in various industries. One of the discussion point was regarding the **Guaranteed Emergency Credit Line (GECL)** offered by the banks to support the business units which got affected by lock down imposed during Covid-19 pandemic.

When this scheme was announced by the Government, many bankers were of the opinion that it may become one of the biggest trouble creating portfolio of future and anticipated huge NPAs over the period of time. It is already been 4 years of disbursement of GECL. Presently portfolio is stable and the stress levels in these loans are even less than overall NPA percentage of banks.

The reality at the field level is that, many entrepreneurs whose money got struck due to lock down, availed GECL facility to keep the business running and meeting their working capital requirements. The facility kept the business ecosystem **liquid** during the stressed time and provided **little opportunity** for **fund diversion**. The borrowers whose businesses were stressed even before covid 19 pandemic were also got a **second chance** to revive their business through this credit facility and rebuilt their business and running business comfortably now. This case again remind us the basic principle of offering **'need based credit at right time'** and ensuring proper **'end use of funds'** will always help to keep our credit portfolio healthy and safe.

Shivaprasad K
www.ramyaedu.com

Mutual Credit Guarantee Scheme for Micro, Small & Medium Enterprises

As per the announcement made during union budget, Government of India has recently launched '**Mutual Credit Guarantee Scheme for MSMEs'.** This initiative aims to strengthen the **manufacturing sector** by providing **60 per cent** guarantee coverage for loans up to **Rs 100 crore** sanctioned by banks and financial institutions, specifically for the purchase of **plant and machinery or equipment**.

The fund and the scheme will be managed and operated by **National Credit Guarantee Trustee company ltd (NCGTC).**

The key features of the scheme are,

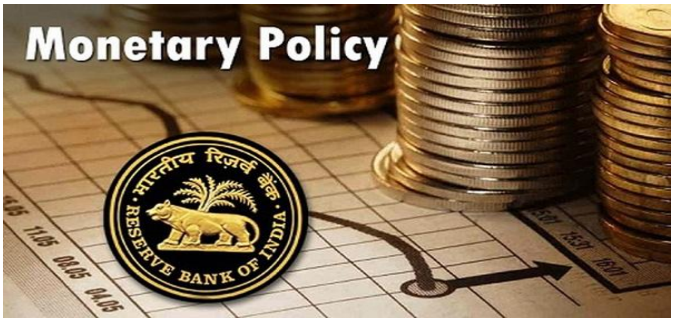
Eligible Borrower	✓ The borrower should be a MSME with valid **Udyam Registration Number.** ✓ **The Borrower's account** should not be NPA with any lender. ✓ Minimum cost of equipment /machinery is 75% of project cost.
Eligible Lenders	✓ All Scheduled Commercial Banks (SCBs) . ✓ All India Financial Institutions (AIFIs) ✓ Non Banking Finance Companies (NBFC) licensed from RBI.

Duration of the Scheme	The scheme would be available for a period of **4 years** or till cumulative guarantees of **Rs.7 lakh crore** are issued, whichever is earlier.
Guaranteeing Authority	National Credit Guarantee Trustee Company Ltd (NCGTC).
Maximum Project cost	Any amount
Maximum Loan amount	**Rs. 100 crore.** In case loan amount exceeds **Rs.100 crore**, two different repayment schedules should be drawn (one for Rs.100 crore loan and the second for balance amount of loan), repayment schedule shall be **pro-rata** and **receipts/repayments** should be distributed **proportionately**.
Condition to obtain guarantee cover	5% of the loan amount not exceeding **Rs.5 crore** shall be deposited with the Trust as **upfront (initial) contribution** at the time of application of guarantee cover.
Repayment period	Loan upto **Rs.50 crore** under the Scheme shall have repayment period of upto **8 years** with upto **2 years moratorium period** on principal instalments. For loans above **Rs.50 crore**, higher repayment schedule and moratorium period on principal instalments can be considered.

Security	Banks can offer **collateral free loan** only with primary security. In case any **collateral security** is available & indicated at the time of sanction of guarantee, the value indicated at the time of sanction shall be considered for the purpose of initial contribution.
Lock in period for invocation of guarantee	Lock in period for invocation of guarantee shall be **2 years** from the date of commencement of guarantee cover.
Guarantee cover	60% of Amount in Default.
Guarantee Fee	Nil during the year of sanction. During the next 3 years, it shall be **1.5% p.a**. of loan outstanding as on March 31 of previous year. Thereafter, Guarantee Fee shall be 1% p.a. of loan outstanding as on March 31 of previous year. Risk premium, over and above Guarantee Fee, or discount, if any, can be decided by the trust in future (say after 3 years) based on the performance of the scheme.
Interest rate on loans	As per the individual bank's discretion as per RBI guidelines.
Claim Payout Cap in a year	The entire eligible guaranteed amount shall be payable to an MLI. However, during a year, only twice the amount of guarantee fee paid and recoveries deposited (out of earlier claims paid) is eligible for payout.

REGULATORY UPDATES

BANKERS PLUS- MAR 2025
VOLUME V, ISSUE 12



Change in Key Policy rates under LAF & Bank Rate

In the recent **Monetary Policy Committee (MPC)** meeting it is decided to reduce the **policy repo rate** under the **Liquidity Adjustment Facility (LAF)** by **25 basis points** from **6.50 per cent** to **6.25 per cent**. Consequently, the **standing deposit facility (SDF) rate** and **marginal standing facility (MSF)** rate stand adjusted to **6.00 percent** and **6.50 percent** respectively.

It is also been decided to revise **Bank Rate** downwards by **25 basis points** from **6.75 per cent** to **6.50 per cent.**

Monetary policy committee has also decided to continue with the **neutral monetary policy stance** and remain unambiguously focussed on a durable alignment of inflation with the target, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for **consumer price index (CPI) inflation** of **4 per cent** within a band of **+/- 2 per cent**, while supporting growth.

RBI has projected **real GDP growth** for **2025-26** at **6.7 percent** with **Q1** at **6.7 percent**; **Q2** at **7.0 percent**; and **Q3** and **Q4** at **6.5 percent** each. CPI inflation for **2024-25** is projected at **4.8 percent** with **Q4** at **4.4 percent**. Assuming a normal monsoon next year, **CPI inflation** for 2025-26 is projected at **4.2 percent** with **Q1** at **4.5 percent**; Q2 at **4.0 per cent;** Q3 at **3.8 percent**; and **Q4** at **4.2 percent** .

Credit line on UPI – Extending the scope of Small Finance Banks (SFBs)

In September 2023, the scope of **Unified Payments Interface (UPI)** was expanded by enabling **pre-sanctioned credit lines** to be linked through UPI and used as a funding account by Scheduled Commercial Banks excluding **Payments Banks, Small Finance Banks (SFBs)** and **Regional Rural Banks.**

Credit line on UPI has the potential to make available low-ticket, low-tenor products to **'new-to-credit'** customers. **Small Finance Banks (SFBs)** leverage a high-tech, low-cost model to reach the last mile customer and can play an enabling role in expanding the reach of credit on UPI. Hence, RBI has recently permitted **Small Finance Banks (SFBs)** to extend pre-sanctioned credit lines through the UPI.

FEMA (Manner of Receipt and Payment) (Amendment) Regulations, 2025

RBI has recently notified amendments to **Foreign Exchange Management (Manner of Receipt & Payment) Regulations, 2023. Post this amendments, the applicable guidelines are as follows,**

(a) The **receipt** and **payment** between a person resident in India and a person resident outside India shall, unless provided otherwise, be made through an **Authorised Bank** or **Authorised Person** and in the manner as specified below:

(I) Trade transactions - (a) receipt/payment for export to or import from the countries given below of eligible goods and services shall be made as under:

i) Nepal and Bhutan - In Indian Rupees provided that in case of exports from India where the importer in Nepal has been permitted by the **Nepal Rashtra Bank** to make payment in foreign currency, such receipts towards the amount of the export may be in foreign currency.

ii) Member countries of ACU, other than Nepal and Bhutan – In respect of payments from a resident in the territory of one participant country to a resident in the territory of another participant country, through ACU mechanism, or as per the directions issued by the Reserve Bank to authorised dealers from time to time.

(II) For all other transactions, receipt and payment may be made in a manner as specified below,

i) Countries other than member countries of ACU - In **Indian Rupees** or in any **foreign currency.**

ii) Transactions other than trade transactions - Nepal and Bhutan - In Indian Rupees provided that in case of overseas investment in Bhutan, payment may also be made in foreign currency. **For Other Countries –** In Indian Rupees or any foreign currency.

REGULATORY UPDATES
BANKERS PLUS – MAR 25

Increase in Foreign Direct Investment (FDI) limit for Insurance sector

As per the latest budgetary announcement, government of India has proposed to increase **Foreign Direct Investment** in **Insurance sector** from existing **74** to **100 per cent.** This enhanced limit will be available for those companies which invest the entire premium in India.

In addition to this measure, government has also proposed to set up a forum for **regulatory coordination** and **development** of **pension products.** Also to implement the earlier announcement on simplifying the KYC process, the revamped Central KYC Registry will be rolled out in 2025 through CERSAI.

Renaming of RBI – Integrated Ombudsman Scheme- 2021

The **Lokpal** and **Lokayuktas Act, 2013**, provides for establishment of a body of **Lokpal** for the **Union** and **Lokayukta** for **States** to inquire into allegations of **corruption** against certain **public functionaries** and for matters connected therewith or incidental thereto. This Act, enacted by the Parliament, uses the expression **'Lokpal'** exclusively for a body established by virtue of coming into force of the **Act of 2013** vide **section 3** thereof, with effect from 16.01.2024.

The Reserve Bank of India had launched the **'Reserve Bank-Integrated Ombudsman Scheme, 2021'** in 2021. When the Scheme name, translated into Hindi, was read as **'रिज़र्वबैंक-एकीकृत लोकपाल योजना, 2021'.** The usage of the **term 'Lokpal' ('लोकपाल')** in the RBI's Scheme is thus contrary to the provisions of the Lokpal and Lokayuktas Act, 2013, as the term **'Lokpal'** after coming into force of the Lokpal and Lokayuktas Act, 2013 means a body established under section 3 of the Act to be called the Lokpal.

Considering this fact, Reserve Bank of India has now replaced the word 'लोकपाल' with the word **'ओम्बड्समैन'** in the Hindi version of '**Reserve Bank-Integrated Ombudsman Scheme (RB-IOS), 2021'.** The RB-IOS 2021, in Hindi is now termed as **'रिज़र्वबैंक-एकीकृत ओम्बड्समैन योजना, 2021'.**

Revision in Income Tax slabs for FY 2025-26

Reposing faith on middle class in nation building, the **Union Budget 2025-26** proposes **new direct tax slabs** and rates under the **new income tax regime** so that no income tax is needed to be paid for total income upto **₹12 Lakh per annum**, i.e. average income of **₹** 1 Lakh per month, other than special rate income such as Capital Gain. Salaried individuals earning upto **₹12.75 Lakh per annum** will pay **NIL tax**, due to **standard deduction** of **₹ 75,000.**

The revised tax rate structure under the new tax regime for **FY 2025-26 (AY 2026-27)** as follows,

Total Income per annum	Rate of Tax
₹ 0 – 4 Lakh	NIL
₹ 4 – 8 Lakh	5%
₹ 8 – 12 Lakh	10%
₹ 12 – 16 Lakh	15%
₹ 16 – 20 Lakh	20%
₹ 20 – 24 Lakh	25%
Above ₹ 24 Lakh	30%

To rationalize TDS/TCS, Budget doubles limit for tax deduction on interest earned by **senior citizens** from the **present ₹ 50,000** to **₹ 1 Lakh.** Further, TDS threshold on rent has been increased to **₹ 6 Lakh** from **₹ 2.4 Lakh per annum**.

Review and rationalization of prudential norms – UCBs

To address various credit related risks faced by **Urban Co-operative Banks**, RBI has recently reviewed **prudential norms** with respect to **loans** and **advances** offered by the urban cooperative banks (UCBs). The revised guidelines are,

	Existing instructions	Revised instructions
Real Estate Exposure Norms	Aggregate exposure of a UCB to housing, real estate and commercial real estate loans is capped at **10 per cent** of its **total assets**. The ceiling of **10 per cent** can be exceeded by **an additional 5 per cent** of total assets for the purpose of grant of housing loans to individuals as per the eligibility limits for priority sector classification. Further, subject to the above aggregate caps, the ceilings for individual housing loans are prescribed at **₹60 lakh** per individual borrower for **Tier-1 UCBs,** and **₹140 lakh per individual borrower** for all other UCBs.	Aggregate exposure of a UCB to residential mortgages (housing loans to individuals), other than those eligible to be classified as priority sector, shall not exceed **25 per cent** of its **total loans and advances**. Housing loans to individuals shall be subject to the following Tier 1 UCBs - Rs. 60 lakh, Tier 2 UCBs- Rs. 1.40 crore, Tier 3 UCBs- Rs. 2 crore, Tier 4 UCBs- Rs. 3 crore.

	Existing instructions	Revised instructions
Small Value Loans	UCBs are required to follow the prescribed glidepath to have at least **50 per cent** of their aggregate loans and advances comprising of **small value loans** – i.e., loans of value not more than **₹25 lakh** or **0.2 per cent** of their **Tier I capital,** whichever is higher, subject to a maximum of **₹1 crore per borrower** – by March 31, 2026.	Definition of **small loans** has been revised. A small loan will be the one having a value not more than **₹25 lakh** or **0.4 per cent** of their **Tier I capital,** whichever is higher, subject to a ceiling of **₹3 crore** per borrower. Timelines for achieving the same remain unchanged.
Provisioning requirement for investment in security receipts (SRs)	UCBs need to provide for the **valuation differential** on the Security Receipts held against the assets transferred by them to ARCs. In this regard, a five-year glide path till FY2025-26 was provided, in respect of such Security Receipts (SRs) outstanding as on the date of issuance of MD-TLE, i.e. September 24, 2021 (‘specified SRs’).	RBI has decided to extend the above glide-path for UCBs for **additional two years** till FY2027-28. However, any provisions already made for the specified SRs shall continue to be maintained.

Review of Risk Weights on Microfinance Loans

As per RBI guidelines on Basel norms, **specified retail loans** for **regulatory capital purposes** which are included in a **regulatory retail portfolio (RRP),** attracts a risk weight of **75 per cent.** In November 2023, RBI has increased **risk weights** on **consumer credit**, including **personal loans,** but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery to **125 per cent.**

On a review, RBI has recently decided to exclude **microfinance loans** (Loans sanctioned for a household with a maximum income of Rs. 3,00,000, on a unsecured basis with a maximum FOIR of 50%) in the nature of **consumer credit** from the applicability of **higher risk weights** and reduced the risk weights for such loans to **100 per cent**. This guideline is applicable to commercial Banks (including Small Finance Banks but excluding Regional Rural Banks and Local Area Banks). All microfinance loans extended by RRBs and LABs shall also attract a risk weight of **100 per cent.**

Exposures of Banks to NBFCs – Review of Risk Weights

As a regulatory measures towards '**consumer credit'** and **bank credit to NBFCs,** RBI in November 2023 increased **risk weight** on the exposures of **Scheduled Commercial Banks** to **NBFCs** by **25 percentage points (over and above the risk weight associated with the given external rating)** in all cases where the extant risk weight as per **external rating** of **NBFCs** was below **100 per cent.**

On a review, it has been decided to **restore** the **risk weights** applicable to such exposures and the same shall be as per the external rating with effect from **April 01, 2025.** This guideline is applicable for all scheduled commercial banks including Small Finance Banks but excluding Regional Rural Banks and Payments Banks.

Opening of Demat Account in the name of Association of Persons

SEBI as per it’s latest guidelines permitted opening of **demat account** in the name of the **Association of Persons (AoP)** for holding securities, such as units of mutual funds, corporate bonds and Government Securities in **demat account.**

AoP shall be responsible for ensuring that it only subscribes to the financial instrument/ securities that are permitted by statutes governing the constitution of AoP. The **PAN Card details** of the AoP and the Principal Officer (secretary, treasurer, manager or agent) of the AoP shall be obtained.

The AoP holds only such securities in dematerialized form as permitted by the statutes governing its constitution. **The demat account is not be used for subscribing / holding equity shares.**

Forward Contracts in Government Securities Directions- 2025

Reserve Bank of India has recently issued **Forward Contracts** in **Government Securities Directions, 2025** which shall apply to **forward contracts** in **government securities** undertaken in the **Over-the-Counter (OTC)** market in India with effect from **May 02, 2025**. The key highlights of the direction are,

(a) Bond forward means a rupee interest rate derivative contract in which **one counterparty (buyer)** agrees to buy a specific government security from another counterparty **(seller)** on a specified future date and at a price determined at the time of the contract. As per the direction both **resident** and **non resident individuals** can undertake **bond forward transactions.**

(b) Market-makers: A Scheduled Commercial Bank (except a Small Finance Bank, a Payment Bank, a Local Area Bank and a Regional Rural Bank) and a Standalone Primary Dealer (SPD) can act as **Market Makers** for these contracts. A market-maker may undertake **long positions** without any limit and **covered short positions** in **bond forwards**. At least one of the parties to a bond forward transaction shall be a **market-maker** or a **central counter party** authorised by the Reserve Bank for the purpose.

(c) Users: Any entity, eligible to be classified as a **non-retail user** shall be eligible to undertake transactions in bond forwards as a user. An **eligible resident user** may undertake **long positions** in bond forwards without any limit. An **eligible user (resident and non-resident)** may undertake covered short positions in bond forwards only for the purpose of hedging. A user with a covered short position in a bond forward shall exit its short position in case it ceases to hold the underlying government security.

(d) Settlement and Unwinding: A bond forward transaction may be **physically-settled** or **cash-settled**. A physically-settled bond forward transaction shall be settled through the **CCIL** or any other clearing agency or clearing arrangement approved by the Reserve Bank for the purpose. The settlement basis and market conventions for bond forward transactions shall be specified by the **Fixed Income Money Market and Derivatives Association of India (FIMMDA).**

(e) Market Timings: The market timing for undertaking bond forward transactions shall be the market timing specified by the Reserve Bank for undertaking **OTC Rupee Interest Rate Derivative** transactions.

(f) Reporting: A market-maker shall report all bond forward transactions undertaken during the day to the **Trade Repository (TR)** of the **CCIL** before closure of the TR for the day. The reporting shall include, inter alia, details of the counterparties, the underlying government security, settlement type (cash-settled or physically- settled) and whether a short position is a covered or uncovered short position.

(g) Violation of Directions: If a person or agency violates any provision of these Directions, RBI may disallow that person or agency from dealing in bond forwards for a period not exceeding one month at a time, after providing reasonable opportunity of hearing.

REGULATORY UPDATES BANKERS PLUS – MAR 25

Opening of Special Non Resident Rupee (SNRR) accounts of IFSC Units

A person resident outside India, having business interest in India, may open a **Special Non-Resident Rupee Account (SNRR account),** with an authorised dealer in India or its branch outside India for the purpose of putting through permissible **current** and **capital account** transactions with a person resident in India in accordance with the rules and regulations framed under the FEMA, and for putting through any transaction with a person resident outside India. The account can be opened for a period of 7 years and the same can be further extended to 7 years with prior approval of RBI.

RBI in it's recent instructions permitted, Authorised dealer banks to open **SNRR account** of **IFSC units** to route all business related transactions of the IFSC unit. Followed by this instruction, **IFSCA** has permitted allowing **Internet banking facility** for these SNRR accounts.

Key policy rates as on 28.02.2025

Key Rate-As on	31.01.2025	28.02.2025
Policy Repo Rate	6.50%	6.25%
Fixed Reverse Repo Rate	3.35%	3.35%
Standing Deposit Facility Rate	6.25%	6.00%
MSF Rate	6.75%	6.50%
Bank Rate	6.75%	6.50%
CRR	4.00%	4.00%
SLR	18.00%	18.00%
Base Rate	9.10%-10.40%	9.10%-10.40%
MCLR (Overnight)	8.15% - 8.45%	8.15%-8.45%
Savings Deposit Rate	2.70% - 3.00%	2.70%-3.00%
Term Deposit Rate > 1 Year	6.00%- 7.25%	6.00%- 7.25%


STOCK

Union Budget 2025-26: Key announcement for MSME sector

The **Union Budget 2025-26** introduces a series of measures aimed at strengthening the **Micro, Small & Medium Enterprises (MSME) sector**, recognising its role as one of the key engines in India's journey of development. In recent years, the sector has displayed remarkable resilience, with its share in the country's **Gross Value Added (GVA)** increasing from **27.3% in 2020-21 to 29.6% in 2021-22 and 30.1% in 2022-23**, highlighting its growing role in economic output.

Exports from MSMEs have seen substantial growth, rising from **₹3.95 lakh crore in 2020-21 to ₹12.39 lakh crore in 2024-25**. The number of exporting MSMEs has also surged, increasing from **52,849 in 2020-21 to 1,73,350 in 2024-25**. In this background, GoI has announced following measures to boost MSME sector under Union Budget 2025-26.

(A) Revised Classification Criteria: The revised classification criteria proposed for MSMEs is as follows,

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

(B) Enhanced Credit Availability:

(a) The credit guarantee cover for micro and small enterprises (CGTMSE) has been increased from **₹5 crore** to **₹10 crore**, enabling additional credit of **₹1.5 lakh crore** over **five years**.

(b) Startups will see their guarantee cover **(Credit guarantee scheme for startups)** double from **₹10 crore** to **₹20 crore**, with a reduced fee of **1%** for loans in **27 priority sectors**.

(c) Exporter MSMEs will benefit from term loans up to **₹20 crore** with **enhanced guarantee cover.**

(d) A new **customised Credit Card scheme** will provide **₹5 lakh** in **credit** to **micro enterprises** registered on the **Udyam portal,** with **10 lakh cards** set to be issued in the first year.

(C) Support for Startups and First-Time Entrepreneurs:

(a) A new **Fund of Funds** with **₹10,000 crore** will be established to expand support for startups.

(b) A scheme for 5 lakh first-time women, Scheduled Caste, and Scheduled Tribe entrepreneurs will provide term loans up to **₹2 crore** over five years, incorporating lessons from the **Stand-Up India scheme**.

(D) Focus on Labour-Intensive Sectors

A Focus Product Scheme for the footwear and leather sector will support design, component manufacturing, and non-leather footwear production, expected to create 22 lakh jobs and generate a turnover of **₹4 lakh crore.**

Union Budget 2025-26: Key announcement for Agriculture Sector

Agriculture as the **1st engine** of development, **Government** has made following announcements during **Union Budget 2025-26** to boost **agriculture sector.**

(a) Under **Prime Minister Dhan-Dhaanya Krishi Yojana (PMDDKY),** government proposes the development of 100 districts with low productivity, moderate crop intensity and below-average credit parameters, to benefit 1.7 crore farmers.

(b) A **Makhana Board** to be established to improve production, processing, value addition, and marketing of makhana in **Bihar.**

(c) A **National Mission on High Yielding Seeds** to be launched aiming at strengthening the research ecosystem, targeted development & propagation of seeds with high yield & commercial availability of more than 100 seed varieties.

(d) Government to bring a framework for sustainable harnessing of fisheries from **Indian Exclusive Economic Zone and High Seas,** with a special focus on the Andaman & Nicobar and Lakshadweep Islands.

(e) The KCC loan limit under **Modified Interest Subvention Scheme** to be enhanced from **₹ 3 lakh** to **₹ 5 lakh**.

(f) A plant with **annual capacity** of **12.7 lakh metric tons** to be set up at **Namrup, Assam.**

Committee to review trading & settlement timings of RBI regulated markets

Reserve Bank of India has recently announced the setting up of a **Working Group** to undertake a **comprehensive review** of **trading and settlement timings** of **markets** regulated by the Reserve Bank.

The working group with eminent industry experts constituted under the **chairmanship** of **Shri Radha Shyam Ratho**, Executive Director, Reserve Bank of India.

The working group will review the current trading and settlement timings for various financial markets regulated by the RBI including functioning hours of market infrastructures for trading, clearing, settlement and reporting of transactions. It also examine cross-country practices relating to market timings and their influence if any, on market development in terms of participation, liquidity, volumes, etc and recommend on trading and settlement timings by **April 30, 2025.**

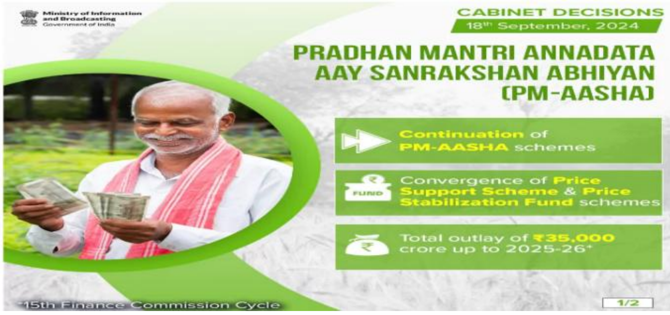
Launch of the RBIDATA Mobile App by RBI

RBI has recently launched **‘RBIDATA’,** a Mobile App, that offers **macroeconomic** and **financial statistics** relating to the Indian economy in a user-friendly and visually engaging format. The app has Access to over 11,000 different series of economic data to give a comprehensive view of the Indian economy. Users can view time series data in graphs/charts and download data for analysis. Users can find also find ‘Banking Outlets’ located within 20 km of their location. Data about SAARC countries through the **‘SAARC Finance’** link is also available in the app.

INDUSTRY UPDATES
BANKERS PLUS – MAR 25

Removal of Restrictions : Kotak Mahindra Bank

On April 24, 2024, the **RBI** had, imposed restrictions on **Kotak Mahindra Bank Limited** from onboarding of new customers through its **online** & **mobile banking channels and issuing fresh credit cards**. Considering the remedial measures initiated and implemented by the bank and meeting the compliance requirements of RBI, the restrictions are now removed.



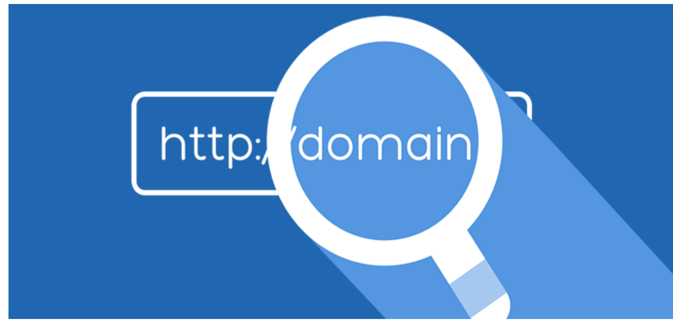
Continuation of PM-AASHA Scheme

The Government of India has recently approved the continuation of the integrated **Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) Scheme** during the **15th Finance Commission Cycle** up to **2025-26**. The scheme is aimed towards ensuring **remunerative prices** to farmers for their produce in addition to enhancing **agricultural productivity**, **reducing cost of cultivation** and **securing farmer's income** in the long run.

In order to incentivize the farmers contributing to enhancement of domestic production of pulses and to reduce the dependence on imports, the Government has allowed the procurement of **Tur, Urad** and **Masur** under PSS equivalent to 100% of the production of the State for the procurement year 2024-25.

The Government has also made an announcement in Union Budget 2025 that procurement of **Tur (Arhar), Urad** and **Masur** up to 100% of the production of the State will be continued for another four years through Central Nodal Agencies **(National Agricultural Cooperative Marketing Federation of India and National Cooperative Consumers' Federation of India Limited)** to achieve self- sufficiency in pulses in the country.

Enhancing Trust in the Financial Sector through 'bank.in' and ‘fin.in’ domains



Increased instances of fraud in digital payments are a significant concern. To combat the same, the Reserve Bank of India (RBI) is introducing the **'bank.in'** exclusive Internet Domain for Indian banks.

This initiative aims to reduce cyber security threats and malicious activities like phishing; and, streamline secure financial services, thereby enhancing trust in digital banking and payment services. The **IDRBT** will act as the exclusive registrar. The registrations will commence from **April 2025.**

Key Budget Estimates and Allocations 2025-26

Union Budget for the FY 2025-26 was presented by the Finance Minister on 1 Feb 2025. The key financial estimates presented during **Union Budget 2025-26** are provided as follows,

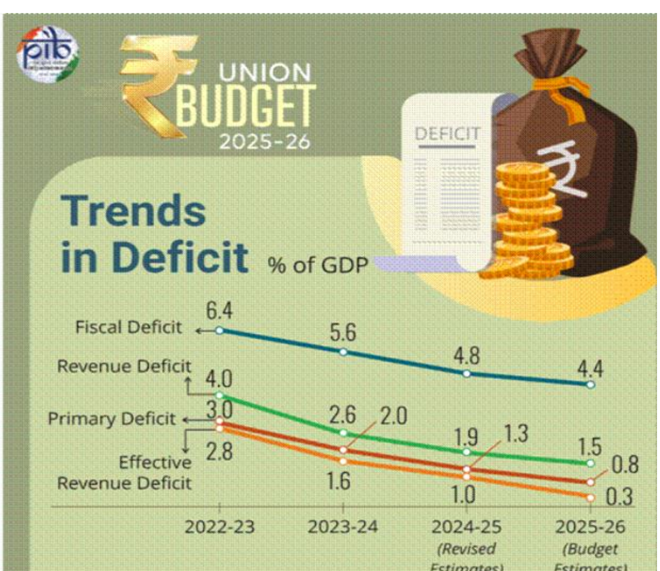
(a) The **total receipts** other than **borrowings** and the total expenditure are estimated at **₹34.96 lakh crore** and **₹50.65 lakh crore** respectively.

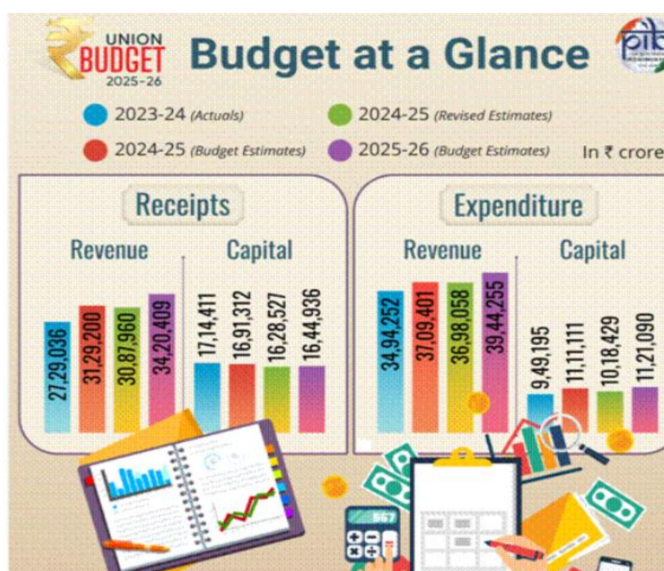
(b) The **net tax receipts** are estimated at **₹ 28.37 lakh crore**.

(c) The **fiscal deficit** is estimated to be **4.4 per cent** of GDP.

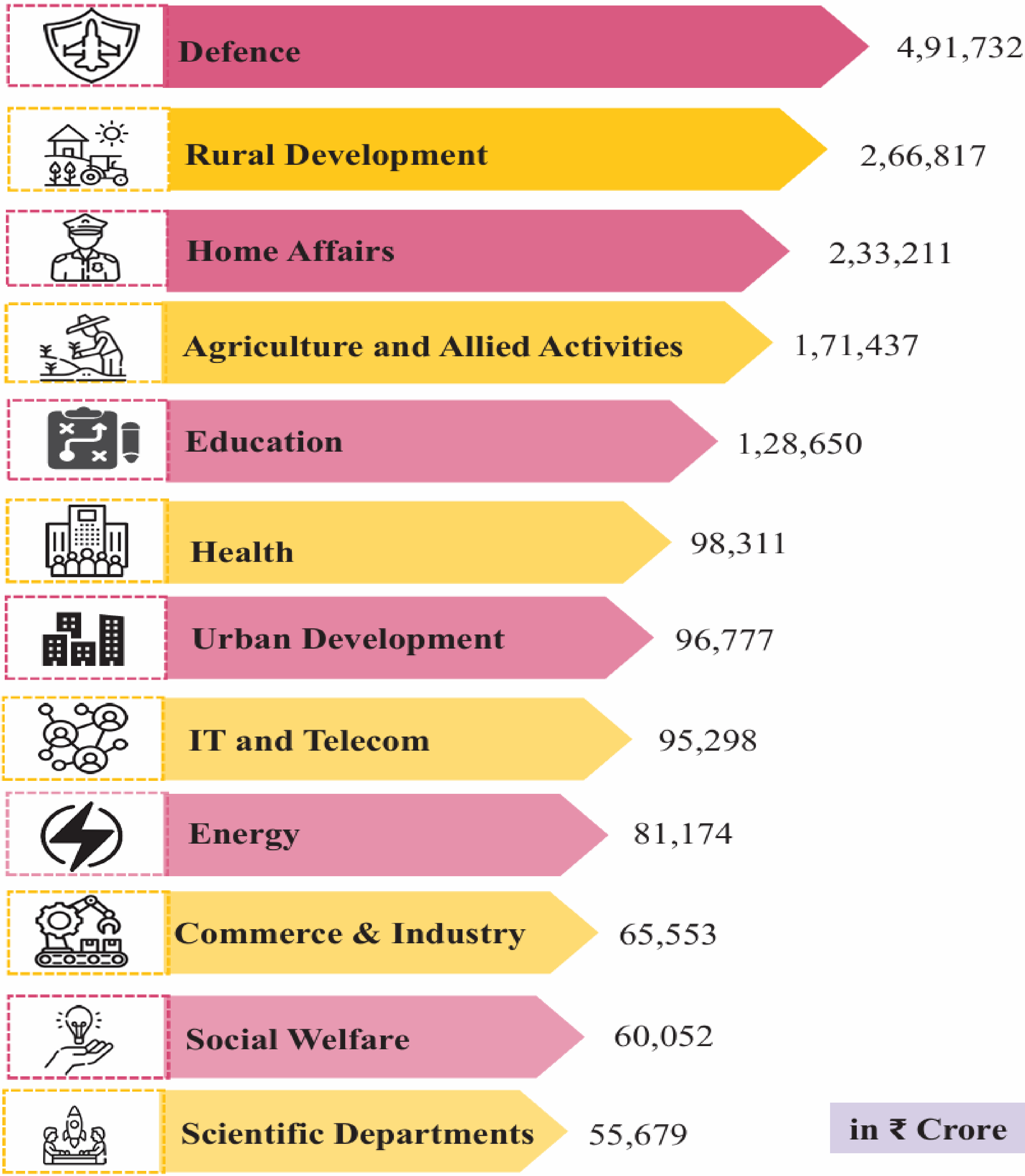
(d) The **gross market borrowings** are estimated at **₹ 14.82 lakh crore.**

(e) Capex Expenditure of **₹11.21 lakh crore (3.1% of GDP)** earmarked in FY2025-26.





Major Sector wise allocations:



Restrictions imposed on New India Co-operative Bank Limited, Mumbai

Reserve Bank of India on Feb 13,2025 imposed **All Inclusive Directions (AID)** on **New India Co-operative Bank Limited**, **Mumbai** and the bank was directed not to allow withdrawal of any amount from **savings bank** or **current accounts** or any other account of a depositor. The restrictions are imposed on the background of **cash shortage** of over **Rs. 122 crore** detected across various branches of the bank during the recent audit conducted by RBI.

Reserve Bank has superseded the Board of Directors for a period of 12 months. Consequently, the Reserve Bank has appointed **Shri Shreekant**, former Chief General Manager of State Bank of India as **'Administrator'** to manage the affairs of the bank during this period. The Reserve Bank has also appointed a **'Committee of Advisors'** to assist the Administrator in discharging his duties. The members of the Committee of Advisors are Shri Ravindra Sapra and Shri Abhijeet Deshmukh.

The Reserve Bank, after reviewing the bank's liquidity position in consultation with the administrator, has decided to allow a deposit withdrawal of **upto ₹25,000 (Rupees Twenty Five Thousand only)** per depositor, with effect from **February 27, 2025**.

Launch of Financial Literacy Week 2025

RBI has been conducting **Financial Literacy Week (FLW)** every year since 2016 to promote financial literacy. Recently it has launched the 10th edition of **Financial Literacy Week (FLW) 2025** and the theme for the current year is **“Financial Literacy: Women’s Prosperity” (वित्तीय समझदारी - समृद्ध नारी).**

The FLW 2025 was observed between Feb 24 and 28, 2025. As part of FLW 2025, RBI undertook multimedia campaigns on the theme.

INDUSTRY UPDATES
BANKERS PLUS – MAR 25

Committee to review insurance sector reforms

The **Insurance Regulatory and Development Authority of India (IRDAI)** has recently formed a high-powered committee, led by **Shri. Dinesh Khara**, former chairman of State Bank of India, to scrutinise various aspects of the **Insurance Act 1938** and suggest amendments. This is in background of permitting **FDI** upto **100%** in **Insurance sector** permitted by the Government of India in the recent Budgetary announcement.

Uniform Software for Primary Agriculture Co-operative Societies (PACS)

Government of India has decided to implement the Project for Computerization of functional **Primary Agriculture Co-operative Societies (PACS)** with a total **financial outlay** of **₹2,516 Crore**, which entails bringing all the functional PACS onto an ERP (Enterprise Resource Planning) based common national software, linking them with **NABARD through State & District Cooperative Banks.**

The National Level Common Software for the project has been developed by NABARD and 50,455 PACS have been onboarded on ERP software as on 27.01.2025. The computerisation programme leading to speedy disbursal of loans, lowering of transaction cost, reduction in imbalances in payments, seamless accounting with DCCBs and StCBs.

Renewal of the Bilateral Swap arrangement between Japan & India

Japan & **India** have renewed the **Bilateral Swap Arrangement (BSA)** recently. The **Bank of Japan**, acting as agent for the Minister of Finance of Japan, and the **Reserve Bank of India** signed the second Amendment and Restatement Agreement of the BSA.

The BSA is a two-way arrangement where both authorities can swap their local currencies in exchange for the US Dollar. The size of the BSA remains unchanged, that is, up to **75 billion US Dollars.**

INDUSTRY UPDATES
BANKERS PLUS – MAR 25

Tie-Up between SIDBI & AFD to scale up Green Finance

Small Industries Development Bank of India (SIDBI) and Agence Française de Développement (AFD), France have signed a **USD 100 million** credit facility agreement to scale up **Green Finance solutions** for Indian MSMEs.

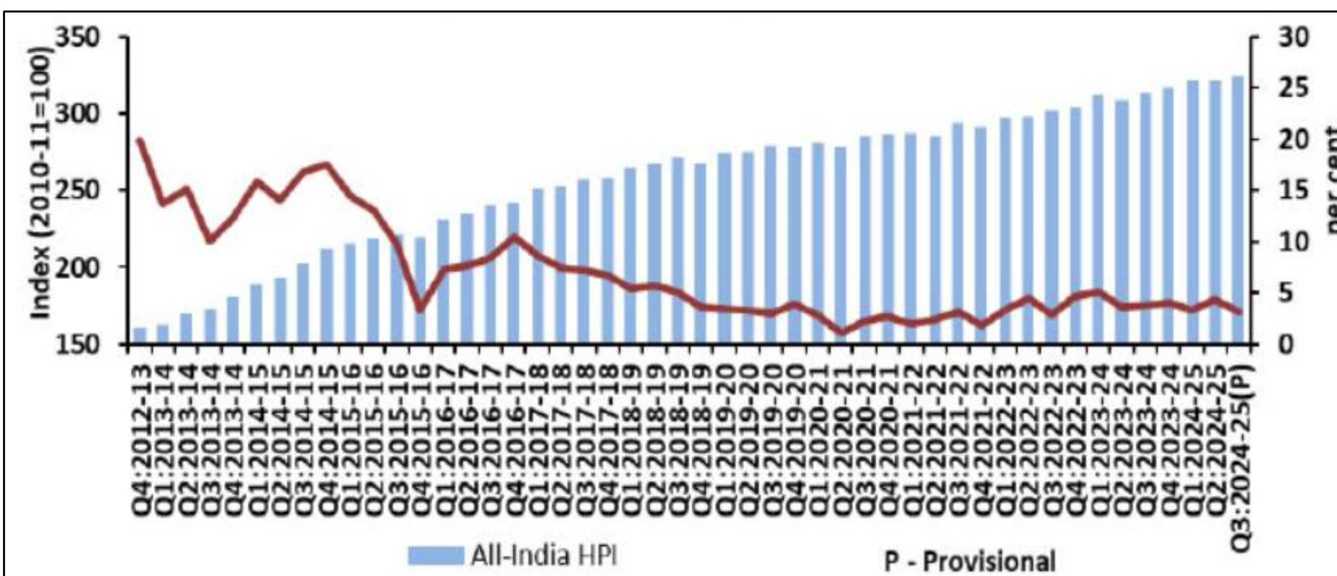
The partnership aims to support sustainable growth and drive the transition towards a low-carbon economy.

All-India House Price Index (HPI) for Q3:2024-25

Reserve Bank has recently released its quarterly **house price index (HPI) (base: 2010-11=100) for Q3:2024-25,** based on transaction-level data received from the registration authorities in ten major cities. The key highlights of the RBI report are,

(a) All-India HPI increased by **3.1 percent (y-o-y)** in **Q3:2024-25** as compared with **4.3 percent growth** in the previous quarter and 3.8 percent growth a year ago; annual HPI growth varied widely across the cities - ranging from a high growth of **8.1 per cent (Kolkata)** to **0.1 per cent (Kanpur).**

(b) On a sequential (q-o-q) basis, all-India HPI increased by 0.4 per cent in Q3:2024-25; Mumbai, Bengaluru, Ahmedabad, Lucknow, Kolkata, Chennai, Jaipur and Kochi recorded a sequential rise in house prices during the latest quarter.



Release of Handbook on "Regulations at a Glance"

The Reserve Bank had constituted the **Regulations Review Authority 2.0 (RRA 2.0)** in 2021 to review the regulatory prescriptions with a view to their simplification and ease of implementation. Based on detailed deliberation, **RRA 2.0** finalized its report on June 10, 2022. One of the important recommendations of the RRA 2.0 report was:

"Creation of Regulatory Handbook(s) containing regulations applicable to a set of Regulated Entities (REs) or on a particular subject may be explored by the regulatory departments. This would serve as a quick reference guide for the Financial Institutions".

Accordingly, the **Department of Regulation (DoR)** of RBI has compiled its regulatory instructions in an easily accessible handbook titled **'Regulations at a Glance'** to provide a broad overview of the regulatory landscape across multiple dimensions of activities and entities. This handbook provides tabular summary of all major regulations issued by DoR and it has been organised in six chapters.

The handbook is intended primarily for ease of reference and to provide a high-level overview of the regulations for general understanding.

KNOWLEDGE HUB

BANKERS PLUS- MAR 2025

VOLUME V, ISSUE 12

LIST OF ARTICLES

Note: Those who are interested can contribute your articles on any latest and contemporary topics. The article should be having around 1000 words. Publisher reserves exclusive right to publish the article. **Subscription is compulsory for submission of the articles.** **Phone calls or message communication regarding acceptance of articles will not be entertained.**

Removing the Digital Blur: Reclaiming Clarity in the Age of Overload

-Shri. Joy Ghosh

In today's hyperconnected world, we are bombarded with an endless stream of digital information—notifications, emails, social media updates, and breaking news. While technology has undoubtedly revolutionized communication, productivity, and entertainment, it has also led to what experts call **"digital blur".** This phenomenon refers to the **overwhelming** and often **chaotic influx** of **digital content** that leaves us feeling mentally drained, distracted, and unable to focus.

The Causes of Digital Blur:

Several factors contribute to digital blur, making it difficult for us to process information effectively. Some of the primary causes include:

(a) Information Overload: We consume more information today than at any other time in history. Emails, articles, social media posts, and videos compete for our attention, leading to **cognitive overload**. Our brains struggle to filter what is relevant, causing fatigue and a lack of focus.

(b) Multitasking Culture: With multiple devices at our fingertips, multitasking has become the norm. Checking emails while attending meetings, scrolling through social media while watching TV, and responding to messages during conversations create a fragmented attention span. Instead of being productive, multitasking often results in lower efficiency and increased stress.

(c) Constant Connectivity: The rise of smartphones and instant messaging means we are always "on." The pressure to respond to messages immediately and stay updated with the latest news creates an environment where deep thinking and focus are nearly impossible.

(d) Social Media and Algorithmic Distraction: Social media platforms are designed to capture and hold our attention. Infinite scrolling, personalized recommendations, and notifications keep us engaged longer than intended. The more time spent online, the more difficult it becomes to concentrate on meaningful tasks.

(e) Lack of Digital Boundaries: Remote work and online communication blur the lines between professional and personal life. Without clear boundaries, work spills into personal time, reducing relaxation and increasing stress levels.

The Impact of Digital Blur

The constant digital bombardment takes a toll on our cognitive and emotional well-being. Some of the major consequences include:

(a) Reduced Attention Span: Studies suggest that the **average attention span** has significantly declined over the years, making it harder to engage in deep work and creative thinking. This shift affects productivity and the ability to complete tasks efficiently.

(b) Mental Fatigue: When the brain is constantly switching between tasks and processing excessive information, it leads to mental exhaustion. This fatigue affects decision-making, problem-solving, and emotional regulation.

(c) Increased Anxiety and Stress: Constant notifications, news updates, and work emails contribute to anxiety. The **fear of missing out (FOMO)** and the need to stay updated create unnecessary stress, impacting overall well-being.

(d) Weakened Memory Retention & Decreased Productivity: With search engines and cloud storage at our disposal, we rely less on memory. However, this over-reliance can lead to weaker recall abilities and difficulty retaining important information.

Strategies to Remove the Digital Blur:

While technology is an integral part of modern life, we can take proactive steps to reduce digital clutter and improve clarity. Here are some effective strategies:

(a) Practice Digital Minimalism: Digital minimalism involves being intentional about technology use. Unsubscribe from unnecessary newsletters, limit social media use, and declutter your digital space.

(b) Set Boundaries with Technology: Establish clear boundaries between work and personal life. Avoid checking work emails after hours, designate "screen-free" times during the day, and create a bedtime routine that does not involve digital devices.

(c) Embrace Deep Work: Coined by author Cal Newport, "deep work" refers to the ability to focus without distraction on cognitively demanding tasks. Set aside dedicated time for deep work by eliminating distractions, using productivity tools, and working in a quiet environment.

(d) Schedule Digital Detox Periods: Take breaks from digital devices by engaging in offline activities like reading, journaling, exercising, or spending time in nature. Digital detoxes help reset your brain and improve focus.

(e) Cultivate Offline Hobbies: Engage in hobbies that do not require screens, such as painting, playing a musical instrument, or gardening. These activities provide mental relaxation and foster creativity.

As we move forward in the digital age, it's essential to reclaim our time, attention, and mental space. By making small yet meaningful changes, we can step out of the digital fog and into a world of greater clarity and purpose.

ABOUT THE AUTHOR

The author of this article **Shri. Joy Ghosh** is working as **Chief Manager (Faculty)** at **Union Bank of India, Zonal Learning Centre, Bhuvaneshwar.**

Navigating Non-Compliance in the Financial Industry

- Shri. Pankaj Shrivastava

Non-compliance in the financial industry refers to the failure of financial institutions to adhere to **laws, regulations,** and **ethical standards** set forth by governing bodies. These rules are in place to maintain the integrity of financial markets, protect consumers, and ensure the stability of the global economy. However, non-compliance can take many forms, ranging from minor infractions to significant breaches that threaten the very fabric of financial stability.

The Drivers of Non-Compliance:

Several factors drive non-compliance in the financial industry. Understanding these drivers is crucial to addressing the root causes of the problem and implementing effective solutions.

(a) Complexity of Regulations: Regulations vary widely across jurisdictions and are frequently updated to address emerging risks and challenges. The complexity and volume of these regulations can overwhelm even the most diligent institutions, leading to unintentional non-compliance.

(b) Profit Motives: The pursuit of profit is a fundamental driver of non-compliance. Financial institutions operate in a highly competitive environment where the pressure to deliver returns to shareholders can sometimes lead to unethical or illegal behavior.

(c) Cultural Factors: The culture within a financial institution plays a significant role in determining its approach to compliance. In organizations where aggressive profit-making is prioritized over ethical behaviour, non-compliance is more likely to occur.

(d) Globalization and Technological Advancements: The globalization of financial markets and the rapid pace of technological innovation have introduced new challenges to regulatory compliance. Financial institutions now operate across multiple jurisdictions, each with its own set of rules.

(e) Inadequate Oversight and Enforcement: Regulatory bodies are tasked with overseeing the financial industry and enforcing compliance with laws and regulations. However, limited resources, bureaucratic inefficiencies, and the sheer scale of the financial industry can hinder effective oversight.

The Consequences of Non-Compliance

Non-compliance with regulatory requirements can have severe consequences, affecting a bank's financial health, legal standing, and operational efficiency. Regulatory bodies such as the RBI, SEBI, and the Financial Intelligence Unit (FIU-IND) enforce strict compliance standards. A lack of compliance has led to the downfall of numerous banks worldwide. For an example, License of **Paytm Payment Bank** has been cancelled for non compliance. Banks face the highest risk of loosing business license for non compliance of regulatory aspects. Other key impacts of non compliance include,

(a) Reputational Damage: Negative publicity can erode customer trust, impact investor confidence, and lead to stock price declines.

(b) Loss of Business: Customers may switch to competitors due to concerns about compliance failures.

(c) Legal Repercussions: Banks may face litigation, hefty fines, or even license revocation for non-compliance.

(d) Operational Disruptions & data breaches: Investigations and corrective actions can disrupt day-to-day operations. Weak compliance with data security regulations increases the risk of data breaches, harming customer privacy.

(e) Regulatory Scrutiny: Non-compliance invites increased oversight, frequent audits, and potential restrictions on business activities.

(f) Market Value Decline: Investor confidence drops significantly when a bank is found to be non-compliant.

Navigating Non-Compliance: Strategies for Financial Institutions:

With the significant repercussions of non-compliance, financial institutions must implement effective strategies to mitigate associated risks. The following approaches can help organizations maintain regulatory adherence and operational integrity.

(a) Enhancing Compliance Frameworks: Institutions should invest in well-structured compliance programs tailored to their unique risks and regulatory landscapes.

(b) Fostering a Compliance-Driven Culture: A strong compliance culture is integral to preventing regulatory violations.

(c) Leveraging Advanced Technology: Embracing technology enhances the efficiency and accuracy of compliance programs.

(d) Engaging with Regulators: Establishing transparent and proactive communication with regulatory authorities is crucial.

(e) Strengthening Governance and Accountability: Robust governance structures support regulatory compliance.

Looking ahead, greater reliance on technology will drive compliance efficiency. Banks should adopt and develop a culture of Growth with Compliance.

ABOUT THE AUTHOR

The author of this article **Shri. Pankaj Shrivastava** is working as **Chief Manager (Faculty)** at **Union Bank of India.**

Take the Quiz on latest updates of Banking and Finance

Click here to take the Quiz

Download the quiz questions in PDF by Clicking below for your references.

Click here to Download

Note: All the attachments are kept in our own storage and you will not be diverted to any external site.

PUBLISHER
Ramya Education Enterprise
5G 807, Provident Sunworth
Mysore Road, Bangalore-560060
www.ramyaedu.com
ramyaeducationenterprise@gmail.com
09819952288/9916049194