



ਪੰਜਾਬ ਨੈਸ਼ਨਲ ਬੈਂਕ  
punjab national bank



SEPTEMBER 2022

ਸਿਤੰਬਰ 2022

PNB

EC  LENS

MONTHLY BULLETIN

ਪੀਐਨਬੀ ਈਕੋਲੈਂਸ ਮਾਸਿਕ ਬੁਲੇਟਿਨ



STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

ਕਾਰਜਨੀਤੀ ਪ੍ਰਬੰਧਨ ਏਵੰ ਆਰਥਿਕ ਪਰਾਮਰਸ਼ ਪ੍ਰਭਾਗ



***Published by:***

*Punjab National Bank*

*Strategic Management & Economic Advisory Division (SMEAD)*

*Corporate Office, Plot No. 4, Sector 10,*

*Dwarka, New Delhi-110075*

**निम्न द्वारा प्रकाशित:**

पंजाब नेशनल बैंक

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,

द्वारका, नई दिल्ली-110075

***Disclaimer:*** *The opinion/information expressed/compiled in this bulletin is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/figures represented in the bulletin and shall not be held liable for the same in any manner whatsoever.*

**घोषणा:** इस बुलेटिन में व्यक्त/संकलित विचार/सूचना, बैंक की रिसर्च (अनुसंधान) टीम की है, और यह बैंक या उसके प्रबंधन या उसकी किसी सहायक कंपनी के विचार को नहीं दर्शाती है। उक्त विषय को इस प्रकार की सूचना प्रकाशित करने वाले मूल स्रोत/प्राधिकारियों को उचित पावती के साथ पुनः प्रस्तुत किया जा सकता है। बुलेटिन में दर्शाए गए तथ्यों/आंकड़ों के लिए बैंक कोई जिम्मेदारी नहीं लेता है और बैंक इसके लिए किसी भी तरह से उत्तरदायी नहीं होगा।

***For any feedback or valuable suggestions: Reach us at [eicsmead@pnb.co.in](mailto:eicsmead@pnb.co.in)***



## CONTENTS

<u>SL. No.</u>	<u>Subject</u>	<u>Page Nos.</u>
<b>1</b>	<b>FROM THE DESK OF CHIEF GENERAL MANAGER SMEAD:</b> Decoding the reason behind WPI and CPI Gap	<b>4</b>
<b>2</b>	<b>FROM THE DESK OF CHIEF ECONOMIST:</b> Indian Economy glimmering in gloomy global setting	<b>5</b>
<b>3</b>	<b>REGULATORY SANDBOX : KEY POINTS</b>	<b>7</b>
<b>4</b>	<b>PAYMENT SYSTEMS' GROWTH IN INDIA</b>	<b>9</b>
<b>5</b>	<b>DAILY ECONOMIC INDICATORS</b>	<b>11</b>
<b>6</b>	<b>MONTHLY &amp; FORTNIGHTLY ECONOMIC INDICATORS</b>	<b>12</b>
a	Consumer Price Index (CPI)	12
b	Wholesale Price Index (WPI)	13
c	Index of Industrial Production (IIP) & Core Sectors	14
d	Purchasing Managers' Index (PMI)	15
e	Goods & Services Tax (GST)	15
f	Foreign Trade	16
g	Sectoral Credit	17
h	Bank Deposit & Credit	17
i	Fiscal Deficit	17
<b>7</b>	<b>QUARTERLY ECONOMIC INDICATORS</b>	<b>18</b>
a	Gross Domestic Product (GDP) & Gross Value Added (GVA)	18
b	Current Account Deficit	19
c	Housing Price Index	19
<b>8</b>	<b>MONEY SUPPLY</b>	<b>20</b>
<b>9</b>	<b>GLOBAL INTEREST RATES</b>	<b>20</b>
<b>10</b>	<b>INDUSTRY OUTLOOK – Real Estate and Fintech</b>	<b>21</b>
<b>11</b>	<b>EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS</b>	<b>23</b>
<b>12</b>	<b>DATA SOURCES &amp; QUOTE OF THE MONTH</b>	<b>27</b>



## **Decoding the reason behind WPI and CPI Gap**

### **Definition**

While WPI is used to measure the average change in price in the sale of goods in bulk quantity by the wholesaler, CPI measures the change in the price in the sale of goods or services in retail or directly to the consumer.

### **Why CPI is considered over WPI?**

Earlier WPI was in use, but as the government could not know its impact on common people, CPI took over. Conceptually, there are two factors for which priority may have been given to CPI. One, WPI excludes prices of services, conversely, CPI includes the same and GDP of our country accounts for the share of services to be above 55 per cent. Thus, CPI reflects a better picture of the demand side pressures in the economy. Secondly, WPI allocates a decent weightage to fuels and metals, and as a result, any sharp movement in international prices, makes WPI highly volatile.

### **Reasons behind the Gap**

There are many circumstances where the Gap between the two indicators have been witnessed. One of the major reasons for the same is the difference in the weightage of various goods and items. For example, food has a much higher weightage in CPI basket as compared to WPI. Hence, any change in food prices will affect CPI more. Likewise, manufactured goods will affect WPI more because of its higher weightage. Secondly, as discussed earlier, as WPI does not consider services, if the services sector gets costlier, while CPI will rise, there will be no impact on WPI. Hence it is quite reasonable to observe such variances between the two indicators.

### **Implications and the Road Ahead**

A change in the base year of WPI is under consideration, the new base year is expected in presenting a more realistic picture of the price situation in the country.

As of now, while CPI provides more clarity about inflation and is considered by the RBI's Monetary Policy Committee for deciding the interest rates, a high WPI adversely impacts retail prices and vice versa, which in turn affects interest rates in the country.

While easing WPI inflation in August 2022 and expectation of further decline in the coming months aided by correction in the global commodity prices is a sign of a positive development, it remains to be seen if firms pass on the benefit to consumers, and assist in bringing CPI inflation within the target range of RBI sooner.

**Rajendra Kumar Saboo**

## **Indian Economy glimmering in gloomy global setting**

India has overtaken the United Kingdoms to be the 5th largest economy in the world, according to the IMF data released earlier this month. This development comes just days after government data showed that India's gross domestic product (GDP) rose 13.5 per cent in the June 2022 quarter of the FY 23. India's position at fifth level is the launchpad for the country to scale newer heights.

### **Global Scenario**

Globally, the policy makers are facing daunting challenges like multi decadal high inflation, slowdown in growth momentum, geopolitical tensions, deteriorating business conditions and consumer confidence. Output contracted across advanced economies (AEs) including the US, the Euro area, Japan and the UK while slowing growth was observed for countries like China, Brazil, Spain and Australia.

In US, inflation print was at 8.3 per cent in August 2022, almost four times its 2% target. The pace of price increases has hardly budged in the face of most rapid set of US interest rate increases in about 30 years. The necessitated hawkish stance of Fed abates the chances of soft landing of the US economy.

Euro Area is also dealing with decadal levels of inflation (record high of 9.1 per cent in August), thus coercing ECB to hike its policy rate by a record 75 bps as a frontload measure and slashing the Zone's 2023 GDP growth outlook to 0.9% from 2.1%.

The neighboring countries of India are also navigating through choppy waters. China's GDP grew just 4.8 per cent in the first quarter of this financial year. There is mounting debt in the country's real estate market, its small lenders are walking a tightrope and zero-Covid lockdowns have stunted output. New investment intentions are also slowing down in China.

Sri Lanka is dealing with an unprecedented economic crisis, while Pakistan's waning growth is further dragged down by catastrophic floods. Pakistan's GDP growth this year can turn negative and inflation may cross 30 per cent due to the complete breakdown of the supply chain. Bangladesh is also dealing with heightened external pressures, record level inflation and frequent economic hiccups.

### **Domestic Developments**

Indian economy continues to glimmer in the gloomy global settings. India is expected to be the fastest growing economy in the world in the current financial year, according to IMF.

India registered a double digit growth in Q1'FY23. Real GDP in Q1 of 2022-23 is now nearly 4 per cent ahead of its corresponding level of 2019-20, marking a solid beginning for India's growth revival in the post-pandemic phase.

The growth momentum of Q1 has sustained in Q2 of 2022-23. Robust performance of high frequency indicators (HFIs) is a testimony as PMI manufacturing remained in the expansionary zone at 56.2 in August 2022 supported by the growth of output and new orders and a fall in input cost inflation.

PMI Services stood at 57.2 in August 2022, driven by substantial gains in new business, ongoing improvements in demand, job creation and overtime work.

Let's look at the components of GDP:-

Agriculture, the most consistent sector since pandemic, grew by 4.5% in Q1. Going forward, a robust internal and external demand for India's agricultural products, increased investment in agricultural facilities, growing use of genetically modified crops, and increase in MSP and support policies of the government is expected to drive growth in the sector. The sector is expected to grow by 5-6% in the next 2 years.

Industrial Sector managed to grow at 8.6% in Q1 'FY23. Construction activity witnessed boom in Q1 and grew by 16.8%. The laggard is manufacturing sector which grew by merely 4.8% in Q1. The lower growth in manufacturing sector is a reflection of pandemic induced uncertainties that seems to have impacted the margins. Going forward, PLI scheme, high capacity utilization levels, surge in demand and government capital expenditure would lead to crowding in of private investments. The sector is expected to grow by 9-10% in the next 2 years.

The contact-intensive services sector, which was the worst affected during the pandemic, sharply rebounded on a low base to grow 25.7 per cent, Y-o-Y in Q1 of 2022-23 as resumption in corporate and leisure travel, spurt in domestic tourism and robust growth of cargo and railway freight traffic are playing a significant role in the revival of the economy. The sector will likely drive growth in next 2 years, building on the release of pent-up demand and near universalization of vaccination. A sharply rebounding private consumption backed by soaring consumer sentiments, rising employment will sustain growth. We expect the sector to register growth of 11-12% in the next 2 years.

The banking and financial sector is also faring well amidst a pickup in credit growth, lower provisioning costs and improvement in asset quality. Credit growth continues to remain strong and has been consistently rising since February 2022. The demand for credit may end with more than 13% (Y-o-Y) growth in FY23. The sector-wise credit data for the month of July 2022 indicates that there is a substantial improvement in incremental credit to each and every sector.

## **Outlook**

India is currently a \$3.53 trillion economy. If India can continue to achieve the rapid economic growth of at least 7 per cent, it will become a \$4 trillion economy by 2024 and a \$5 trillion economy by 2027. India is likely to surpass Germany and become the fourth largest economy in 2027, according to IMF projections.

While the world is dealing with persistent inflationary pressures partly due to liquidity overhang after the pandemic and has a tradeoff between inflation and growth, India is better positioned to calibrate its liquidity levels without abruptly stalling growth.

There is a sense of optimism around the India growth story – and this optimism finds its basis in political stability, consistent policy reforms and proactive fiscal and monetary policy interventions.

**Deepak Singh**

**(Deputy General Manager)**

## **REGULATORY SANDBOX : KEY POINTS**

### **Conceptual Context**

The Regulatory Sandbox allows the regulator, innovators, financial service providers and customers to conduct field tests to collect evidence on the benefits and risks of new products and systems.

The main objective of the Regulatory Sandbox is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers.

Regulators obtain first-hand empirical evidence on the benefits and risks of emerging technologies and their implications, enabling them to take a considered view on the regulatory changes or new regulations that may be needed to support useful innovation, while containing the attendant risks.

Incumbent financial service providers, including banks, also improve their understanding of how new financial technologies might work, which helps them to appropriately integrate such new technologies with their business plans. Innovators and Fin-Tech companies can improve their understanding of regulations that govern their offerings and shape their products accordingly.

Finally, feedback from customers, as end users, educates both the regulator and the innovator as to what costs and benefits might accrue to customers from these innovations.

### **Risk and Challenges**

Innovators may lose some flexibility and time in going through the sandbox process. However, running the RS in a time-bound manner at each stage can mitigate this risk.

Case-by-case bespoke authorizations and regulatory relaxations can involve time and discretionary judgements. This risk may be addressed by handling applications in a transparent manner and following well-defined principles in decision-making.

The RBI or its RS cannot provide any legal waivers.

Post-sandbox testing, a successful experimenter may still require regulatory approvals before the product/services/technology can be permitted for wider application.

There is potential for some legal issues coming up, such as those relating to consumer losses in case of failed experimentation. Such instances may not have much legal ground if the RS framework and processes are transparent and have clear entry and exit criteria.

Upfront clarity that liability for customer or business risks shall devolve on the entity entering the RS will be important in this context.

## **Status of the Regulatory Sandbox announced by RBI so far**

The Reserve Bank announces the opening of first cohort under the Regulatory Sandbox (RS) with 'Retail Payments', as its theme. The first cohort for regulatory sandbox was under the theme of retail payments where RBI had received 32 applicants and only six had been selected for the test phase. The RBI announced the opening of the 'On Tap' application facility for the theme 'Retail Payments' under the regulatory sandbox in October last year.

Reserve Bank announced the opening of Second Cohort under the Regulatory Sandbox (RS) with 'Cross Border Payments,' as its theme. Four entities of the eight that commenced testing of their products in the second cohort under the Reserve Bank of India's (RBI) regulatory sandbox structure themed "Cross Border Payments" have completed the "Test Phase".

The Reserve Bank had announced opening of the third cohort under regulatory sandbox in September, 2021 for MSME lending. As per RBI, 22 applications were received under the third cohort, of which eight entities were selected for the 'test phase'.

RBI announced opening of the fourth cohort under the Regulatory Sandbox (RS) under the theme 'Prevention and Mitigation of Financial Frauds'. The application for the fourth cohort was sought from June 15 to August 1, 2022.

RBI announced that the fifth cohort under the regulatory sandbox will be theme neutral. Innovative products/services/ technologies cutting across various functions in RBI's regulatory domain would be eligible to apply.

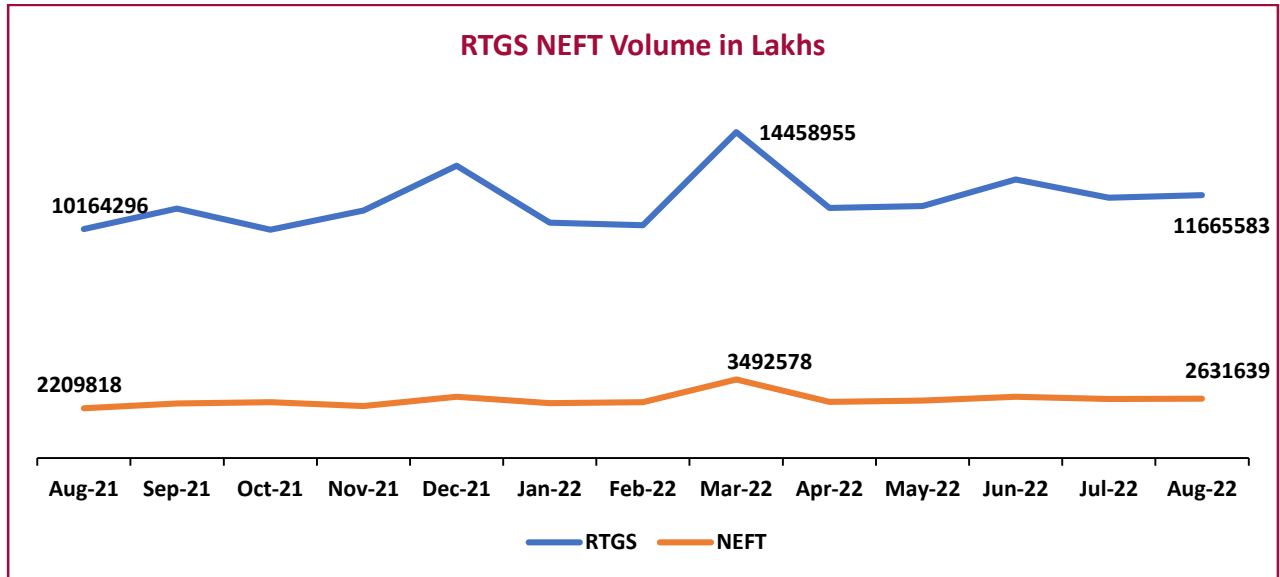




## PAYMENT SYSTEMS' GROWTH IN INDIA

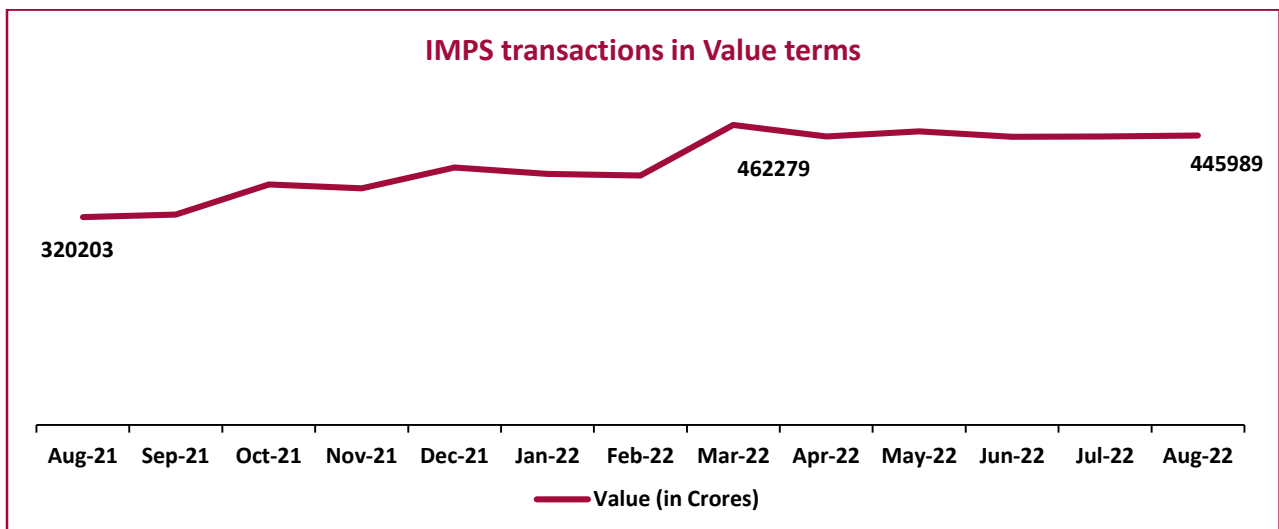
A pictorial representation is presented below to understand the growth in usage of various digital payment modes in past one year. The data is sourced from RBI.

### 1. RTGS & NEFT



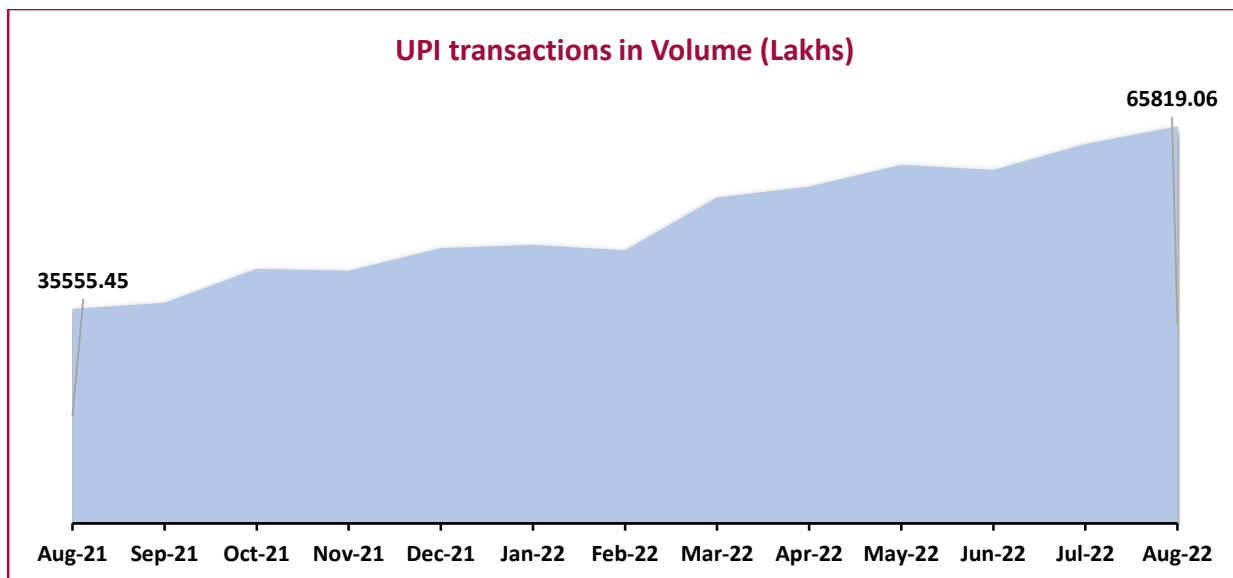
There is not much increase in the RTGS & NEFT payment volumes. A blip is seen in March'2022 due to financial year closing.

### 2. IMPS



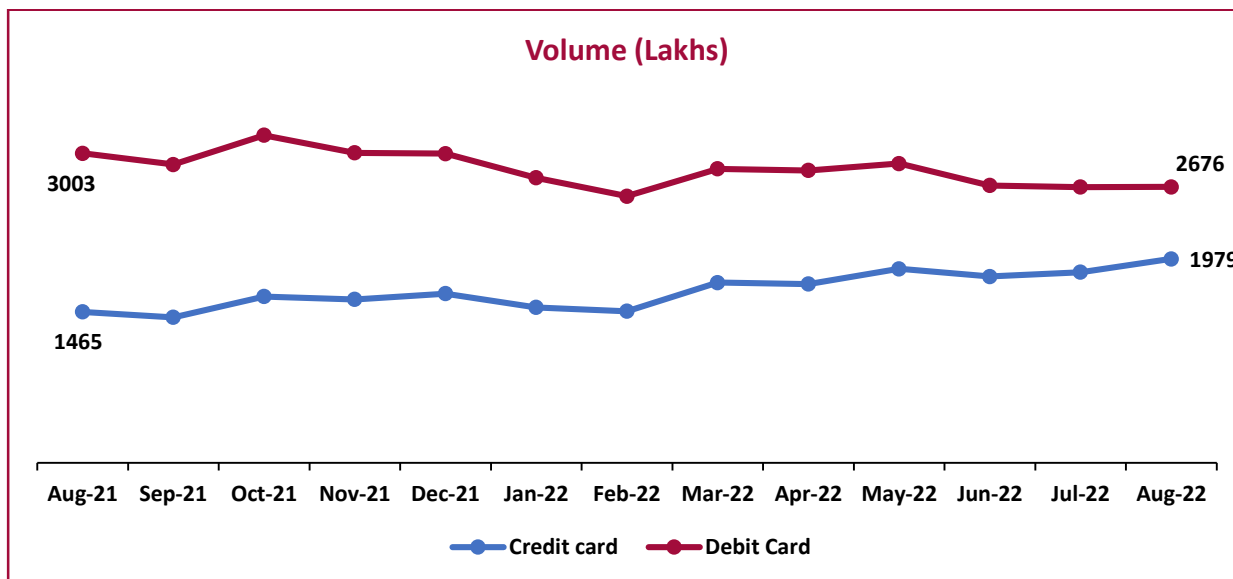
IMPS transactions in value terms has risen substantially in past one year.

### 3. UPI Payments



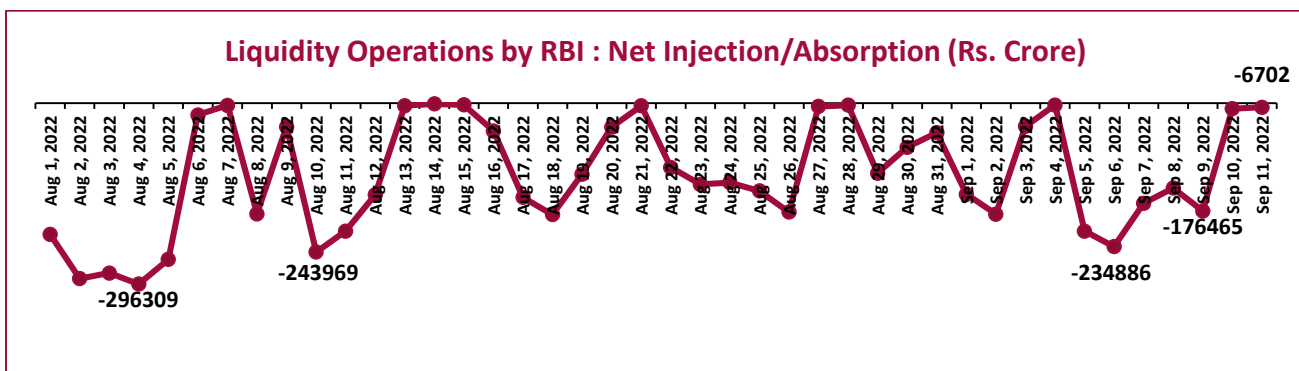
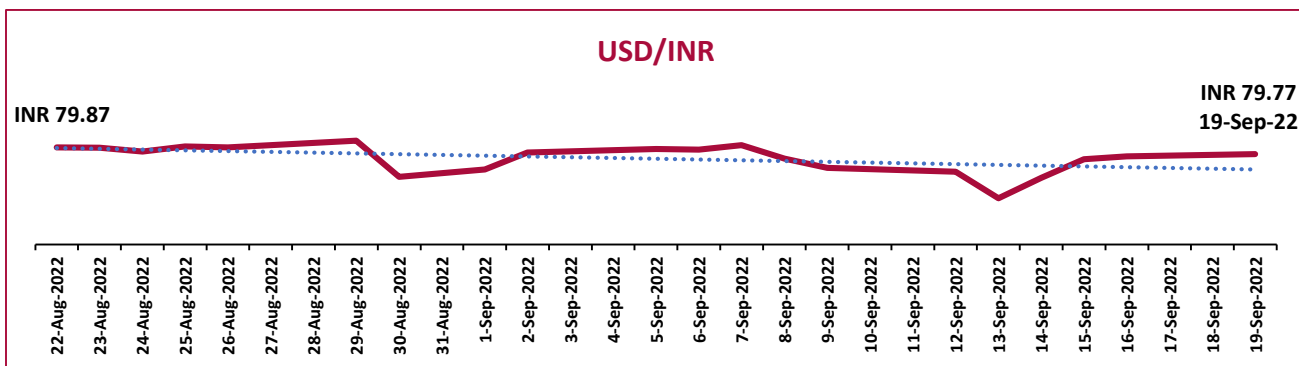
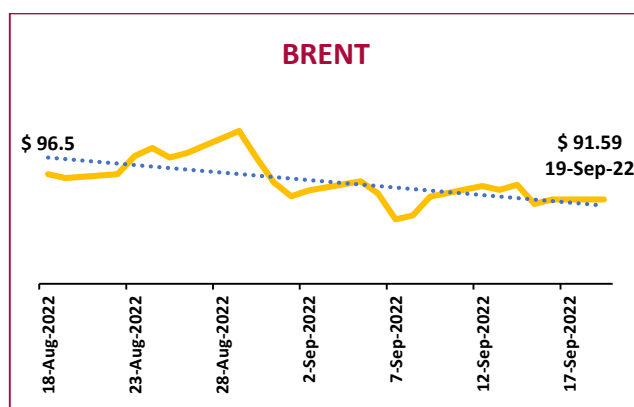
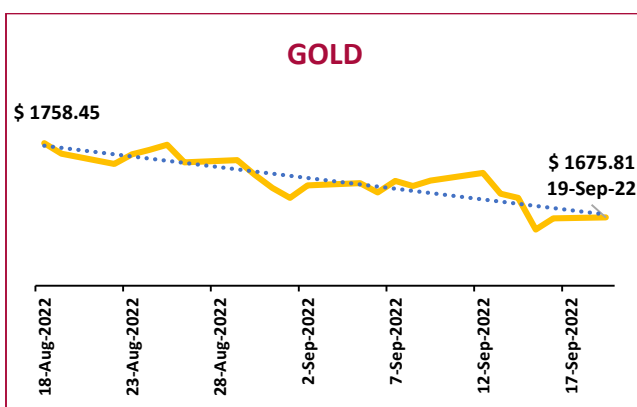
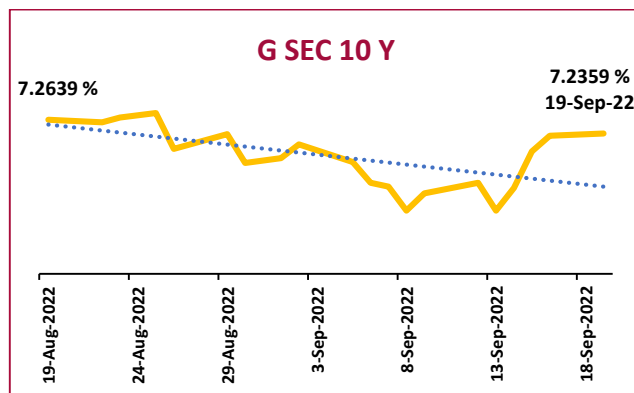
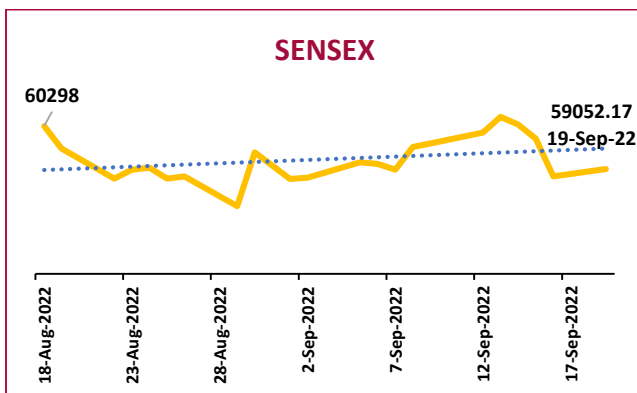
The UPI transactions have grown exponentially in past one year. UPI payment mode has gained the highest traction due to its ease and convenience.

### 4. Credit Cards & Debit Cards



The volume of transactions through Credit cards has declined in August 22 as compared to August 2021. The volume of transactions through Debit cards has increased substantially in August 22 as compared to August 2021.

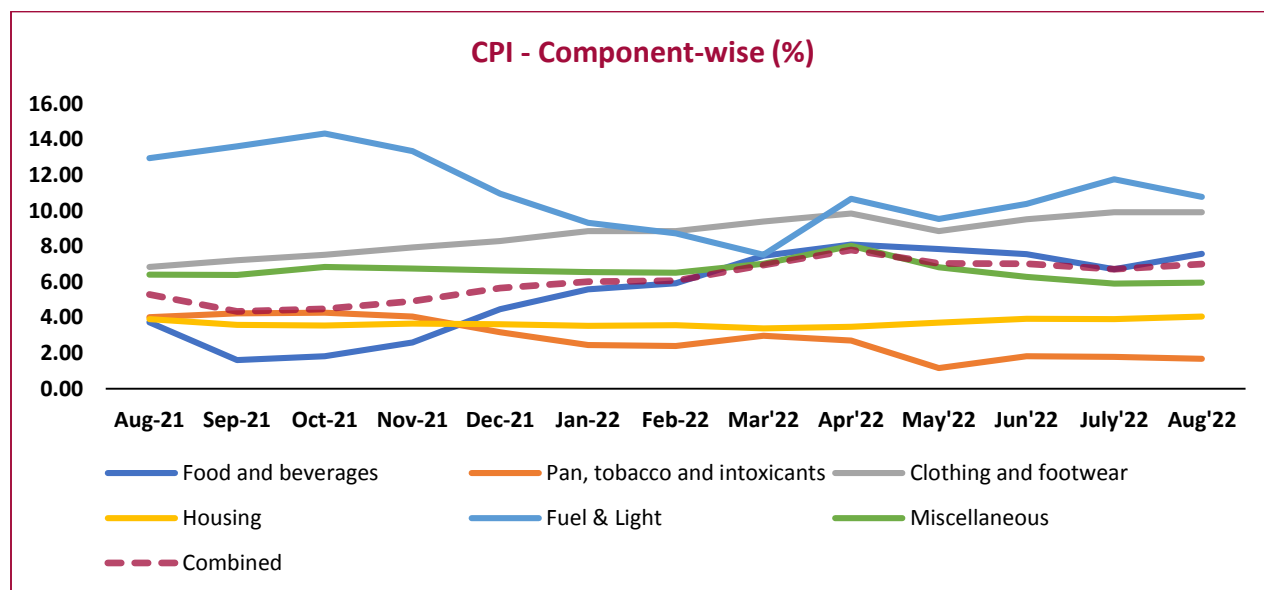
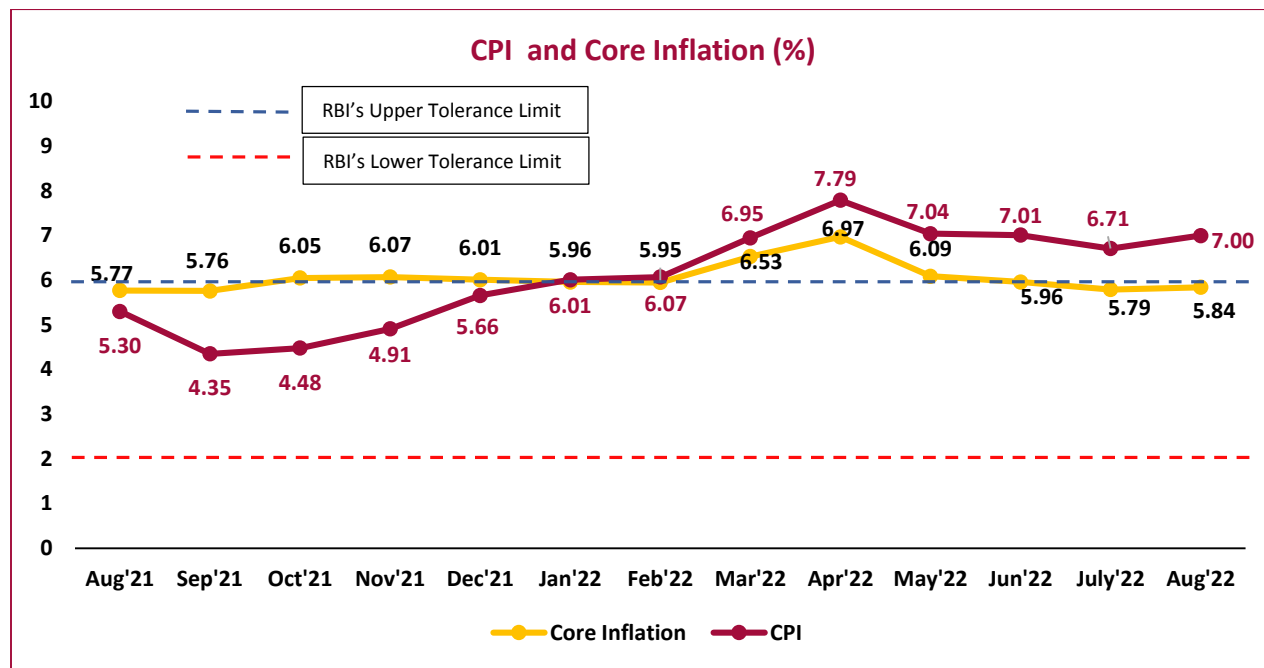
## DAILY ECONOMIC INDICATORS



# MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

## CONSUMER PRICE INDEX (CPI)

*CPI Inflation stays above the RBI's target range for the eighth month in a row*

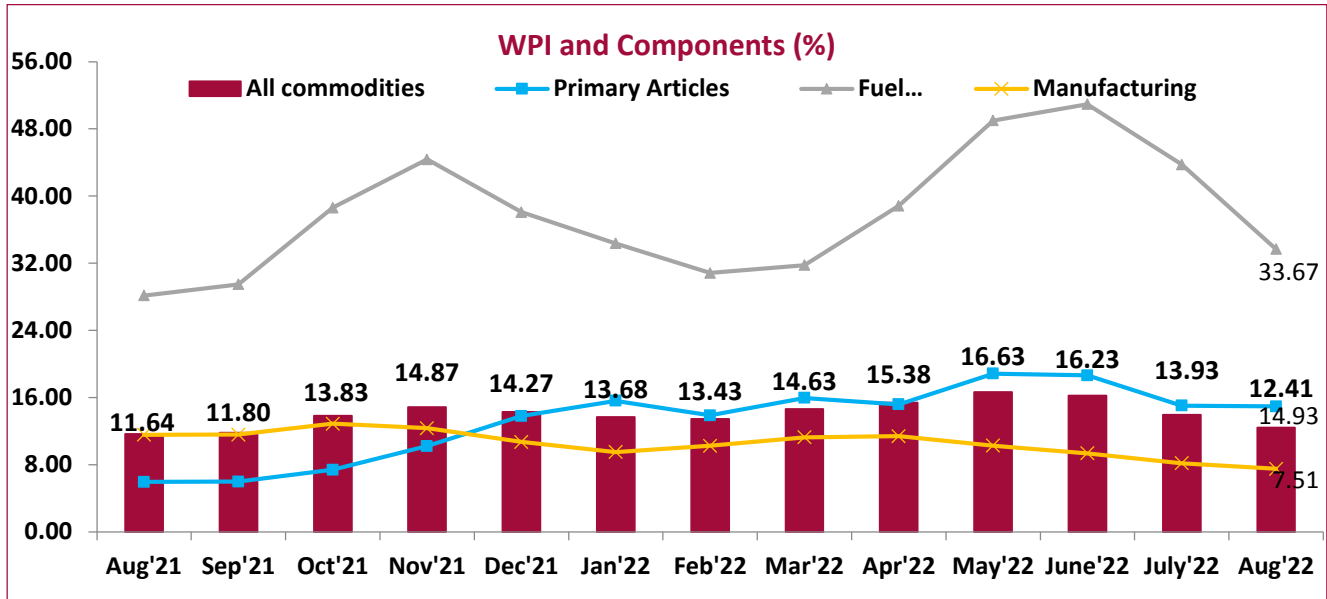


India's retail inflation inched up to 7 per cent in August from 6.71 per cent in July mainly due to higher food prices. Core inflation, which is non-food, non-fuel, inched up to 5.84 per cent in August 2022 from 5.79 per cent in July 2022.

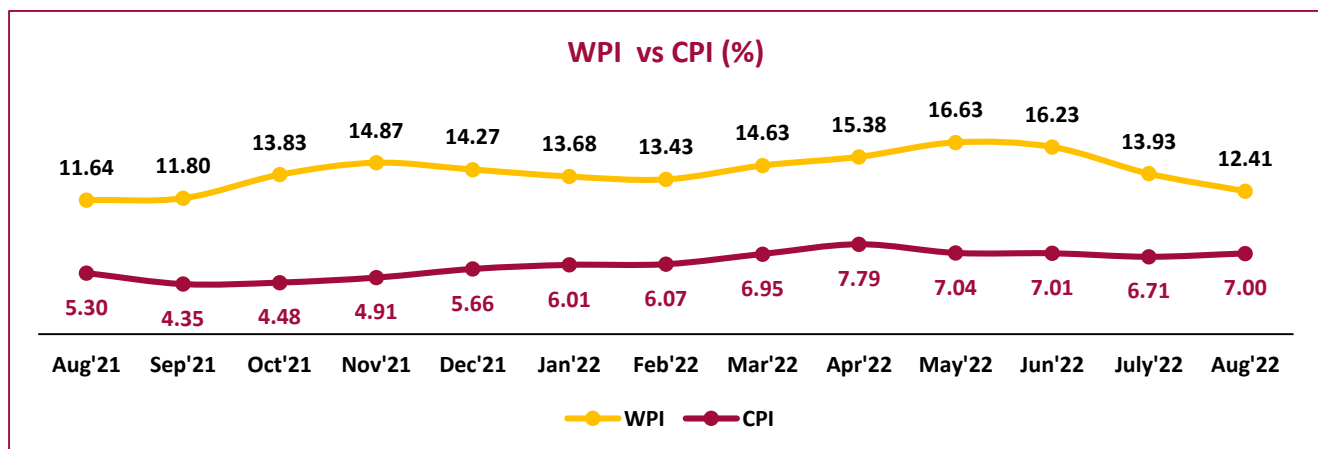


## WHOLESALE PRICE INDEX (WPI)

WPI inflation stays in double digit for 17 consecutive months



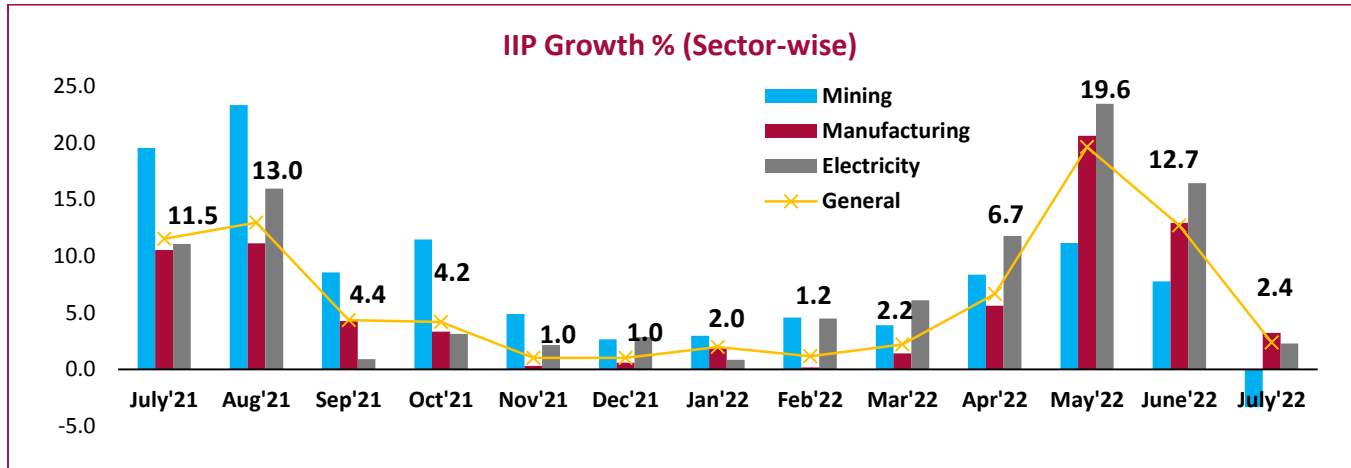
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
June	8.59	18.63	29.32	50.95	10.96	9.35	3.28	13.71	12.07	16.23
July	6.34	15.04	27.01	43.75	11.46	8.16	0.12	10.77	11.57	13.93
August	5.93	14.93	28.15	33.67	11.56	7.51	-0.80	12.37	11.64	12.41



WPI inflation eased to an 11-month low on account of rise in prices of mineral oils, food articles, crude petroleum & natural gas, basic metals, chemicals & chemical products, electricity, food products etc. as compared to the corresponding month of the previous year.

## INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

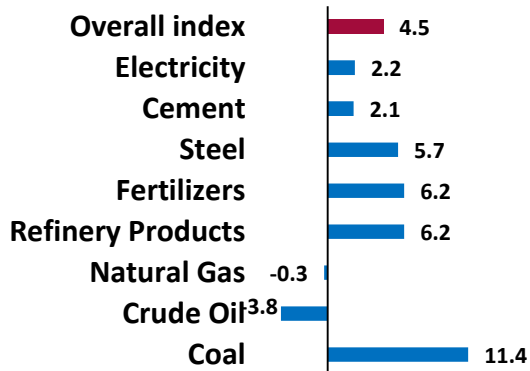
*IIP shrinks to a 4-month low*



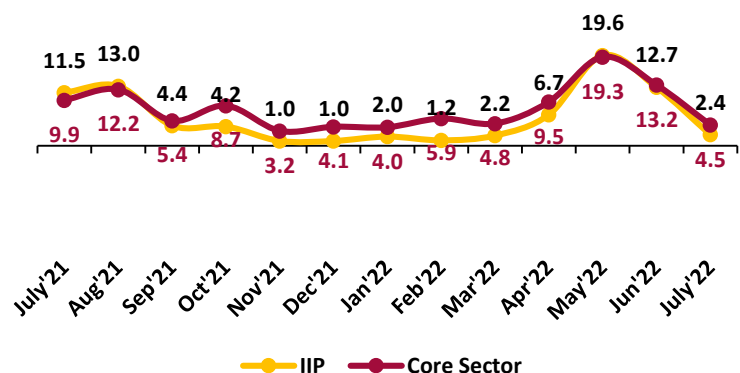
### IIP growth % (Usage-wise)

Component	Weight	Jul'21	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Apr-Jul'22
Primary Goods	34.05%	12.4	5.7	10.3	17.8	5.7	2.5	11.0
Capital Goods	8.22%	30.3	2.4	12.0	54.4	29.1	5.8	23.0
Intermediate Goods	17.22%	14.6	1.8	7.1	17.5	10.5	3.6	9.5
Infrastructure/Construction Goods	12.34%	12.3	6.7	4.0	18.1	9.3	3.9	8.6
Consumer Durables	12.84%	19.4	-3.1	7.2	58.4	25.1	2.4	19.6
Consumer Non- Durables	15.33%	-2.3	-4.4	-0.8	1.0	3.0	-2.0	0.3

### Core Sectors Growth for May'22 (%)



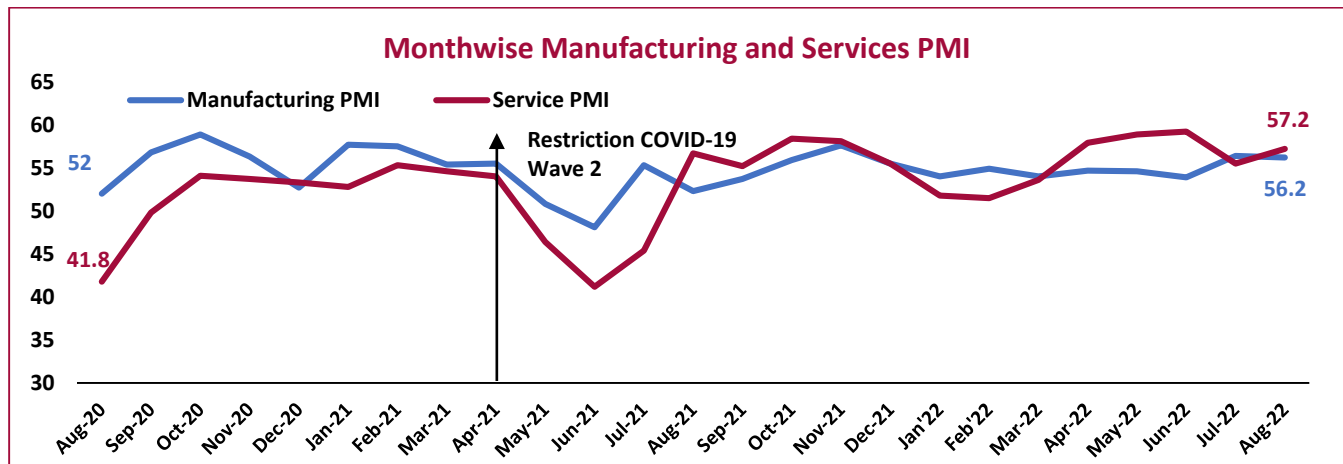
### IIP Growth vs Core Sector Growth (%)



India's industrial growth, measured by the Index of Industrial Production (IIP), recorded a growth of 2.4 percent in July, as against 12.7 per cent in June. The drop in IIP number from June 2022 is clearly attributed to effects of a 'normalizing base'.

## PURCHASING MANAGERS' INDEX (PMI)

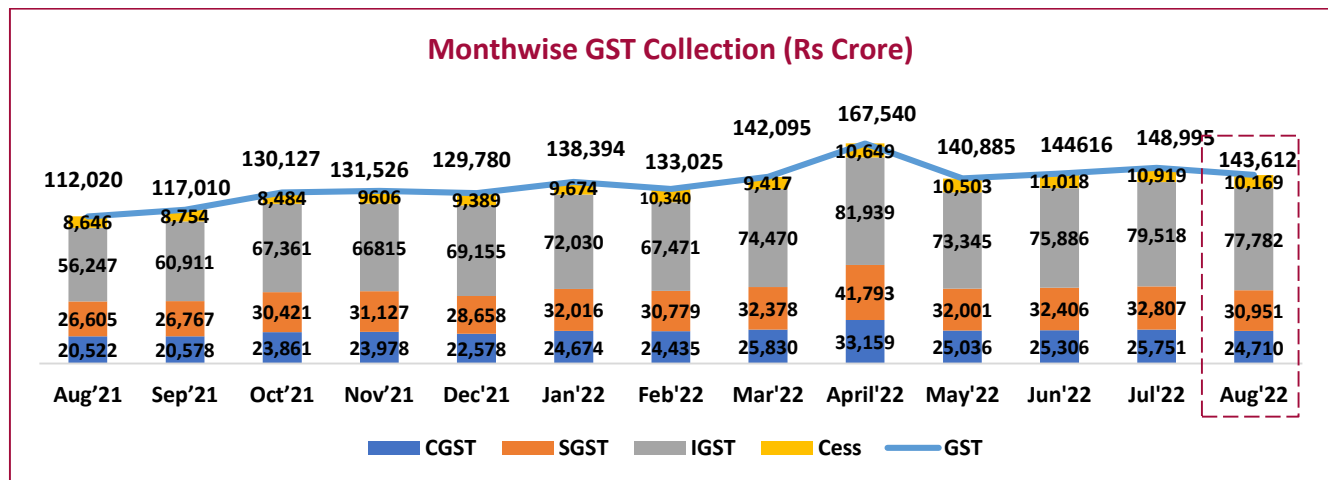
Manufacturing PMI second time high since Nov'21



India's manufacturing sector activity hit the highest level second time in last eight months, driven by a significant rise in business orders. India's manufacturing declined marginally from 56.4 in July 2022 to 56.2 in August 2022. India's services sector activity expanded at the fastest pace, it was increased from 55.5 in July 2022 to 57.2 in August 2022, amid a faster rise in both output and new orders, while employment rose to the fastest pace in over 14 years.

## GOODS AND SERVICES TAX (GST)

GST collection 28% higher than GST revenues in August 2021

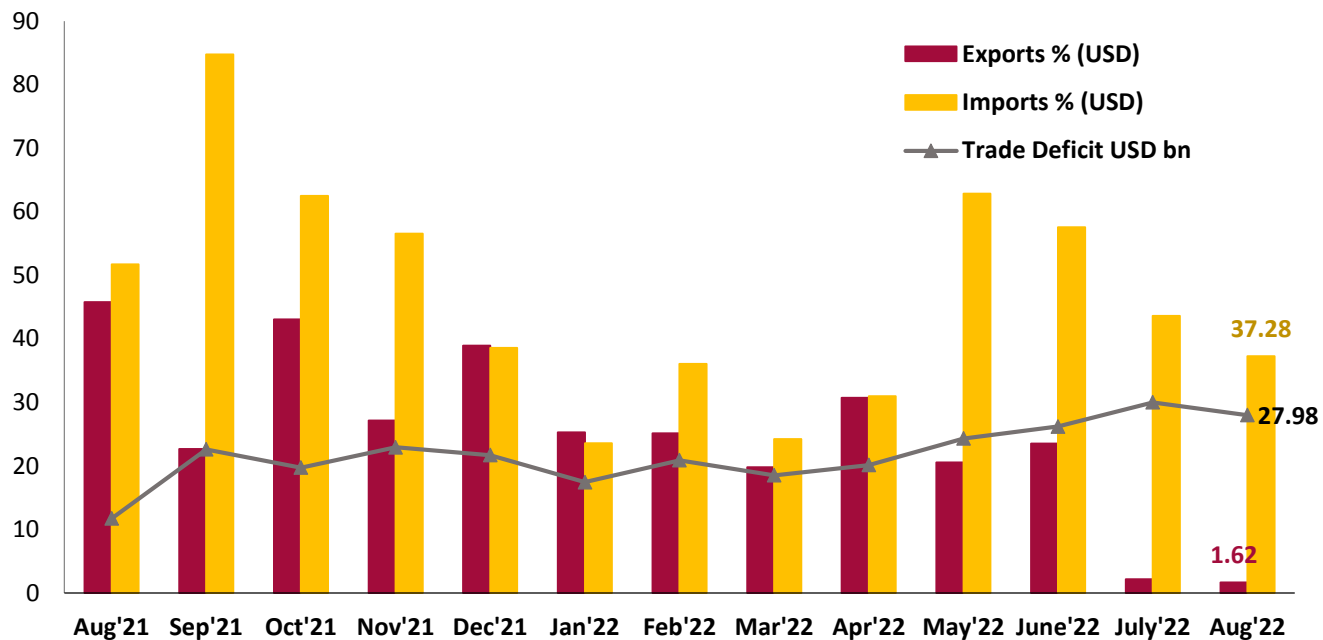


The gross GST revenue collected is Rs. 1,43,612 Crore in August 2022 i.e., 28 per cent higher than the GST revenues in August 2021. This is the seventh time the monthly GST collection crossed Rs. 1.40 lakh crore mark since inception of GST and sixth month at a stretch since March 2022. The average monthly gross GST collection for the first five months of FY 2022-23 has been Rs. 1.49 lakh crore which is 33 per cent higher from the last financial year for the same period.

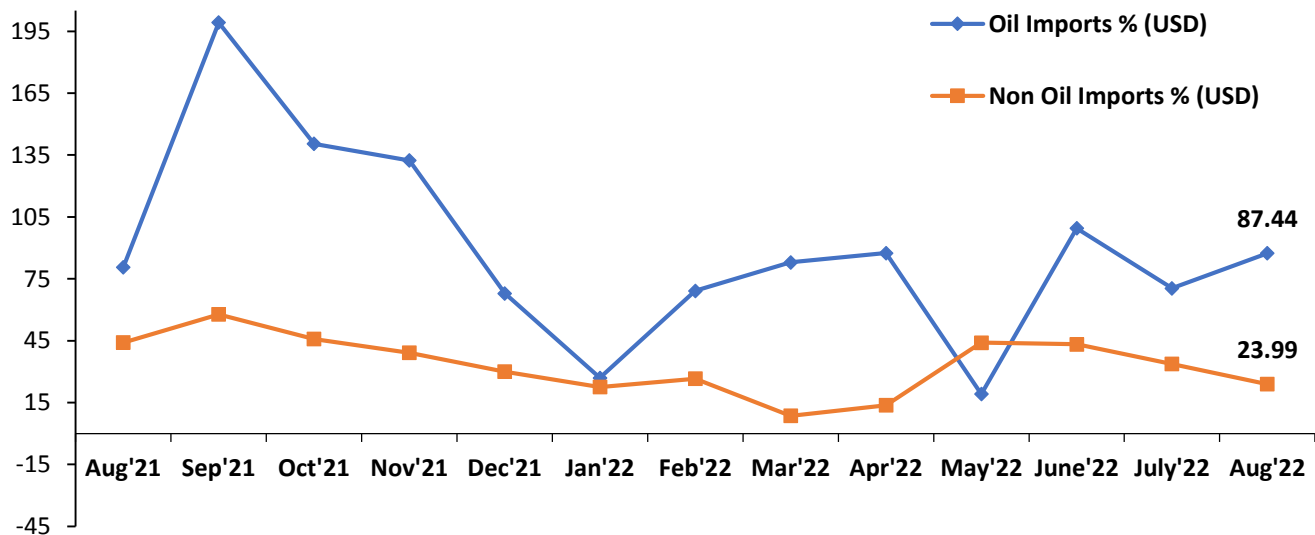
## FOREIGN TRADE

Country's trade deficit widened to \$27.98 billion driven by high inflation among all economies

Export & Import YoY growth and Trade Deficit



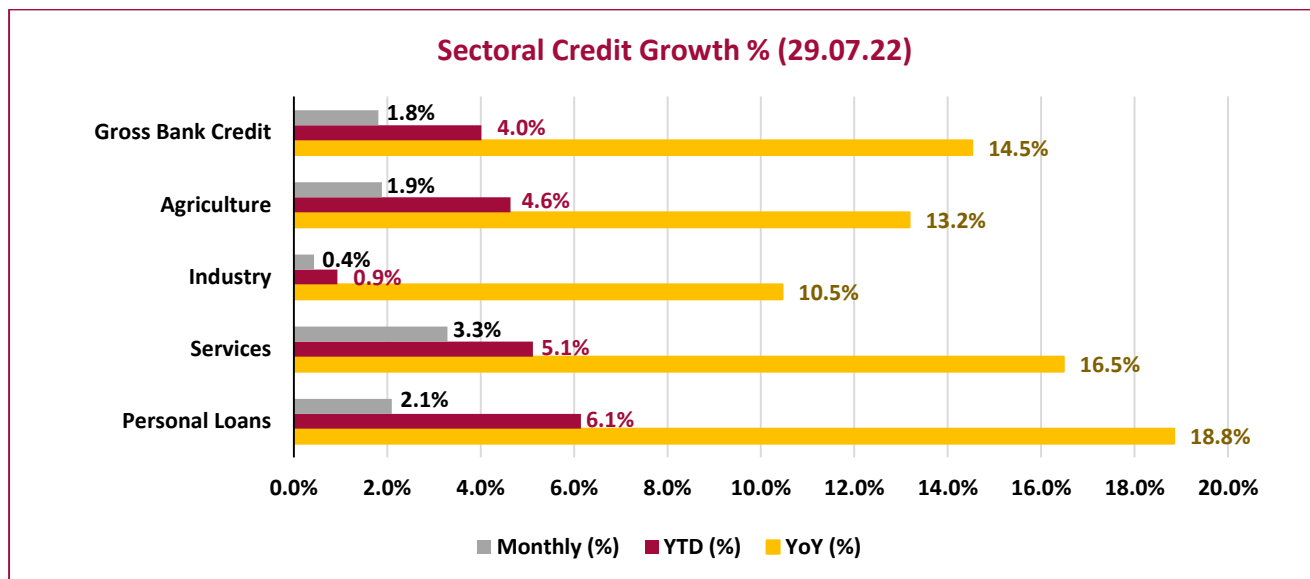
Import Growth % - Oil & Non Oil Imports



- The trade deficit during the first five months of this fiscal widened to \$124.52 billion against \$53.78 billion during the year-ago period.
- Merchandise exports grew to \$33.92 billion, up 1.62 per cent year-on-year in August 2022. Meanwhile Merchandise imports grew to \$61.90 billion, up by 37.28 per cent year-on-year in August 2022.



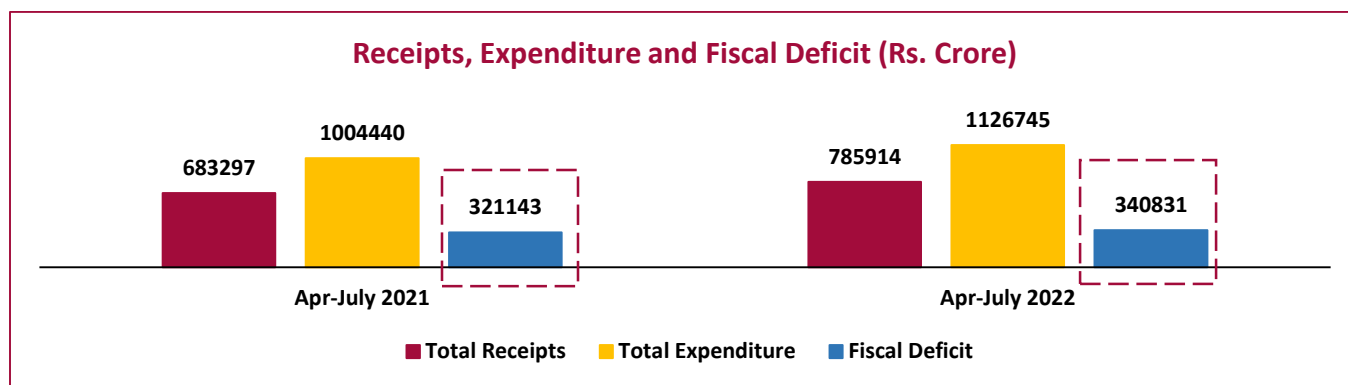
## SECTORAL CREDIT



## BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	27.08.21	25.03.22	12.08.22	26.08.22	YoY (%)	YTD (%)	Fortnightly (%)
Deposits	155.17	164.65	169.49	169.94	9.5%	3.2%	0.3%
Advances	107.88	118.91	124.26	124.58	15.5%	4.8%	0.3%
Business	263.05	283.56	293.74	294.52	12.0%	3.9%	0.3%

## FISCAL DEFICIT

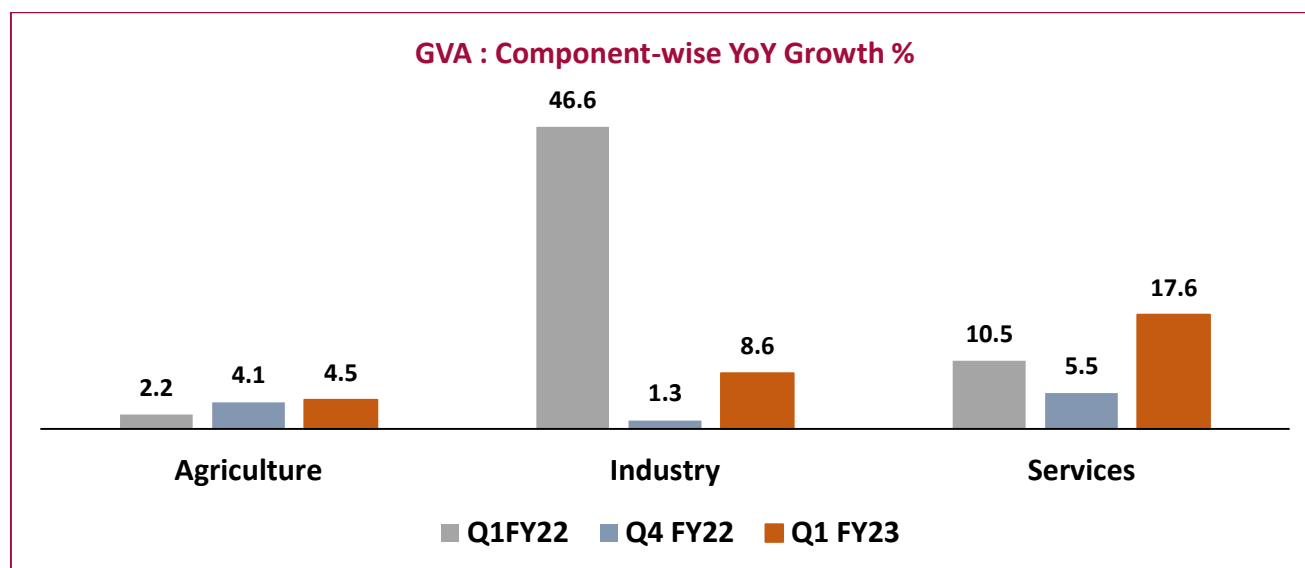
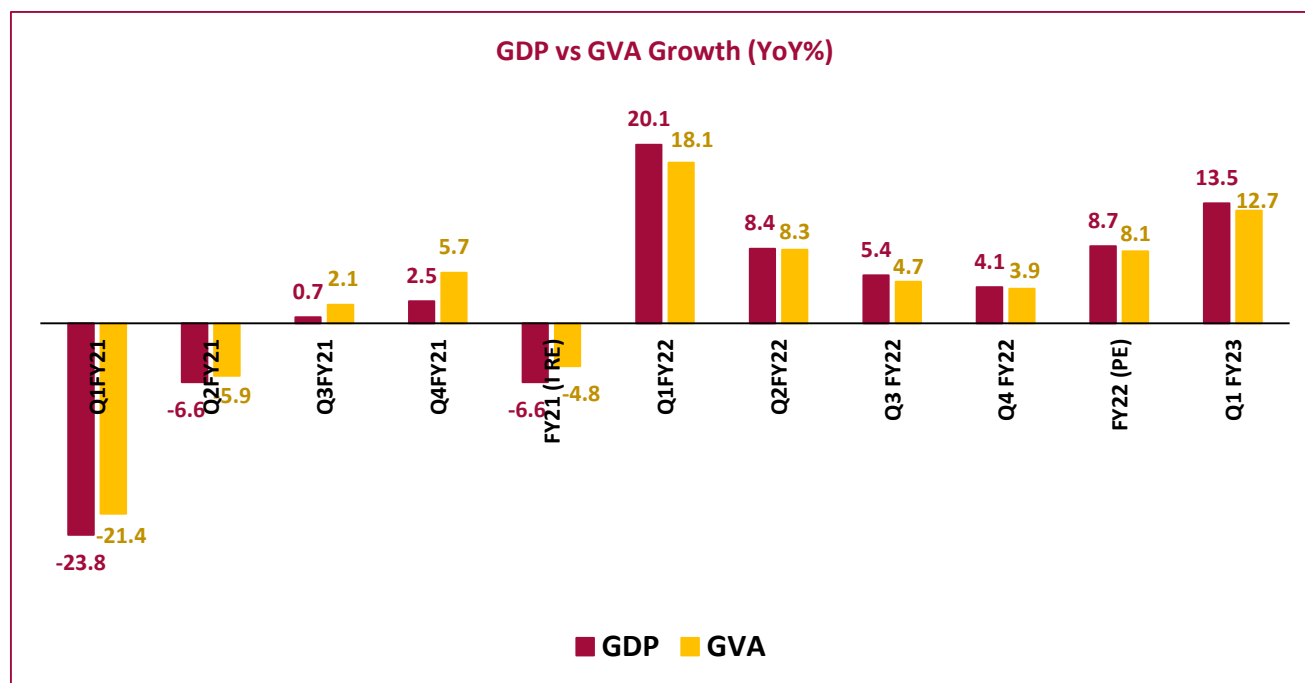


Centre's fiscal deficit narrowed to Rs. 3.4 trillion by the end of July from Rs. 3.51 trillion till June, and is 6.1 per cent higher than the corresponding period last year as per data released by the controller general of accounts. The fiscal deficit in April-July is 20.5 per cent of the budget target of Rs. 16.6 trillion for FY23 against 21.3 per cent reached during the same period last year.

# QUARTERLY ECONOMIC INDICATORS

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

*Indian economy grows the fastest in the last four quarter*



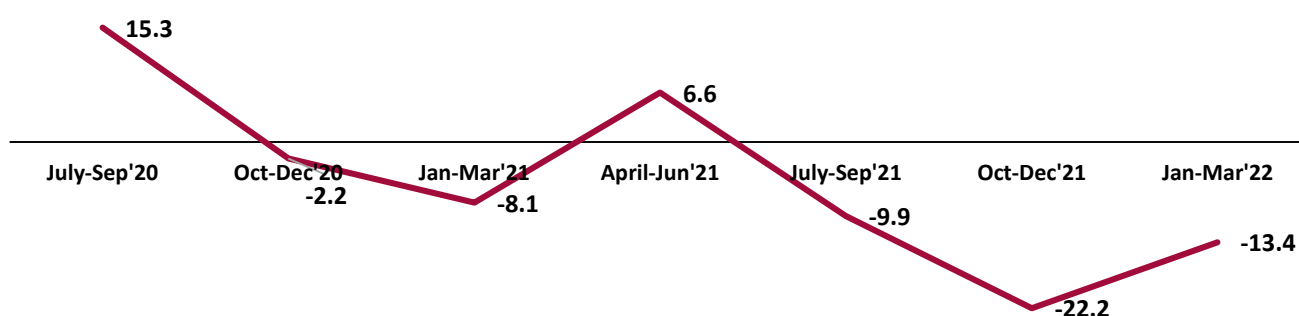
**GDP for Q1 FY23 grew by 13.5 per cent** as compared to a growth of 4.1 per cent in the previous quarter (Q4 FY22) and a growth of 20.1 per cent in Q1 FY22. Also, **Real Gross Value Added (GVA)** at basic prices (which captures what accrues to the producer/service provider before a product or service is sold) **in Q1 FY23 grew by 12.7 per cent** in comparison to a growth of 3.9 per cent in Q4 FY22 and a growth of 18.1 per cent in Q1 FY22.

## India's GDP Outlook Of Various Agencies

Agency	FY23
RBI	7.2%
World Bank	7.5%
IMF	7.4%
ADB	7.0%
Economic Survey	8-8.5%

## CURRENT ACCOUNT DEFICIT

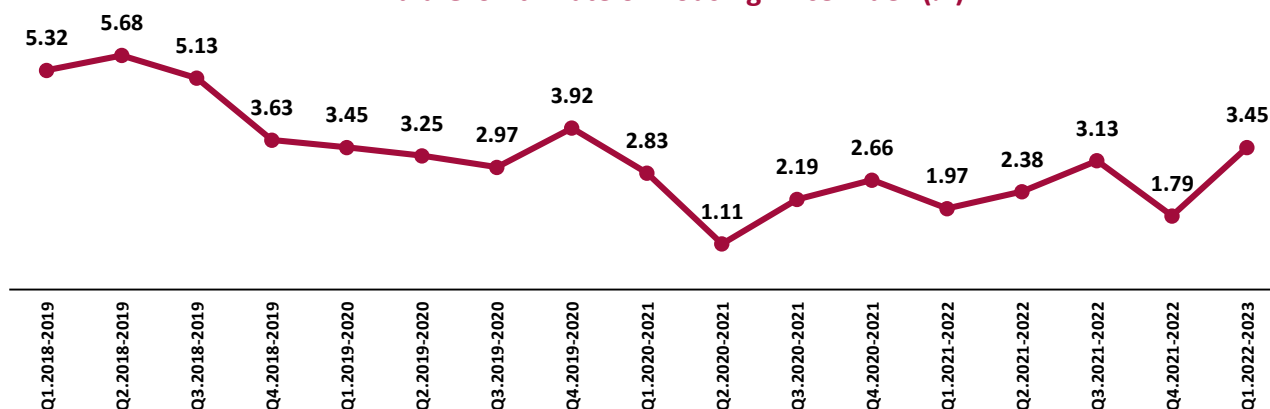
Quarterly Movement of Current Account Deficit (USD \$ Billion)



India's Current Account Deficit declined to \$ 13.4 billion (1.5 per cent of GDP) in Q4 FY'22 from \$ 22.2 billion (2.6 per cent of GDP) in Q3 FY'22 mainly on account of increase in remittances from overseas Indians and software exports. Further, there was a fall in the outflow from dividend and interest pay-outs.

## HOUSING PRICE INDEX

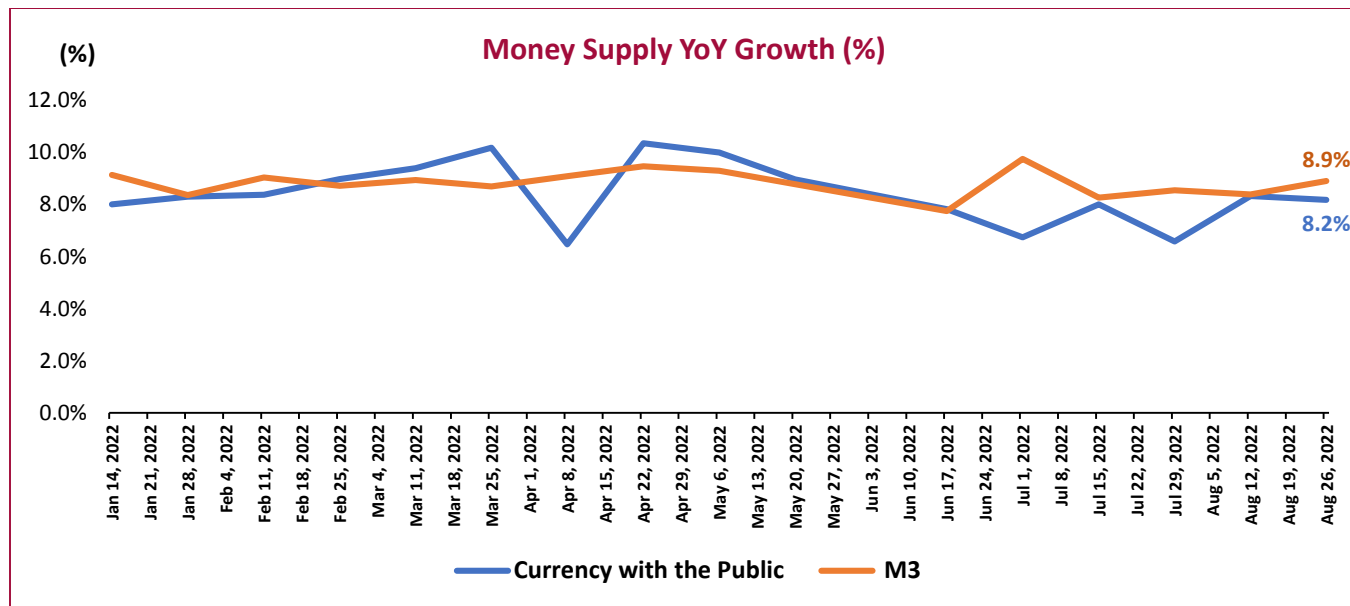
All India Growth Rate of Housing Price Index (%)



All-India HPI recorded 3.45 per cent annual growth (y-o-y) in Q1:2022-23 (provisional data) as compared with 1.79 per cent growth in the previous quarter and 1.97 per cent a year ago.

## MONEY SUPPLY

*While the currency with the public declines marginally, M3 rises from last fortnight*



## GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	-0.10	Jan 29, 2016 (-20 bps)	Oct 27, 2022
European Central Bank (ECB)	Europe	1.25	Sep 08, 2022 (75 bps)	Oct 27, 2022
Federal Reserve	U.S.A	3.25	Sep 21, 2022 (75 bps)	Nov 02, 2022
Bank of England	U.K	2.25	Sep 22, 2022 (50 bps)	Nov 03, 2022
Peoples Bank of China	China	3.65	Aug 22, 2022 (-5 bps)	-
Reserve Bank of India	India	5.40	Aug 05, 2022 (50bps)	Sep 30, 2022



## INDUSTRY OUTLOOK

### Real Estate

**“Owning a Home is a keystone of wealth, both financial affluence and emotional security” – Suze Orman, Financial Advisor.**

The real estate industry has strong linkages with economy and has experienced more up and down than any other industry. Despite massive fluctuations the industry has not lost its sheen due to two reasons 1) Housing is a basic necessity and 2) As an investment avenue Real estate can be refinanced, rehabbed, and rezoned.

India's ambitious program Pradhan Mantri Awas Yojana in India aims to provide roof on everyone's head. Habitat For Humanity, a global tracker of the problem of housing poverty, estimates that India's housing shortage is currently around 73.6 million units, of which 26.3 million is urban. While the country faces massive shortage in housing, the impending projects delays has further made it difficult for the common man to have a house of his own. The real estate sector is caught in the tweezer grip of delayed project deliveries, developers starved of funds, high unsold inventory and a growing proportion of stalled projects.

The government has taken a lot of initiatives to bring the sector out of the woods. Still, the remedial measures requires a combination of factors: capital infusion, capacity building on the supply side to resolve the unproductive assets, incentives for new entrants and tweaks in the regulatory framework.

Globally the real estate sector have been in overheated state. An analysis by Bloomberg Economics shows that 19 OECD countries have combined price-to-rent and home price-to-income ratios that are higher today than they were ahead of the 2008 financial crisis — an indication that prices have moved out of line with fundamentals. Rising interest rates and soaring borrowing costs has added risks that a slowdown could ripple through the economy. Still the real estate industry cannot be at a standstill and will continue to flourish as “There is no place more delightful than one's own fireside”.



## Fintech

During the COVID-19, digital mediums and digital payment solutions increased significantly and widely being chosen by people over the physical transactions. Further, with the advent of Fintech, E-commerce has got a boost due to different payment options through Mobile Apps, Mobile Wallet, etc.

The Indian payments sector is in the midst of rapid innovation, propelled by changing consumer patterns and initiatives taken by regulatory and banking institutions. India is recognized as a global hub on account of a mature funding ecosystem as well as supportive regulatory environment. With the increasing impact of digitalization, fintech has made strong in-roads, initiating the underserved and unserved in a new era with accessibility and pegging India with one of the highest fintech adoption globally. The rising adoption of smartphones specifically in rural areas and the fast-growing digital adoption and mobile penetration on the back of one of the cheapest data rates in the world offered by private telecom players, to enabling regulatory environment coupled with world-leading digital infrastructure (Aadhar, UPI, BBPS etc.), and structural reforms and initiatives (GST, TReDS etc.). Thus, resulting in a substantial jump in the growth of mobile payments in India.

Greater innovation is expected through new initiatives such as the Regulatory Sandbox framework, Public Credit Registry (PCR), National Health Stack, safe data-sharing, Account Aggregators (AA) and the Open Credit Enablement Network (OCEN) in the coming times. The opportunities for Fintech in India are extensive and have expanded many-folds due to the accelerated digital adoption in the last 2 years. Today 1 Bn+ individuals require access to formal credit and insurance, 150 mn+ MSMEs require access to capital.

Since FinTech solutions involve new digital technologies and emerging regulatory challenges, there is need for new regulations and the role of self-regulation also needs to be efficiently addressed. India is progressing into a unique system offering Fintech new businesses - a stage to conceivably develop into billion-dollar unicorns and contributing to the largest share of unicorns in India. The opportunities for fintech in India are immense, but the sector needs support to enable greater innovation, growth and development. The Indian FinTech market to play a pivotal role in India's journey.



## EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS

### 1. India's banking system liquidity slips into deficit after 40 months: RBI (BS, 20.09.2022)

- India's banking system liquidity has slipped into deficit for the first time in nearly 40 months, according to the Reserve Bank of India.
- The RBI infused 218 billion Indian rupees (\$2.73 billion) into banking system, the biggest since May 2019.
- Overnight rates continue to stay elevated, with one-day call money rate jumping to 5.85%, highest since July 2019.

### 2. NPCI launches UPI payments via RuPay credit cards (BL, 20.09.2022)

- National Payments Corporation of India launched UPI (Unified Payments Interface) payments via credit cards on the RuPay network.
- The Reserve Bank of India had in June announced linking of UPI of credit cards, and had then said that the facility will initially be introduced on the RuPay and later extended to other card networks.
- RuPay credit cards will be linked to a Virtual Payment Address (VPA) or a UPI ID to facilitate such payments in an offline mode. With this linkage, customers will increase use cases for credit cards and allow merchants to

access more cards customers, NPCI said.

- RBI Governor Shaktikanta Das launched the service at the Global Fintech Fest, along with 'UPI Lite' for small-value UPI transactions via a wallet-like feature, and the facility for inward cross-border remittances through the Bharat Bill Pay System.

### 3. Bankruptcy Board, IBBI, amends regulations to reduce delays in insolvency process (ET, 20.09.2022)

- Aiming to reduce delays and realise better value, the Insolvency and Bankruptcy Board of India (IBBI) has notified the IBBI (Liquidation Process) (Second Amendment) Regulations 2022 (Amendment Liquidation Regulations), and IBBI (Voluntary Liquidation Process) (Second Amendment) Regulations 2022 (Amendment Voluntary Liquidation Regulations). These were notified on September 16.
- Post the modifications, the Committee of Creditors (CoC) constituted during the Corporate Insolvency Resolution Process (CIRP) would function as Stakeholders Consultation Committee (SCC) during the first 60 days.
- After adjudication of claims and within 60 days of initiation of process, the SCC shall be reconstituted based upon the admitted claims.

#### **4. Bad bank plans to buy 18 distressed a/cs totaling Rs 39,921 crore by October 31 (ET, 20.09.2022)**

- National Asset Reconstruction Company of India Ltd (NARCL), the bad bank promoted by the government, is preparing to acquire 18 distressed accounts totalling Rs 39,921 crore by October 31, said two people aware of the development. This follows directions from senior finance ministry officials to government owned banks at a meeting held.
- The government-owned ARC informed lenders that it has drawn up two lists — phase one with eight accounts with Rs.16,744 crore debt and phase two comprising 10 accounts with Rs.18,177 crore debt, the people said. NARCL has engaged consultants such as EY, PwC, Alvarez and Marsal, KPMG, Grant Thornton to conduct due diligence for the 18 accounts, they said. It will rely on the due diligence reports to finalize binding offers for these accounts.

#### **5. RBI ready to bring card tokenization norms into effect from Oct 1 (ET, 19.09.2022)**

- The Reserve Bank of India (RBI) is ready to bring its card-on-file tokenisation norms into effect from October 1 after various complaints were filed regarding the misuse of debit or credit cards.

- Several people were cheated in the last few years by cyber frauds because they have stored their card data on the merchants website for future payments.

#### **6. PSU banks give digital lending a push as part of EASE reform agenda (ET, 18.09.2022)**

- Public sector banks are fast adapting to digital means as they have cleared digital lending of Rs 83,091 crore in the financial year ending March 2022. As part of EASE 4.0 reforms, state-owned banks were asked to focus on digital lending, co-lending with non-banking firms, agriculture financing, and technological resilience for 24x7 banking.
- The Enhanced Access and Service Excellence (EASE) program, driven by Indian Banks' Association (IBA), also stressed on data analytics, automation, and digitization.
- The fourth edition of EASE was focused on technology-enabled simplified and collaborative banking and Finance Minister Nirmala Sitharaman felicitated top performing banks on various parameters, according to a IBA statement.



## **7. Government exhorts banks to lend more to industry (ET, 16.09.2022)**

- The Union government urged bankers to increase lending to the industries segment given the multiplier benefits it offers for the country's economic growth. The Department of Financial Services (DFS) under the Union finance ministry is also mulling to carry out a survey on customer service for banks and come out with rankings of banks on the same, a top official said.
- DFS secretary Sanjay Malhotra said in the last decade industries' share in the overall credit by banks has decreased by 16 percentage points to 26 per cent, and the same needs to increase.
- He said that the maximum loan growth has been in the retail segment over these years, and the banks have been focusing on the same

## **8. RBI releases 'alert list' of 34 entities barred from forex trades (BS, 08.09.2022)**

- After receiving repeated enquiries on the authorisation status of certain electronic trading platforms for foreign exchange transactions, the Reserve Bank of India has released a list of entities that are not authorised to undertake such trades.
- The list, which will be referred to as an 'alert list', is not exhaustive and is based on the latest information

available to the RBI at the time, the central bank said. The list includes entities that are neither authorised to deal in foreign exchange under the Foreign Exchange Management Act, 1999 nor to operate electronic trading platforms for forex transactions.

- The central bank's list has a total of 34 entities. Some of the entities listed are Alpari, AnyFX, Ava Trade, Binomo, eToro, Exness, Expert Option, FBS, FinFxPro and Forex.com.

## **9. Digital lending norms aim to protect customer interest: RBI's Rao (BS, 09.09.2022)**

- The Reserve Bank of India's recent norms on digital lending aim to strike a balance between innovation and inclusion while ensuring that regulatory arbitrage is not exploited to the detriment of customer interest, said Deputy Governor M Rajeshwar Rao.
- On August 10, the RBI issued guidelines for digital lending in a bid to mitigate concerns from credit delivery through such lending. The guidelines aimed to firm up the regulatory framework for such activities. The RBI has specified that the lending business can only be carried out by entities regulated by it or those permitted under law.

- The central bank has divided digital lenders into three groups: entities it regulates and are permitted to carry out lending; entities authorised to carry out lending according to other statutory/regulatory provisions but not regulated by the RBI, and entities lending outside the purview of any statutory/regulatory provision.

#### **10. Public sector banks to open 316 branches in financial inclusion drive (BS, 06.09.2022)**

- Public sector banks (PSBs) are targeting to open around 363 brick and mortar branches by December 2022 to scale up Prime Minister Narendra Modi's financial inclusion drive by covering villages with a population over 3,000 and within 5 km radius.
- These branches would cover villages in 21 states, and would be opened by banks in location allocated to them by State Level Banking Committee (SLBC). SLBC is an institutional forum for coordinating and implementing banking policies in states, and has representation from banks, Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), heads of government departments.
- Additionally, about 47 branches would be opened by private banks in villages with a population of over 3,000. The

progress made by government-owned banks in opening of branches was reviewed in the performance assessment of PSBs by the Ministry of Finance on August 30.

#### **11. GST collections above Rs 1.4 trillion for sixth consecutive month (BS, 02.09.2022)**

- Goods and Services Tax (GST) collections remained above Rs 1.4 trillion for the sixth month in a row, and increased 28 per cent year-on-year to Rs 1.43 trillion on better compliance, revival in consumption, and elevated inflation. The GST mop-up in August 2021 was Rs 1.12 trillion.
- However, revenue from the indirect tax witnessed a mild month-on-month dip from Rs 1.49 trillion collected in July. Despite imposition of GST on pre-packaged food items from July, the collection saw a dip as compared with last month.



## DATA SOURCES

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

\*\*\*\*\*

“

### QUOTE OF THE MONTH

*“All that we are is the result of what we have thought. The mind is everything. What we think we become.”*

*- Gautama Buddha*

”



...the name you can BANK upon!

# Make your fixed deposits more flexible

Introducing **Overdraft (eOD) against Fixed Deposit** through PNB One



Follow us: [www.pnbindia.in](http://www.pnbindia.in) • Toll Free: 1800-180-2222 or 1800-103-2222 | Give a missed call 1800 180 8888

पंजाब नैशनल बैंक  
...सरोवर का प्रतीक !



punjab national bank  
...the name you can BANK upon !

*Punjab National Bank  
Strategic Management & Economic Advisory Division  
Corporate Office, Plot No. 4, Sector 10,  
Dwarka, New Delhi-110075*

पंजाब नैशनल बैंक  
कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग  
कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,  
द्वारका, नई दिल्ली-110075