ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
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BANKING, FINANCIAL SERVICES & INSURANCE (BFSI)

CHRONICLE

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (ICMAI)
(Statutory Body under an Act of Parliament)
www.icmai.in

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Behind every successful business decision, there is always a CMA

Mission Statement

"The CMA professionals would ethically drive enterprise globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprise globally."

About The Institute

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing toward the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as ***"The Institute of Cost Accountants of India"*** from ***"The Institute of Cost and Works Accountants of India"***. This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of transnational Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as ***"Cost and Management Accountants (CMAs)"***. The Institute is the largest Cost & Management Accounting body in the world, having approximately 5,00,000 students and 1,00,000 members all over the globe. The Institution headquartered at New Delhi operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 113 Chapters situated at important cities in the country as well as 11 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Chairman's Message

Dear Professional Colleagues,

It is a privilege to connect with you through this edition of the BFSI Chronicle. We are navigating an era where financial systems are being tested by both innovation and uncertainty. As Cost and Management Accountants, our responsibility is to provide clarity, resilience, and strategic foresight to the institutions we serve.

The ongoing USA-Iran tensions have introduced fresh volatility into global trade and commerce. For India, the implications are multi-layered: disrupted energy supply chains, fluctuating insurance and reinsurance premiums, currency pressures, and risk repricing in capital markets. Banks are facing heightened counterparty risks, while insurers and reinsurers are recalibrating exposure to geopolitical events. In such times, the CMA's role in risk assessment, cost optimization, and strategic scenario planning becomes indispensable. We must guide our institutions to balance prudence with opportunity, ensuring that global shocks do not derail India's growth trajectory.

Domestically, the Indian banking system is on the cusp of a major shift with the implementation of Ind AS 109 / IFRS 9 Expected Credit Loss framework from 01.04.2027. This marks a fundamental move from the rule-based, incurred-loss IRAC norms to a forward-looking, probability-weighted ECL model. The transition will significantly impact provisioning, capital adequacy, and pricing of credit. As CMAs, we are uniquely positioned to support banks in building robust ECL models, validating assumptions, and aligning risk management with financial reporting. The BFSI Board is committed to equipping members through targeted programs so that we lead this transition, not just comply with it.

The next decade of BFSI will be defined by fintech integration, AI-driven credit decisions, blockchain in settlements, green finance, and ESG disclosures. My vision as Chairman is to future-proof the CMA profession for this new era. We are actively building pathways for CMAs in digital banking, sustainable finance, risk analytics, climate risk disclosure, and governance in decentralized finance. Wherever the financial world moves next, a CMA must be present, adding value with insight, integrity, and innovation.

Role of Cost and Management Accountants (CMAs) in the Indian Insurance Sector

As India pursues its "Insurance for All by 2047" vision under Viksit Bharat, the sector faces structural shifts toward Risk-Based Capital (RBC) frameworks – which tie capital requirements to actual *risk exposure – Ind AS 117 (converged IFRS 17) compliance, product affordability and deep digital transformation. While actuaries quantify claims risk (IBNR/IBNER/URR/PDR & other Technical Reserves), Cost and Management Accountants (CMAs) are positioned to fill a critical execution gap by converting complex regulatory requirements into sustainable operational efficiency.*

CMAs can deliver distinct strategic value across four main areas:

- *Regulatory & Capital Optimisation: Under Ind AS 117, CMAs are well-positioned to utilise activity-based costing to cleanly distinguish "attributable" from "non-attributable" expenses. This leads to accurate valuation of Contractual Service Margins (CSM) – the unearned profit insurers expect to recognize as coverage is provided. Furthermore, the control exercised over operational costs helps optimise capital retention under upcoming RBC regimes.*

- *Operational Excellence: To catalyse market penetration and promote affordability of insurance products, insurers must lower their Expenses of Management (EoM) ratios. CMAs are positioned to lead targeted cost control across claims processing and underwriting, identifying leakages within third-party networks to lower per-policy delivery costs.*

- *Financial Engineering for InsurTech: High-volume, low-margin products like microinsurance or pay-as-you-go models leave zero room for inaccurate cost loadings. CMAs are well-positioned to apply marginal costing and cost-benefit rigor to ensure both inclusive products and AI-driven tech investments yield clear returns on investment.*

- *Policy & Institutional Capacity: Collaborating with institutions like the National Insurance Academy, CMAs can drive data-backed research to assist IRDAI & Ministry of Finance in setting fair expense caps and build specialized training for the industry.*

By embedding cost discipline, risk intelligence, and financial governance into insurance operations, CMAs are poised to become strategic partners in building a resilient, affordable, and universally accessible insurance ecosystem – directly supporting India's goal of 100% insurance penetration and full coverage by 2047.

With warm regards and gratitude,

CMA Chittaranjan Chattopadhyay

Chairman, Banking, Financial Services & Insurance Board

The Institute of Cost Accountants of India (ICMAI)

From the Desk of the Department

India's remarkable resilience rests upon the firm foundations of visionary policymaking, disciplined fiscal management, a robust banking system, an entrepreneurial spirit, and an ever-expanding digital ecosystem. Continued structural reforms, world-class infrastructure development, technological innovation, and an unwavering commitment to sustainability will undoubtedly propel the nation towards enduring prosperity, enabling it to withstand external shocks while confidently embracing the opportunities of the future.

As the financial world enters an era increasingly shaped by Artificial Intelligence, machine learning, predictive analytics, and advanced digital technologies, governance must evolve with equal foresight. In this context, the Reserve Bank of India's Draft Guidance on Regulatory Principles for Model Risk Management, 2026 represents a landmark initiative and a defining moment in the evolution of financial regulation. It heralds a decisive transition from a compliance-centric mindset to a culture rooted in intelligent governance, scientific risk management, transparency, and accountability.

Compliance in the digital age can no longer be viewed as a mechanical exercise of regulatory adherence. It has evolved into a sophisticated discipline requiring specialised knowledge, ethical leadership, analytical excellence, and continuous innovation. As Artificial Intelligence increasingly powers credit underwriting, fraud detection, anti-money laundering, customer engagement, and financial decision-making, ensuring fairness, explainability, transparency, data privacy, and consumer protection assumes paramount importance. Responsible model governance will not merely strengthen institutional resilience; it will inspire public trust and reinforce confidence in the financial system of tomorrow.

It is our earnest hope that the proposed regulatory framework will soon translate into an effective and comprehensive policy architecture, enabling financial institutions to harness the immense potential of emerging technologies while safeguarding consumer interests with unwavering commitment. Such visionary regulatory initiatives will further fortify India's financial architecture, deepen stakeholder confidence, and reinforce our collective pursuit of a resilient, responsible, inclusive, and globally respected financial system.

As India advances with confidence through an era of unprecedented change, the BFSI sector must continue to embody the values of integrity, innovation, resilience, and responsible leadership. Guided by visionary regulation, strengthened by technological excellence, and inspired by the collective resolve of its institutions, the sector is destined not merely to respond to the future but to shape it. Together, we remain committed to building a financial ecosystem that empowers every citizen, fuels sustainable development, and contributes meaningfully to the nation's aspiration of becoming a prosperous, inclusive, and developed India.

Viksit Bharat 2047-Examination Centre Hubs

(A New Paradigm for Enhancing Quality and Integrity in Academic and Competitive Examinations)

CMA (Dr.) P. Siva Rama Prasad
Former Asst. General Manager
State Bank of India,

Abstract:

The quality and credibility of academic and competitive examinations depend not only on the curriculum and evaluation methods but also on the physical environment and infrastructure in which examinations are conducted. Inadequate facilities such as overcrowded classrooms, poor ventilation, insufficient amenities, lack of technological support, and accessibility issues often affect candidates' concentration and create administrative challenges. The rapid expansion of cities and the increasing volume of recruitment, entrance, and professional examinations have further highlighted the need for specialized infrastructure.

This article examines the importance of creating conducive examination environments and proposes the establishment of dedicated Examination Centre Hubs at strategic locations, particularly on the outskirts of cities. Such hubs, equipped with modern technology, secure surveillance systems, computer-based testing facilities, adequate seating arrangements, parking areas, waiting lounges, food courts, and transportation connectivity, can significantly enhance the quality, transparency, and efficiency of both online and offline examinations. The concept also presents a viable entrepreneurial opportunity capable of addressing the growing year-round demand for examination infrastructure. Establishing Examination Centre Hubs can contribute to strengthening assessment standards, ensuring fairness and integrity, and supporting the development of a more credible and efficient educational and recruitment ecosystem.

Examinations constitute one of the most important pillars of the educational system. They are not merely mechanisms for awarding marks or degrees but serve as instruments for evaluating the knowledge, understanding, analytical abilities, and skills acquired by students during the learning process. The credibility of educational institutions and the quality of human resources entering various professions largely depend on the effectiveness and integrity of the examination process. Consequently, the environment in which examinations are conducted assumes considerable significance.

Concentration is a critical factor that influences the performance of candidates. A well-designed examination environment enables students to express their thoughts and knowledge with confidence and clarity. Therefore, schools, colleges, universities, and professional institutions have a responsibility to provide infrastructure and facilities that create a conducive atmosphere for fair and effective assessment.

Importance of a Conducive Examination Environment:

Academic performance is influenced not only by preparation and intellectual capabilities but also by the physical surroundings in which examinations are conducted. Adequate lighting, proper ventilation, comfortable seating arrangements, and freedom from distractions contribute significantly to concentration and mental composure. A calm and orderly atmosphere allows students to focus on the questions before them and present their answers effectively.

The quality of final examinations conducted at the completion of course curricula also reflect the effectiveness of teaching and learning. If examinations are not conducted under suitable conditions, the reliability of the assessment process may be compromised, ultimately affecting organizations and institutions that recruit graduates and professionals possessing such qualifications.

Infrastructure Challenges in Existing Examination Centres:

Despite the growing emphasis on quality education, many institutions continue to face infrastructural deficiencies that adversely affect examination standards. Overcrowded classrooms, inadequate space between candidates, poor ventilation, insufficient lighting, and limited restroom and drinking water facilities create discomfort among examinees. In several institutions, the absence of waiting areas, parking facilities, and modern technological support makes the conduct of examinations increasingly difficult.

Maintaining discipline and ensuring fairness become more challenging in the absence of CCTV surveillance systems, public announcement facilities, and effective monitoring mechanisms. Such limitations place unnecessary stress on both students and examination administrators and reduce the overall quality of the assessment process.

Growing Challenges in Competitive and Entrance Examinations:

The problem is even more pronounced in large-scale examinations conducted by various agencies and institutions. Examinations conducted by the Union Public Service Commission, Staff Selection Commission, Institute of Banking Personnel Selection, State Public Service Commissions, railway recruitment agencies, and entrance examinations such as NEET, JEE, CAT, NET, CA, CMA, CS and BITS Pilani involve thousands of candidates across multiple centres.

These examinations require high standards of security, transparency, and logistical coordination. However, many existing centres are primarily educational institutions that lack the infrastructure needed to accommodate large numbers of candidates and ensure efficient administration. As a result, both candidates and authorities often encounter avoidable operational difficulties.

Urban Expansion and Accessibility Issues:

Rapid urbanization has significantly altered the geographical spread of cities. Residential areas have expanded far beyond traditional city limits, extending over distances of thirty to forty kilometres. Consequently, many students and their families reside on the outskirts and face considerable difficulties in reaching centrally located examination centres.

Long-distance travel, traffic congestion, uncertainty regarding transportation, and the pressure of reaching examination venues on time often increase stress levels among candidates. Such circumstances can adversely affect concentration and overall performance. Therefore, accessibility and location have emerged as important considerations in examination planning.

The Need for Dedicated Examination Centre Hubs:

Considering the increasing demand for quality assessment and the limitations of existing facilities, there is a compelling need to establish dedicated Examination Centre Hubs at strategic locations. Such centres, preferably located on the outskirts of cities where land costs are comparatively lower, can be developed exclusively for conducting examinations throughout the year.

Unlike conventional educational institutions, these hubs would be designed specifically to accommodate large numbers of candidates while ensuring comfort, security, and operational efficiency. They would provide an environment that supports concentration and enables examination authorities to maintain higher standards of conduct.

Essential Infrastructure and Modern Facilities:

Dedicated Examination Centre Hubs should incorporate comprehensive infrastructure capable of supporting both conventional and computer-based examinations. Spacious examination halls with proper seating arrangements and adequate distance between candidates would enhance comfort and reduce opportunities for malpractice.

Essential amenities such as clean drinking water, hygienic restrooms, and waiting areas for candidates appearing in subsequent sessions would improve the overall experience of examinees. The inclusion of advanced technological facilitiessuch as CCTV surveillance systems, public announcement systems, centralized servers, and individual computer workstations would facilitate secure and efficient examination management.

A central control room could supervise question paper distribution and manage digital uploading of online examination papers. Such arrangements would enhance confidentiality and strengthen the integrity of the examination process.

Strengthening Security and Administrative Efficiency:

Security and effective supervision are indispensable components of any examination system. Dedicated examination hubs equipped with surveillance systems and trained personnel can substantially reduce the possibility of cheating and other irregularities. Security staff can ensure safety and maintain order within the premises.

Multi-storeyed buildings with multiple entry and exit points can facilitate smooth movement of candidates and minimize congestion during peak hours. Such arrangements would simplify administration and improve the overall efficiency of examination management.

Convenience for Candidates and Accompanying Family Members:

Large-scale examinations often involve not only candidates but also parents and family members who accompany them. Therefore, adequate parking facilities constitute an important requirement. Spacious parking areas with nominal user charges can provide convenience while generating additional revenue for centre operators.

Food courts, restaurants, coffee shops, and refreshment facilities within the campus can cater to the needs of candidates and accompanying visitors, particularly during examinations conducted in multiple sessions. These amenities would contribute to a more comfortable and stress-free experience.

Importance of Transportation Connectivity:

Accessibility plays a crucial role in the success of examination centres. Coordination between examination authorities and State Road Transport Corporations can facilitate the operation of special bus services connecting major locations within cities to examination hubs during examination periods.

Advance planning and timely communication can ensure efficient public transport services, reduce travel-related stress, and enable candidates to reach examination venues without difficulty.

Emerging Entrepreneurial Opportunities:

The concept of Examination Centre Hubs presents an attractive opportunity for entrepreneurs and promoters. Since land costs are relatively affordable on the outskirts of cities, such facilities can be developed with moderate investment and designed to serve multiple examination authorities throughout the year.

The concept resembles the evolution of marriage function halls, which provide integrated infrastructure and comprehensive amenities for hosting large gatherings. Similarly, Examination Centre Hubs can offer complete solutions for conducting academic, professional, recruitment, and entrance examinations efficiently and economically.

Meeting the Rising Demand for Online and Offline Examinations:

The demand for examination infrastructure has increased substantially with the expansion of higher education and the growing number of recruitment and certification examinations. Universities conduct semester examinations continuously, while professional institutions and government agencies organize examinations throughout the year.

The shift toward computer-based testing has further increased the need for technologically equipped centres capable of supporting both online and offline examinations. Dedicated Examination Centre Hubs can effectively address this growing demand and provide standardized facilities for diverse examination requirements.

Towards a More Credible and Efficient Assessment System:

A robust assessment system requires more than academic excellence; it demands infrastructure that ensures fairness, transparency, security, and convenience. Examination Centre Hubs represent an innovative approach capable of transforming the existing examination ecosystem. By integrating modern technology, efficient administration, and candidate-friendly facilities, these centres can significantly improve the quality of academic and competitive examinations.

As India moves towards becoming a knowledge-driven and globally competitive economy, investment in specialized examination infrastructure deserves serious consideration. Establishing Examination Centre Hubs can strengthen the credibility of educational institutions and recruitment agencies while ensuring that merit is evaluated in an environment that promotes concentration, integrity, and excellence.

To Sum Up:

Quality examinations are fundamental to quality education and effective recruitment. A conducive examination environment not only enhances student performance but also strengthens the credibility of the entire assessment process. Dedicated Examination Centre Hubs have the potential to bridge existing infrastructural gaps and provide a sustainable solution to the growing demands of academic and competitive examinations. By combining technology, security, accessibility, and convenience, these hubs can redefine the standards of examination management and contribute meaningfully to the development of a competent and merit-based society.

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Indian Commercial Banks as Catalysts for Viksit Bharat 2047

(Driving Inclusive, Sustainable and Digital Economic Growth)

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Abstract:

:The vision of "Viksit Bharat 2047" envisages transforming India into a developed, inclusive, technologically advanced and globally competitive economy by the centenary year of its independence. Achieving this ambitious national objective requires a robust, resilient and development-oriented banking system capable of mobilising financial resources and channelising them into productive sectors of the economy.

This article examines the pivotal role of Indian Commercial Banks as catalysts of economic transformation by highlighting their contributions to capital formation, financial intermediation, inclusive growth and sustainable development. It discusses the responsibility of banks in bridging credit gaps across the agriculture, industry and services sectors, promoting total financial inclusion, strengthening priority sectors such as agriculture, Micro, Small and Medium Enterprises (MSMEs) and exports, encouraging digital banking and digital payment ecosystems in support of the Digital India initiative, financing infrastructure and green investments, enhancing financial literacy and reducing regional economic imbalances. The article further emphasises that commercial banks must align their strategic objectives with the developmental priorities of the Government of India by adopting innovative technologies, customer-centric banking practices, sound risk management and sustainable financing models. A resilient and inclusive banking system will not only accelerate economic growth, employment generation and entrepreneurship but also serve as one of the strongest pillars in realizing the national aspiration of Viksit Bharat 2047.

The Government of India's vision of **"Viksit Bharat 2047"** envisages transforming India into a fully developed nation by the centenary of its independence. This ambitious national mission extends beyond achieving higher economic growth; it seeks to establish an inclusive, resilient, technologically advanced and globally competitive economy that ensures prosperity for every citizen. Achieving this vision requires coordinated efforts from policymakers, regulators, industries, educational institutions, financial markets and, above all, the Indian banking sector. Commercial banks occupy a pivotal position in the country's financial architecture by mobilising savings, allocating capital, facilitating investments, supporting entrepreneurship and promoting financial inclusion. As the principal financial intermediaries, banks are uniquely positioned to convert the nation's developmental aspirations into tangible economic outcomes.

The banking industry has consistently played a transformative role in India's socio-economic development. From financing the Green Revolution and industrial expansion to supporting infrastructure development, digital transformation and financial inclusion initiatives, banks have remained at the forefront of nation-building. As India progresses towards becoming a developed economy by 2047, commercial banks must redefine their strategic priorities by aligning their business objectives with national developmental goals. Their role should extend beyond traditional banking functions to become active partners in promoting sustainable growth, employment generation, technological innovation, regional development and social equity.

Banks as the Backbone of India's Economic Development:

A sound and resilient banking system forms the foundation of every prosperous economy. Commercial banks perform the critical function of mobilising household savings and channelising them into productive investments that generate income, employment and wealth creation. They facilitate capital formation by providing financial resources to agriculture, industries, infrastructure projects, businesses and individual entrepreneurs, thereby accelerating economic development.

The banking sector contributes significantly to economic stability by ensuring adequate liquidity within the financial system, facilitating smooth payment and settlement mechanisms and maintaining confidence among investors and depositors. Efficient credit delivery stimulates production, encourages entrepreneurship and enhances the productive capacity of the economy. As India aspires to become a multi-trillion-dollar economy, commercial banks must expand their financial intermediation role by adopting innovative lending models, strengthening risk management practices and ensuring that productive sectors receive adequate and timely financial support.

In addition to financing economic activities, banks serve as important instruments for implementing various Government welfare schemes, direct benefit transfer programmes, infrastructure financing initiatives and developmental policies. Their extensive branch network, digital platforms and customer outreach make them indispensable partners in achieving national economic objectives.

Bridging Credit Gaps Across Agriculture, Industry and Services:

Balanced economic growth requires adequate availability of institutional credit across all productive sectors. Commercial banks must identify and bridge credit gaps that continue to constrain the growth of agriculture, manufacturing, services and emerging industries. Timely and affordable credit enables businesses to invest in capacity expansion, technological upgradation, modernisation and employment generation.

The agricultural sector remains the backbone of rural India, supporting millions of farming households. Banks should strengthen agricultural financing by providing credit for irrigation facilities, farm mechanisation, high-yield seeds, post-harvest infrastructure, food processing, warehousing, cold storage, Agri-logistics and allied agricultural activities such as dairy, fisheries and horticulture. Enhanced agricultural credit not only improves farm productivity but also strengthens rural incomes and food security.

Industrial development requires sustained financial support for manufacturing enterprises, infrastructure projects and capital-intensive industries. Commercial banks should facilitate long-term project financing, working capital assistance and technology-driven investments that improve industrial competitiveness. Financing industrial innovation, automation and green manufacturing will contribute significantly to India's objective of becoming a global manufacturing hub.

The services sector has emerged as the largest contributor to India's Gross Domestic Product and employment generation. Banks should actively support sectors such as information technology, healthcare, education, tourism, logistics, financial services, hospitality, professional services and digital commerce. The growing digital economy requires banks to develop specialised financial products that address the unique requirements of service-based enterprises and knowledge-driven businesses.

Achieving Total Financial Inclusion as a National Banking Mission:

Financial inclusion represents one of the most powerful instruments for inclusive economic development. Although India has achieved remarkable progress through initiatives such as the Pradhan Mantri Jan Dhan Yojana, significant challenges remain in ensuring universal access to formal financial services. Commercial banks should adopt the objective of achieving 100 percent financial inclusion as one of their foremost strategic priorities.

True financial inclusion extends beyond merely opening bank accounts. It encompasses access to savings products, affordable credit, insurance services, pension schemes, remittance facilities, investment opportunities and digital payment systems. Every individual, irrespective of income level, geographical location or social background, should have meaningful access to quality financial services that improve economic security and promote financial empowerment.

Banks should focus on expanding banking services in remote rural areas, tribal regions, aspirational districts and underserved urban communities. Financial literacy programmes should accompany financial inclusion efforts to ensure that customers understand banking products, digital

transactions, savings habits and responsible borrowing practices. Strengthening financial inclusion will enhance household resilience, reduce dependence on informal moneylenders and integrate millions of citizens into the formal financial system.

Strengthening Agriculture as a National Priority:

Agriculture continues to be one of India's most important economic sectors, contributing significantly to employment, food security and rural development. Commercial banks should regard agricultural financing not merely as a statutory priority sector obligation but as a strategic investment in national development.

Banks should support farmers throughout the agricultural value chain by financing crop production, irrigation infrastructure, farm mechanisation, precision agriculture, organic farming, climate-resilient agricultural practices and Agri-technology innovations. Credit support for Farmer Producer Organisations, agricultural cooperatives and rural Agri-startups can improve market access and enhance farmers' bargaining power.

The adoption of technology-driven agricultural financing models, satellite-based crop monitoring, digital land records, weather analytics and artificial intelligence can improve credit appraisal while reducing lending risks. Such innovations will enable banks to serve the agricultural community more efficiently while promoting sustainable farming practices.

Promoting MSMEs as Engines of Employment and Innovation:

Micro, Small and Medium Enterprises constitute the backbone of India's industrial ecosystem by generating employment, promoting entrepreneurship and contributing substantially to exports and Gross Domestic Product. Despite their economic significance, many MSMEs continue to face challenges in accessing timely institutional credit.

Commercial banks should strengthen specialised MSME financing frameworks that recognise the unique characteristics of small businesses. Cash flow-based lending, digital credit assessment, supply chain financing, invoice discounting and collateral-light lending models can significantly improve credit accessibility for MSMEs.

Banks should also extend advisory services that assist MSMEs in financial management, digital transformation, export readiness, sustainability reporting and adoption of emerging technologies. By nurturing entrepreneurship and innovation, banks can contribute significantly to employment generation and balanced economic development.

Supporting Export Growth and Global Competitiveness:

Exports constitute a major driver of economic growth, foreign exchange earnings and industrial expansion. India's aspiration to become a developed economy requires substantial enhancement of export competitiveness across manufacturing, agriculture and services.

Commercial banks should provide comprehensive financial solutions to exporters through pre-shipment finance, post-shipment credit, export guarantees, foreign exchange services, trade finance and international banking facilities. Small and medium exporters require specialised financial products that reduce transaction costs and improve access to global markets.

Banks should also support emerging export sectors such as pharmaceuticals, engineering goods, electronics, renewable energy equipment, information technology services, agricultural products and high-value manufacturing. Strong export financing will strengthen India's integration into global value chains and improve the country's external economic resilience.

Accelerating Digital Banking for a Digital India:

The Government of India's Digital India initiative has transformed the country's financial ecosystem through widespread adoption of digital payment systems, mobile banking, internet banking and fintech innovations. Commercial banks have played a central role in this transformation and must continue to accelerate digital financial inclusion.

Banks should encourage customers to adopt secure digital payment platforms, Unified Payments Interface (UPI), internet banking, mobile banking applications, contactless payments and digital wallets. Enhanced digital adoption reduces transaction costs, improves operational efficiency, increases transparency and strengthens financial inclusion.

At the same time, banks must continuously invest in cybersecurity infrastructure, fraud prevention systems, data privacy measures and customer awareness programmes. Building public confidence in digital banking is essential for sustaining India's transition towards a cash-light and digitally empowered economy.

Artificial intelligence, machine learning, blockchain technology, cloud computing and advanced analytics are expected to redefine banking operations over the coming decades. Commercial banks should proactively adopt these technologies to improve customer experience, strengthen risk management and enhance operational efficiency.

Reducing Regional Economic Imbalances:

Balanced regional development remains essential for achieving inclusive national growth. Significant disparities continue to exist between different states, districts and rural-urban regions in terms of industrialisation, infrastructure, employment opportunities and access to finance.

Commercial banks should actively contribute to reducing these regional imbalances by expanding banking infrastructure, increasing credit deployment and promoting entrepreneurship in economically weaker regions. Special attention should be given to aspirational districts, backward regions, North-Eastern states, tribal areas and rural communities where financial access remains limited.

Banks should collaborate with state governments, development financial institutions and local industries to identify region-specific investment opportunities. Financing local enterprises, Agro-processing units, rural tourism, renewable energy projects and rural infrastructure can stimulate balanced regional development and reduce migration pressures.

Supporting Infrastructure Development:

Infrastructure investment constitutes one of the most significant drivers of long-term economic growth. Commercial banks should continue to support financing for transportation networks, renewable energy projects, logistics infrastructure, affordable housing, smart cities, digital infrastructure, healthcare facilities and educational institutions.

Well-developed infrastructure improves productivity, enhances competitiveness and attracts domestic as well as foreign investment. Banks should strengthen project appraisal capabilities, adopt innovative financing structures and collaborate with infrastructure investment funds to meet the growing financing requirements of India's development agenda.

Promoting Sustainable and Green Banking:

As India pursues sustainable economic development, commercial banks must integrate environmental, social and governance considerations into their lending and investment decisions. Green banking practices contribute to climate resilience while supporting environmentally responsible economic activities.

Banks should encourage financing of renewable energy, electric mobility, energy-efficient buildings, sustainable agriculture, waste management and climate-resilient infrastructure. ESG-based credit assessment frameworks can improve long-term asset quality while supporting India's commitment towards sustainable development and net-zero emissions.

Sustainable finance will increasingly become a competitive advantage for Indian banks in attracting global investments and supporting environmentally responsible businesses.

Enhancing Financial Literacy and Responsible Banking:

Financial literacy serves as the foundation for effective financial inclusion and responsible economic participation. Commercial banks should expand financial education programmes covering savings, investments, insurance, pensions, digital banking, cyber security and responsible borrowing.

Well-informed customers make better financial decisions, utilise banking services more effectively and contribute to a healthier financial ecosystem. Banks should particularly focus on educating women, youth, rural communities and first-time banking customers to promote inclusive economic empowerment.

Responsible banking practices that emphasise transparency, ethical conduct, customer protection and fair lending will strengthen public trust and reinforce the credibility of the banking system.

To Sum Up:

The journey towards Viksit Bharat 2047 demands a banking sector that is not merely financially sound but also development-oriented, technologically advanced, socially responsible and globally competitive. Indian commercial banks must evolve from traditional financial intermediaries into strategic partners in national development by ensuring seamless credit flow to productive sectors, achieving universal financial inclusion, strengthening agriculture and MSMEs, promoting exports, accelerating digital transformation and reducing regional disparities.

By integrating innovation, sustainability, financial inclusion and customer-centricity into their long-term strategies, commercial banks can significantly contribute to inclusive economic growth and national prosperity. Their ability to mobilise financial resources, promote entrepreneurship, facilitate investments and support transformative public policies places them at the heart of India's development journey. As India progresses towards becoming a developed nation by 2047, the banking sector will remain one of the most influential pillars supporting the realization of the nation's economic aspirations and the enduring vision of Viksit Bharat 2047.

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FCNR (B) Deposits are Valuable for Fiscal Resilience

Shri Hargovind Sachdev
Former General Manager
State Bank of India

An FCNR(B) deposit is a fixed-term deposit account available exclusively to Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). Unlike standard NRE or NRO accounts, these deposits are held in a foreign currency such as USD, GBP, EUR, CAD, AUD, or JPY rather than being converted into Indian Rupees (INR). This allows NRIs to park their overseas earnings in India while keeping them denominated in their preferred foreign currency.

FCNR(B) deposits are a critical instrument for bolstering India's foreign exchange reserves and mitigating macroeconomic volatility. By allowing non-residents to hold funds in foreign currency, these deposits shield the domestic banking system from exchange-rate shocks.

In the current 2026 economic environment, the Reserve Bank of India's deployment of concessional hedging facilities, designed to reduce banks' cost of funds, has repositioned FCNR(B) accounts as a vital liquidity management tool.

For financial institutions, leveraging these deposits is now an essential strategy to optimise capital inflows while fortifying the nation's broader fiscal resilience.

Benefits of Keeping Funds in FCNR(B) Deposits:

- ***Protection Against Currency Risk:*** Because the deposit is held in a foreign currency, depositors are shielded from exchange rate fluctuations between the Indian Rupee and their home currency.
- ***Full Repatriability:*** Both the principal and the interest earned are fully repatriable to the country of residence without any restrictions.
- ***Tax Efficiency:*** Interest earned on FCNR(B) deposits is currently exempt from income tax in India.
- ***Investment Stability:*** They offer a secure, stable investment vehicle that links NRIs' foreign earnings to the Indian banking system.

Why is the RBI Encouraging FCNRB Deposits Now?

The Reserve Bank of India is actively promoting FCNR (B) deposits primarily to **strengthen foreign exchange reserves** and stabilise the Indian economy against global market turbulence. By encouraging dollar inflows through these deposits, the RBI is building a "buffer" to protect the economy from potential external shocks, such as volatile capital flows or fluctuations in global oil prices. Increasing the supply of foreign currency in the domestic market helps support the value of the Rupee.

Latest Government and RBI Initiatives (2026)

To boost inflows, the RBI has introduced significant measures to make these deposits more attractive to both banks and depositors:

- ***Concessional Swap Facility:*** The RBI has announced that it will cover the **full hedging costs** for banks that mobilise fresh FCNR(B) deposits with tenures of **three to five years**, and the facility is valid until September 30, 2026.
- ***Higher Potential Interest Rates:*** Banks are expected to pass on the savings from reduced hedging costs to depositors. Industry experts anticipate this could

increase interest rates on these deposits by 50–100 basis points, making them a more competitive investment compared to other market-linked instruments.

As of June 2026, the total outstanding balance in FCNR(B) accounts in India stood at $33.72 billion, down from a previous high of $ 34.02 billion.

RBI is concerned that fresh inflows into these accounts have declined significantly during the current fiscal year. Specifically, net inflows into FCNR(B) deposits fell to roughly $0.91 billion between April 2025 and February 2026, compared with $6.76 billion during the same period the previous year.

Interest rates on FCNR(B) deposits are determined by individual banks and vary based on the currency, deposit tenure, and the bank's specific policy.

Interest Rates :

To attract more funds, banks are offering higher interest rates. Presently, representative interest rates for USD-denominated FCNR(B) deposits typically range as follows:

- 1 to 2 Years: 4.50% to 5.10%
- 2 to 3 Years: 3.90% to 4.05%
- 3 to 5 Years: 3.70% to 4.00%

Banks often offer an additional 0.10% interest rate for deposits exceeding USD 200,000.

RBI Concessional Swap Facility (2026)

The RBI's recent decision to offer a concessional forex swap facility is a strategic move to incentivise banks to bring in more foreign currency.

When a bank raises an FCNR(B) deposit in a foreign currency, it usually needs to convert it into Indian Rupees before lending it domestically. To avoid the risk of currency fluctuations, the bank must "hedge" this transaction by buying the foreign currency forward. This hedging cost is often high.

Under this new measure, valid until September 30, 2026, the RBI will bear the full hedging cost for banks mobilising fresh FCNR(B) deposits with maturities of three to five years.

By eliminating this hedging cost for banks, the RBI effectively lowers banks' cost of funds. Banks are expected to pass this benefit on to NRIs by raising interest rates by 50–100 basis points to attract more deposits.

Do other countries have similar schemes?

Many countries worldwide allow non-residents to open "Foreign Currency Accounts" (FCA). However, the specific **FCNR(B) model**, in which a central bank such as the RBI actively intervenes to subsidise hedging costs and offers tax incentives to attract inflows to bolster national foreign exchange reserves, is a distinct strategy often used by emerging or developing economies to manage capital accounts.

Countries such as **Singapore, Hong Kong, Switzerland, and the UAE** offer multi-currency accounts to non-residents as a core part of their "offshore banking" business model. These accounts are designed to facilitate trade, wealth management, and capital mobility.

In these cases, the accounts exist because the country is a global financial centre, not necessarily because the central bank is trying to bridge a gap in its own foreign exchange reserves.

Other emerging markets, such as those in parts of Africa, Asia, or Latin America, have occasionally implemented similar deposit schemes during periods of balance-of-payment pressure, offering high interest rates or tax breaks to encourage their diaspora to send money home and hold it in foreign currency, thereby stabilising the local currency.

The absence of a "government-encouraged" FCNR-style scheme in many developed nations like the U.S., UK, or Japan is usually due to three main reasons:

- ***Fully Convertible Currencies:*** In countries where the currency is fully convertible and the economy is deeply integrated with global capital markets, there is no structural need for a central bank to incentivise the retention of foreign currency. The market naturally provides liquidity and hedging options.
- ***No "Balance of Payment" Pressure:*** These schemes are typically "crisis-management" or "strategic-management" tools. If a country already has massive foreign exchange reserves and a stable currency, it has no incentive to incur the costs, such as interest rate differentials or hedging subsidies, to attract such deposits.
- ***Monetary Sovereignty & Risks:*** Holding large amounts of foreign currency deposits can be risky for a developing economy. If there is a sudden global shock, depositors may withdraw their funds en masse (capital flight), which could put severe pressure on the country's banking system and its ability to pay out in foreign currency. Developed economies generally prefer to manage their money supply and interest rates through standard domestic policy rather than relying on volatile non-resident foreign currency deposits.

Disadvantages to the NRI Investors:

Even though the FCNR(B) Scheme is beneficial to the economy, it carries certain disadvantages for the NRI investors.

FCNR(B) Deposits are term deposits whose premature withdrawal attracts penalties. Often, zero interest is paid on premature withdrawals. NRIs must hold bank deposits till maturity.

If a bank fails, the DICGC cover is only up to Rs. 5.0 lac equivalent in foreign currency per account holder.

The range of currencies is limited, and customers who remit a currency other than the authorised currencies incur exchange costs.

Conclusion:

FCNR(B) deposits remain a sophisticated, strategic bridge between the Indian diaspora and the domestic economy. While they offer NRIs a stable, tax-efficient hedge against currency volatility, their true value in 2026 lies in their role as a bedrock for national fiscal resilience.

Through the RBI's timely concessional swap facilities, banks now hold a potent tool to bolster foreign exchange reserves and drive long-term stability. As we navigate a complex global market, integrating these deposits into a robust liquidity strategy is not merely a competitive advantage—it is a proactive commitment to sustainable economic growth.

CBDCs: Rewriting the Rules of Banking in the Digital Age

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Introduction

Money has continuously evolved from coins and paper currency to internet banking, mobile wallets, and instant payments. Today, Central Bank Digital Currencies (CBDCs) represent the next stage in this evolution. A CBDC is a digital form of sovereign currency issued and backed by a central bank. Unlike cryptocurrencies, CBDCs carry the trust of the state while offering the convenience of digital transactions. Around the world, central banks are exploring digital currencies as a means to modernize payment systems, improve financial inclusion, and strengthen monetary policy transmission. In India, the Digital Rupee initiative demonstrates how digital public infrastructure can support the next generation of financial innovation. The significance of CBDCs extends beyond payments. They have the potential to redefine how banks operate, how consumers interact with money, and how regulators monitor economic activity. As banking becomes increasingly data driven, CBDCs may emerge as the foundation of a new financial ecosystem powered by analytics, artificial intelligence, and machine learning. This article explores how CBDCs are rewriting the rules of banking in the digital age and why their impact may extend far beyond the simple digitization of cash.CBDCs and the Reinvention of Banking For decades, commercial banks have acted as intermediaries between depositors and borrowers while facilitating payments across the economy. Digital transformation has already changed customer expectations. Consumers now expect instant transactions, personalized services, and seamless digital experiences. CBDCs can accelerate this transformation by enabling direct digital access to central bank money.

Traditional payment systems often involve multiple intermediaries, resulting in delays, operational costs, and reconciliation challenges. CBDCs offer the possibility of near instant settlement, reducing friction across the financial system. This efficiency can benefit consumers, businesses, governments, and financial institutions alike. For cross border transactions, the impact may be even greater. International payments that currently take days could potentially be completed within seconds.

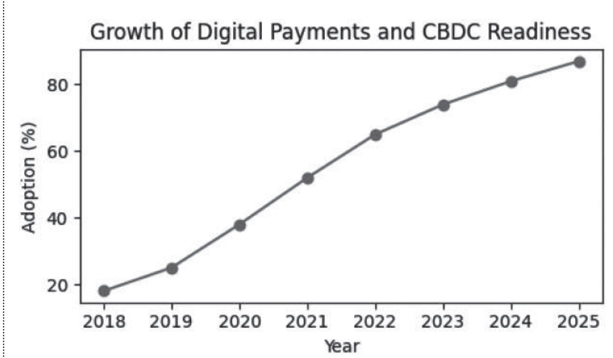

Figure 1: Suggested Chart – Growth of Digital Payments and CBDC Readiness

Illustrative data: 2018–2025 digital payment adoption rising from 18% to 87%.

Rather than replacing banks, CBDCs are likely to reshape their role. Banks may increasingly focus on value added services such as financial advisory, wealth management, lending, and digital ecosystem partnerships. The competitive advantage of future banks may not lie in transaction processing alone but in their ability to generate insights and deliver intelligent financial solutions.

The Data Science Opportunity Hidden Inside CBDCs One of the most transformative aspects of CBDCs is the data they generate. Every transaction creates a digital footprint that can be analyzed to understand consumer behavior, liquidity patterns, and economic activity. Historically, banks relied on fragmented datasets from deposits, loans, and cards. CBDCs have the potential to create a more integrated financial data environment. From a data science perspective, CBDCs can become a rich source of structured and real time information. Financial institutions can use advanced analytics to identify spending trends, forecast customer needs, and optimize resource allocation. Regulators can use aggregated data to understand macroeconomic developments and monitor systemic risks more effectively.

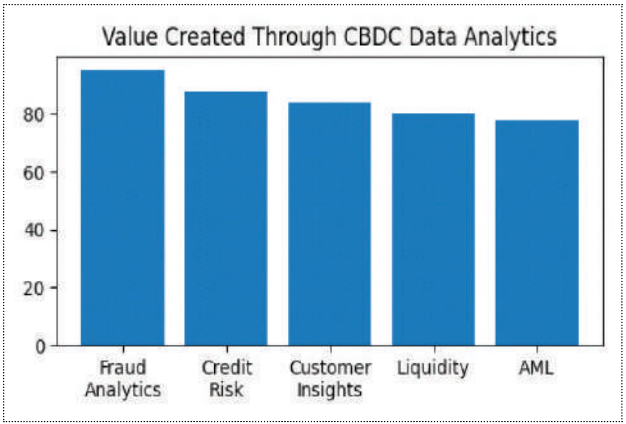

Figure 2: Suggested Chart – Banking Value Created Through CBDC Data Analytics

Illustrative impact scores: Fraud Analytics (95), Credit Risk (88), Customer Insights (84), Liquidity Forecasting (80), AML Monitoring (78). The availability of transaction level information can improve decision making throughout the banking sector. For example, banks may detect emerging customer needs earlier, enabling proactive service delivery. Economic policymakers may gain faster insights into consumption patterns, supporting more informed policy interventions. As a result, CBDCs could transform banking from a transaction centric industry into an intelligence driven industry.

Machine Learning and the Rise of Intelligent Banking As transaction volumes increase, traditional analytical methods become insufficient. Machine learning provides the capability to analyze vast datasets, identify hidden patterns, and make predictions in real time. The integration of machine learning with CBDC ecosystems could create a new era of intelligent banking. Fraud detection is one of the most promising applications. Machine learning models can continuously monitor transaction streams and identify anomalies that may indicate fraud, identity theft, or money laundering. Because these systems learn from historical behavior, they become more accurate over time. Credit assessment is another area where machine learning can add significant value. Traditional credit scoring models often rely on limited variables and may exclude individuals with little formal credit history. CBDC generated data can support alternative credit assessment models that evaluate financial behavior more comprehensively. This can improve financial inclusion while maintaining prudent risk management. Personalized banking services also stand to benefit. Recommendation engines can help customers save more effectively, manage expenses, and select suitable financial products. Instead of offering generic services, banks can provide highly customized experiences tailored to individual customer needs.

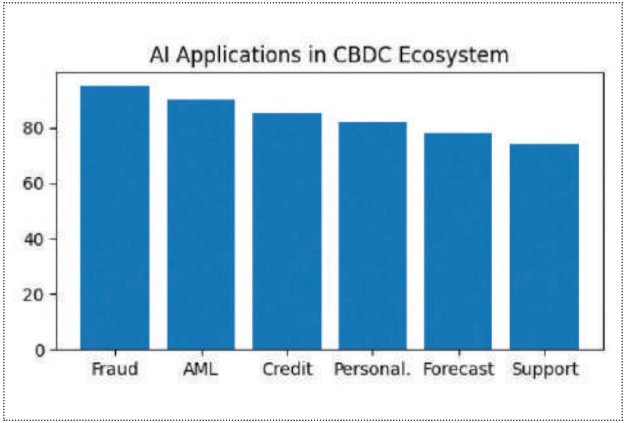

Figure 3: Suggested Chart – AI Applications in a CBDC Ecosystem

Illustrative impact scores: Fraud Detection (95), AML Monitoring (90), Credit Scoring (85), Personalization (82), Economic Forecasting (78), Customer Support (74). The combination of CBDCs and machine learning creates opportunities for predictive banking. Rather than reacting to events after they occur, financial institutions can anticipate customer needs, identify risks earlier, and improve operational efficiency.Challenges, Sustainability, and the Indian Context Despite their potential, CBDCs also introduce important challenges. Privacy remains one of the most frequently discussed concerns. Citizens may worry about the visibility of their transaction data and the extent of monitoring by institutions. Designing systems that balance transparency with privacy will be essential. Cybersecurity is another critical consideration. A digital currency ecosystem could become an attractive target for cyberattacks. Advanced security frameworks, encryption technologies, and AI driven threat detection systems will play a crucial role in protecting users and maintaining trust. The impact on commercial bank deposits is also an area of debate. If individuals choose to hold large balances in CBDCs, banks may need to adapt their funding strategies. This could encourage innovation in savings products, lending models, and customer engagement approaches. From a sustainability perspective, CBDCs align well with the emerging concept of green finance. Digital currencies can reduce dependence on physical cash production, transportation, and storage. Furthermore, energy efficient machine learning techniques can support intelligent transaction processing while minimizing computational costs. As the financial sector increasingly focuses on environmental responsibility, the intersection of CBDCs, Green AI, and sustainable banking will become an important area of research. India is particularly well positioned to benefit from CBDCs due to its strong digital infrastructure. The combination of Aadhaar, UPI, Jan Dhan accounts, and the Digital Rupee provides a foundation for inclusive and technology driven financial services. Indian banks can leverage these developments to create innovative products while improving efficiency and customer experience.

Conclusion

CBDCs represent far more than a digital version of cash. They are a catalyst for transforming the banking industry into a more connected, intelligent, and inclusive ecosystem. By enabling real time transactions, generating valuable data, and supporting advanced analytics, CBDCs have the potential to redefine how financial services are delivered.

The integration of data science and machine learning into CBDC ecosystems will allow banks to move beyond transaction processing toward predictive and personalized services. Fraud detection, risk management, customer engagement, and financial inclusion can all benefit from the insights generated by digital currency systems. At the same time, policymakers must address challenges related to privacy, cybersecurity, and financial stability.

The future of banking is likely to be digital, data driven, and increasingly intelligent. CBDCs are not simply changing the way money moves; they are reshaping the very foundations of the financial system. As countries continue their CBDC journeys, the institutions that successfully combine digital currencies with analytics, artificial intelligence, and sustainable innovation will be best positioned to lead the next era of banking.

Consolidation of Master Directions by RBI for Handling the Credit Portfolio in Banks

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Background:

The Reserve Bank of India, as the financial sector regulator of the economy, is playing a pragmatic role in maintaining financial stability while ensuring orderly growth and the protection of depositors' and borrowers' interests. The economy has seen progressive deregulation of bank credit, and now Prudential Norms primarily serve as regulatory safeguards for guidance to the regulated entities.

The RBI has issued several Master Directions over the years as the financial system evolved, and the RBI has endeavoured to optimise its regulatory framework. The RBI has taken a significant step toward a fundamental reorganization of the regulatory instructions administered by its Department of Regulation. By way Of a comprehensive exercise, the RBI has undertaken the consolidation of instructions contained in approx. 3,500 directions, circulars, and guidelines across 11 types of regulated entities. In November 2025, the RBI issued 244 Master Directions, consolidating the instructions on an as-is-where-is basis. This consolidation exercise is expected to enhance clarity, improve access, and reduce the compliance burden for the Regulated Entities, keeping in mind the objective of ease of doing business.

Here, we broadly discuss the relevant Master Directions relating to the Credit Portfolio of Banks, with specific reference to 'Project Finance and Infrastructure Financing'.

Consolidation of Applicable Master Directions Relating to Credit Portfolio. ;-

The main Master Directortions for Banks relating to various Credit Facilities are covered by the following:

Reserve Bank of India (Commercial Banks - Credit Facilities) Directions 2025 dated 28 November 2025

These MASTER DIRECTIONS provide comprehensive directions to the regulated entities on the design and delivery of Credit-related products and services. The guidelines cover a wide range of credit facilities, inter alia, as mentioned under:

1) Digital Lending Guidelines
2) Lending against Gold and Silver Collateral
3) Gold Metal Loans (GML) - For Jewellery Manufacturers
4) Microfinance
5) Project Finance
6) Credit Facilities to the Real Estate Sector
7) Infrastructure Financing
8) Discounting/Rediscounting of Bills
9) Acquisition Finance
10) Credit Facilities to Overseas Joint Ventures (JV)/Wholly Owned Subsidiaries Abroad and Overseas Step-down Subsidiaries of Indian Companies
11) Loans Against Financial Assets
12) Finance to Non-Banking Financial Companies (NBFCs)

13) Export Credit

14) Non-Fund-Based (NFB) Credit Facilities

15) Miscellaneous Provisions

The relevant aspects related to the various categories of facilities mentioned above have been dealt with in a detailed manner. This guide is to guide banks on the steps involved in the design of each product/service, with clear definitions, the mechanism of delivery, and the specific safeguards to be adhered to to protect the interests of the stakeholders.

Inter-linkage with other Mater Directortions.

In order to ensure consistency, clarity, and a commonality of approach, the reference to the other applicable Master Directions issued by RBI has been given at the relevant points to facilitate easy understanding as a ready reckoner. This is also to ensure comprehensive compliance by the regulated entities without missing the finer points involved in the specific guidelines.

As an illustration, the Other Master Directions closely related to the Credit Facilities Portfolio of the Banks as covered in the above-mentioned circular are, inter alia, as under:

1) Reserve Bank of India (Commercial Banks - Resolution of Stressed Assets) Directions 2025

2) Reserve Bank of India (Commercial Banks - Income Recognition, Asset Classification, and Provisioning) Directions 2025

3) Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy Directions 2025)

4) Reserve Bank of India (Commercial Banks - Credit Risk Management) Directtions 2025

5) Reserve Bank of India (Commercial Banks - Interest Rate on Advances) Directions 2025

6) Reserve Bank of India (Commercial Banks - Concentration Risk Management) Directions 2025

7) Reserve Bank of India (Commercial Banks - Securitisation Transactions) Directions 2025

8) Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Directions 2025

9) Reserve Bank of India (Commercial Banks -Managing Risks in Outsourcing) Directions 2025

10) Reserve Bank of India (Commercial Banks Responsible Business Conduct) Directions 2025

11) Reserve Bank of India (Commercial Banks - Know Your Customer) Directions 2025

12) Reserve Bank of India (Commercial Banks - credit Cards and Debit Cards : issuance and conduct) Directions 2025

13) Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures Directions 2025

14) Master Directions - External Commercial Borrowings, Trade Credits, and Structured Obligations..

15) Reserve Bank of India (Commercial Banks - Resource Raising Norms) Directions 2025

16) Reserve Bank of India (Non- Banking Financial Companies - Registeration, Exemptions ,and Framework for Scale Based Regulation) Directions 2025

17) Reserve Bank of India Commercial Banks - (Classification Valuation and Operation of Investment Portfolio) Directions 2025

18) Reserve Bank of India (Trade Relief Measures) Directions 2025

19) Master Directions - Lending to Micro Small and Medium Enterprises (MSME) sector

As we can see from above,the handling of credit portfolio by Banks is not merely restricted to the designing and delivery of Credit- products and services,but is strategically linked to other Master Directortions applicable in effective Day to-day operations of Bank in all subjects related to the credit portfolio. Therefore, a comprehensive understanding of the related Master Directortions is an essential pre-requisite for ensuring proper compliance.

Master Directions on Project Finance and Infrastructure Financing: Salient Features

The RBI has consolidated and provided a detailed set of guidelines in one place with respect to various aspects of project finance and infrastructure financing, starting with the basic definitions, the prudential norms for sanctioning , disbursement, and monitoring, taking into account the complex nature of the project structure, the long gestation period involved, and the specific skills required for appraisal.

Project

In the context of of these Directions Project means a venture undertaken through capital expenditure (involving current and future outlay of funds) for creation / expansion / upgradation of tangible assets and / or facilities in the expectation of stream of cash flow benefits extending far into the future. Projects usually have the characteristics of a long gestation period, irreversibility and substantial capital outlays.

Project Finance

The method of funding a project in which the revenues to be generated by the funded project serve as the primary security for the loan, and also as a source of repayment. Project finance may take the form of financing the construction of a new capital installation (greenfield), or financing an improvement/ enhancement in the existing installation (brownfield).

For the purpose of these Directions, an exposure shall qualify as a project finance exposure only if the following conditions are satisfied:

(a) The pre-dominant source of repayment as envisaged at the time of financial closure (i.e., at least 51 per cent) must be from cash flows arising from the project that is being financed.

(b) All the lenders have a common agreement with the debtor.

> **Explanation:** A common agreement may have different loan terms (except original / extended / actual DCCO as specified in paragraph76 of these Directions) for each of the lender provided the same has been agreed upon by the debtor and all the lender(s) to the project.

Phases of Projects

For the purpose of application of prudential guidelines contained in these discussions,rojects shall be broadly divided into three phases namely:

(*1*) ***Design phase*** – This is the first phase which starts with the genesis of the project and includes, inter-alia, designing, planning, obtaining all applicable clearances / approvals till its financial closure.

(2) ***Construction phase*** – This is the second phase which begins after the financial closure and ends on the day before the actual DCCO.

(*3*) ***Operational Phase*** – This is the last phase which starts with commencement of commercial operation by the project on the day of the actual DCCO and

Prudential Conditions Related to Sanction

The credit policy of a bank shall incorporate suitable clauses for sanction of project finance exposures, taking into account inter alia the provisions as under :

For all projects financed by the bank, it shall be ensured that:

(1) Financial closure has been achieved and original DCCO is clearly spelt out and documented prior to disbursement of funds.

(2) The project specific disbursement schedule vis-à-vis stage of completion of the project is included in the loan agreement. The post DCCO repayment schedule has been realistically designed to factor in the initial cash flows.

Provided that, the original or revised repayment tenor, including the moratorium period, if any, shall not exceed 85 per cent of the economic life of a project.

For a given project, original / extended / actual DCCO, as the case may be, shall be same across all lenders to the project.

In under-construction projects where the aggregate exposure of the lenders is up to ₹1,500 crore, no individual bank shall have an exposure which is less than 10 per cent of the aggregate exposure. For projects where aggregate exposure of all lenders is more than ₹1,500 crore, the exposure floor for an individual bank shall be 5 per cent or ₹150 crore, whichever is higher.

Provided that, the above minimum exposure requirements shall not apply post- actual DCCO and banks may freely acquire from or sell exposures to other lenders, in compliance with guidelines contained in the applicable RBI Master Directions . Prior to actual DCCO, banks may acquire from or sell exposures to other lenders under a syndication arrangement as specified under the applicable RBI Master Directions provided the share of individual bank is in adherence to the above limits.

Prudential Conditions Related to Disbursement and Monitoring

A bank shall ensure availability of sufficient land / right of way for all projects before disbursement of funds, subject to the following minimum requirements:

(1) For infrastructure projects under PPP model – 50 per cent

(2) For all other projects (non-PPP infrastructure, and non-

infrastructure including CRE & CRE-RH) – 75 per cent

(3) For transmission line projects – as decided by the bank

In case of infrastructure projects under PPP model, disbursement of funds shall begin only after declaration of the Appointed Date or its equivalent, for the project. However, in cases where non-fund based credit facilities may be mandated by the concession granting authority as a pre-requisite for declaration of appointed date, the bank may sanction such credit facilities, in adherence with the instructions on non-fund based facilities as prescribed in these Directions.

The bank shall ensure that disbursal is proportionate to the stages of completion of the project as also to the progress in equity infusion and other sources of finance, agreed as part of financial closure and receipt of remaining applicable clearances. The lender's independent engineer (LIE) / architect shall certify the stages of completion of the project.

Criteria for Financing

The bank shall finance technically feasible, financially viable and bankable infrastructure projects undertaken by both public sector and private sector undertakings subject to the following conditions:

(1) The bank shall have the requisite expertise for appraising technical feasibility, financial viability, and bankability of projects, with particular reference to risk analysis and sensitivity analysis.

(2) In respect of projects undertaken by public sector units, term loans shall be sanctioned only for corporate entities (i.e. public sector undertakings registered under the Companies Act or a corporation established under a relevant statute). Further, such term loans shall not be in lieu of or to substitute budgetary resources envisaged for the project. The term loan could supplement the budgetary resources if such supplementing was contemplated in the project design.

(3) While such public sector units may include Special Purpose Vehicles (SPVs) registered under the Companies Act set up for financing infrastructure projects, it shall be ensured by the bank that these loans / investments are not used for financing the budget of the State Governments.

(4) Whether such financing is done by way of extending loans or investing in bonds, the bank shall undertake due diligence on the viability and bankability of such projects to ensure that revenue stream from the project is sufficient to take care of the debt servicing obligations and that the repayment / servicing of debt is not out of budgetary resources.

(5) In the case of financing SPVs, banks and financial institutions shall ensure that the funding proposals are for specific monitorable projects.

(6) The bank may also lend to SPVs in the private sector registered under the Companies Act for directly undertaking infrastructure projects that are financially viable and not for acting as mere financial intermediaries. The bank shall ensure that the bankruptcy or financial difficulties of the parent / sponsors shall not affect the financial health of the SPV

Types of Financing by Banks

In order to meet the financial requirements of infrastructure projects, the bank shall extend credit facilities by way of working capital finance, term loans, and project loans.

subscription to bonds and debentures / preference shares / equity shares acquired as a part of the project finance package, which is treated as a "deemed advance," and any other form of funded or non-funded facility.

In addition the banks can also lend by way of Take - out Financing as per the guidelines included in Master Directions on Transfer and Distribution of Credit Risk .

Appraisal and creation of adequate Administrative Arrangement

Lot of emphasis has been laid on robust appraisal with the requisite risk assessment and suitable risk mitigation in order to protect the interest of the lenders and adequate Administrative Arrangement are required to be ensured by the Banks

In respect of financing of infrastructure projects undertaken by government-owned entities, the bank shall undertake due diligence on the viability of the projects. The bank shall ensure that the individual components of financing and returns on the project are well defined and assessed. State Government guarantees shall not be taken as a substitute for satisfactory credit appraisal, and such appraisal requirements shall not be diluted on the basis of any reported arrangement with the Reserve Bank or any bank for regular standing instructions or periodic payment instructions for servicing the loans/bonds.

Infrastructure projects are often financed through Special Purpose Vehicles. Financing of these projects shall, therefore, call for distinct appraisal methodology on the part of lending agencies. Identification of various project risks, evaluation of risk mitigation through appraisal of project contracts and evaluation of creditworthiness of the contracting entities and their abilities to fulfil conactual obligations shall be an integral of the appraisal exercise. In this connection, the bank shall consider constituting appropriate screening committees / special cells for the appraisal of credit proposals and the monitoring of the progress / performance of the projects.

The master directions also contain guidelines relating to Financing of Promoter's equity under specific terms and conditions in an existing company engaged in implementing or operating an Infrastructure project in India.In addition the guidelines for lending to InVITS have also been included in the Master Directions.

Taking into account the large size of the projects,joint financing by banks/ financial institutions under consortium or syndication arrangement may be involved.In such cases,the participating bank shall, for the purpose of their own assessment ,refer to the appraisal report prepared by the lead bank or financial institutions or have the project apprised jointly.

Timely and adequate availability of credit is the prerequisite for successful implementation of infrastructure projects.I implementation of infrastructure projects. The bank shall, therefore, clearly delineate the procedure for approval of loan proposals and institute a suitable monitoring mechanism for reviewing applications Multiplicity of appraisals by every institution involved in financing, leading to delays, has to be avoided, and the bank shall be prepared to broadly accept technical parameters laid down by leading public financial institutions. Also, setting up a mechanism for an ongoing monitoring of the project implementation will ensure that the credit disbursed is utilised for the purpose for which it was sanctioned.for the purpose for which it was sanctioned.

Prudential requirements

For prudential credit exposure limits and for assignment of risk weight for capital adequacy purposes, the bank shall be guided by the respective Master Directions of RBI as applicable.

Conclusion

The RBI has taken a very judicious and pragmatic step of consolidation of the applicable Master Directions for the regulated entities. This will not only bring in greater clarity but also will facilitate better compliance in a comprehensive and integrated manner.The sections on Master Directions on Project Finance and Infrastructure Financing provide detailed guidelines to the bankers for proper appraisal and robust mechanism of risk assessment and suitable mitigation specifically required for Infrastructure projects.This will in turn help in greater contribution towards infrastructure development, which is the backbone for economic growth towards our journey for a VIKSIT BHARAT.

Credit Rating Approaches in the Banking Sector

Shri Govind Gurnani
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Reserve Bank of India

Credit proposals of the corporate borrowers are evaluated in the banks mainly based on the bank's internal rating and external credit rating of the borrower issued by the external credit rating agency (ECRA). Corporate internal ratings in India are primarily guided by the Reserve Bank of India guidelines, which align with international Basel III Capital Regulations. These frameworks ensure precise credit risk assessment and efficient capital allocation.

External Credit Rating System

The external credit rating system in banks involves using independent assessments from credit rating agencies (CRAs) to evaluate the creditworthiness of borrowers and debt instruments. These ratings are crucial for managing risk, determining capital requirements under global frameworks like Basel III, and influencing loan pricing.

Credit rating agencies are regulated in India by SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999. All bond issues listed on NSE and BSE are required to carry at least one credit rating from a SEBI-registered agency. For larger issues, dual ratings from two different agencies are standard practice.

The ECRA rates the credit-worthiness of the corporates based on the qualitative analysis of the company, assessments of the quality of management and competitive aspects and a quantitative analysis of its financials such as ratio analysis.

ECRAs use a variety of factors to assign credit ratings, including the borrower's financial performance, leverage, cash flow, management quality, industry risk, and country risk.

Credit ratings are typically displayed on a scale, with higher ratings indicating a lower risk of default. The specific rating scales used by CRAs may vary, but they typically range from AAA (highest rating) to D (lowest rating).

The global credit rating industry is highly concentrated, with three agencies controlling most of the market: Moody's, S&P Global, and Fitch Ratings. In India, the RBI recognises seven domestic CRAs for regulatory purposes. Banks can use ratings from these agencies to assign risk weights for their exposures.

Recognised CRAs by the Reserve Bank of India are CRISIL, ICRA, Acuite Ratings & Research Limited, CARE ratings, Brickwork Ratings India Private Limited, INFOMERICS Valuation and Rating Private Limited and India Ratings & Research Private Ltd.

Internal Credit Rating System

In order to build a sound internal rating system, the banks try to replicate the methodology used by rating agency analysts. Such a methodology consists of identifying the most meaningful financial ratios and risk factors. After that, these ratios and factors are assigned weights such that the final rating estimate is close to what a rating agency analyst would come up with. Weights attached to financial ratios or risk factors are either defined qualitatively following consultations with an agency analyst, or extracted using statistical techniques.

There are mainly two types of internal ratings used for evaluating the credit proposals in the banks i) Point-in-time internal rating ii) Through-the-cycle internal rating.

Point-in-time Internal Rating

Point-in-time internal rating evaluates the current situation of a customer by taking into account both cyclical and permanent effects. As such, it is known to react promptly to changes in the customer's current financial situation.

Point-in-time internal rating tries to assess the customer's quantitative financial data such as balance sheet information, qualitative factors viz. quality of management, and information about the state of the economic cycle. Using statistical procedures such as scoring models, all that information is transformed into rating categories. This rating is only valid for the short-term or medium term, and that is largely because it takes into account cyclic information. It is usually valid for a period not exceeding one year.

Through-the-cycle Internal Rating

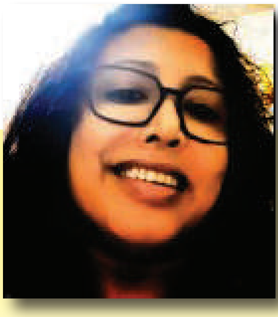
Through-the-cycle (TTC) internal rating tries to evaluate the permanent component of default risk. Unlike point-in-time rating, TTC rating is said to be nearly independent of cyclical changes in the creditworthiness of the borrower. TTC rating is not affected by credit cycles. As a result, it is less volatile than point-in-time rating and is valid for a much longer period.

- The advantage of TTC rating is that it is much more stable over time compared to point-in-time rating. Because of its low volatility, TTC rating helps financial institutions to better manage customers. Too many rating changes necessitate changes in the way a bank handles a customer, including the products the bank is ready to offer.

- The disadvantage of TTC rating over point-in-time rating is that it can at times be too conservative if the stress scenarios used to develop the rating are frequently materially different from the firm's current condition. If the firm's current condition is worse than the stress scenarios simulated, then the ratings may be too optimistic. In fact, TTC rating has very low default prediction in the short-term.

To conclude, credit ratings are important in India because they help to promote financial stability and transparency in the financial system. They also help to reduce the cost of borrowing for borrowers with good credit ratings.

Alternative Investments and Digital Finance Integration in Indian BFSI: An SAP S/4HANA Perspective



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Abstract:

Alternative investments have become an increasingly significant component of India's banking, financial services and insurance (BFSI) ecosystem. They influence capital formation, portfolio diversification, credit intermediation, infrastructure financing and financial innovation. This article examines the evolution and strategic relevance of alternative investment instruments including Alternative Investment Funds (AIFs), private equity, venture capital, private credit, real estate investment trusts (REITs), infrastructure investment trusts (InvITs) within the Indian BFSI context. The article further evaluates how SAP S/4HANA can serve as a digital finance and governance architecture and how it can support the recording, analysis and reporting of alternative investments. The study maps relevant SAP S/4HANA capabilities, including Finance, Financial Products Subledger, Treasury and Risk Management, Central Finance, Group Reporting, Profitability Analysis, Fiori analytics, SAP Analytics Cloud and GRC integration. It highlights the role of enterprise resource platform technology in improving transparency, auditability, regulatory compliance and decision-useful reporting.

Alternative investments refer to investment avenues beyond traditional listed equities, plain-vanilla bonds and bank deposits. In India, their principal regulatory expression is found in AIFs registered under the SEBI (Alternative Investment Funds) Regulations, 2012.

Types of Alternative Investment Funds

Category of AIF	Description
Category I AIFs	Typically support venture capital, infrastructure, SME and social-impact strategies.
Category II AIFs	Cover private equity, private debt, special situations and other unlisted strategies.
Category III AIFs	Pursue trading, long-short, derivatives and hedge-style strategies.

For BFSI institutions, these instruments are relevant in three ways (i) as investment products, (ii) as funding channels and (iii) as strategic enablers. Banks, NBFCs, insurers, asset managers, wealth platforms and fintech firms either invest in such vehicles, distribute them to suitable investors, receive capital from them, or participate in the ecosystems they finance.

Drivers of Growth in India

Several forces have accelerated the rise of alternative investments in Indian BFSI. 1st, newly emerged businesses like digital platforms, renewable energy, logistics, infrastructure, healthcare and consumer technology need capital structures, that conventional bank loans cannot provide efficiently. 2nd, the expansion of family offices, ultra-high-net-worth investors and institutional allocators has created demand for differentiated return streams. 3rd, public-market valuations and interest-rate cycles have encouraged sophisticated investors to seek private-market exposure, income strategies and absolute-return products. 4th, regulatory development under SEBI, RBI, IFSCA and other authorities has improved the credibility and visibility of the alternative-investment ecosystem.

BFSI sector has itself become a major beneficiary of private capital. Private equity and venture capital have financed fintech platforms, digital lenders, insurance intermediaries, wealth-tech firms, payment companies, affordable-housing financiers and NBFCs. EY-IVCA reported that Indian PE/VC (Private Equity and Venture Capital) investments crossed US$56 billion in 2024. The IVCA Private Equity-Venture Capital Report 2024 similarly identifies BFSI as one of the leading sectors by investment activity after IT and IT-enabled services.

Strategic Roles of Alternative Investments in Indian BFSI:

Below are few transformative roles that alternative investments are playing in Indian BFSI sector currently:

- ***Capital Formation and Growth Financing -***

  Alternative investments occupy an important intermediation space between nascent equity financing, conventional bank lending and public capital markets. Venture capital provides risk-bearing capital to innovation-driven enterprises at stages where formal creditworthiness may not yet be established. Growth equity supports mid-sized firms in scaling governance structures, technological capabilities and distribution networks, while private equity contributes to managerial professionalisation, operational restructuring and sectoral consolidation. Within the BFSI sector, these functions are particularly evident in fintech, insurance distribution, wealth-management platforms, embedded finance, MSME lending and specialised NBFC business models.

- ***Diversification of Investor Portfolios -***

  For wealth managers, private banks and investment advisers, alternatives provide a way to diversify client portfolios beyond listed equities, mutual funds, fixed deposits and bonds. Private credit, long-short funds, venture debt, real-estate strategies and market-neutral funds can improve portfolio construction when used with suitable risk profiling. However, these products also require deeper suitability assessment because they involve illiquidity, valuation complexity, manager risk and longer holding periods.

- ***Credit Intermediation Beyond Banks -***

  Private credit funds, special-situation funds and structured-credit vehicles have become important in an economy where bank lending must remain prudentially constrained. These funds can underwrite bespoke credit, mezzanine finance, promoter financing, acquisition funding, real-estate credit and distressed opportunities.

- ***Infrastructure and Real-Asset Financing -***

  India's infrastructure ambitions require long-term capital that banks alone cannot provide without maturity mismatches. Infrastructure AIFs, InvITs and other real-asset vehicles enable institutional investors to participate in operating and development-stage assets. For banks and NBFCs, this creates opportunities to recycle capital, distribute risk and participate in structured financing.

- ***Innovation in Financial Services -***

  The fintech ecosystem illustrates the catalytic role of alternatives. Venture capital and growth funds have financed digital payments, lending marketplaces, account-aggregator use cases, personal-finance platforms, Insurtech and wealth-tech models. These investments have pushed incumbents to modernise technology stacks, deepen partnerships and redesign customer acquisition. In this sense, alternative investments do not only allocate capital; they transmit innovation pressure across the BFSI system.

Alternative Investment Fund Structure in India

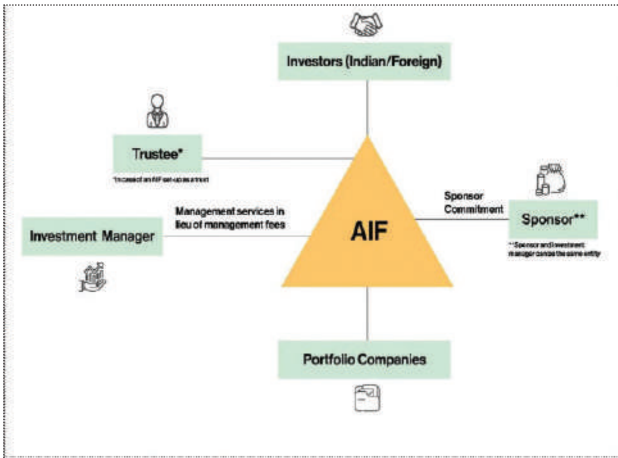


Image source: treelife.in

Regulatory Landscape of India

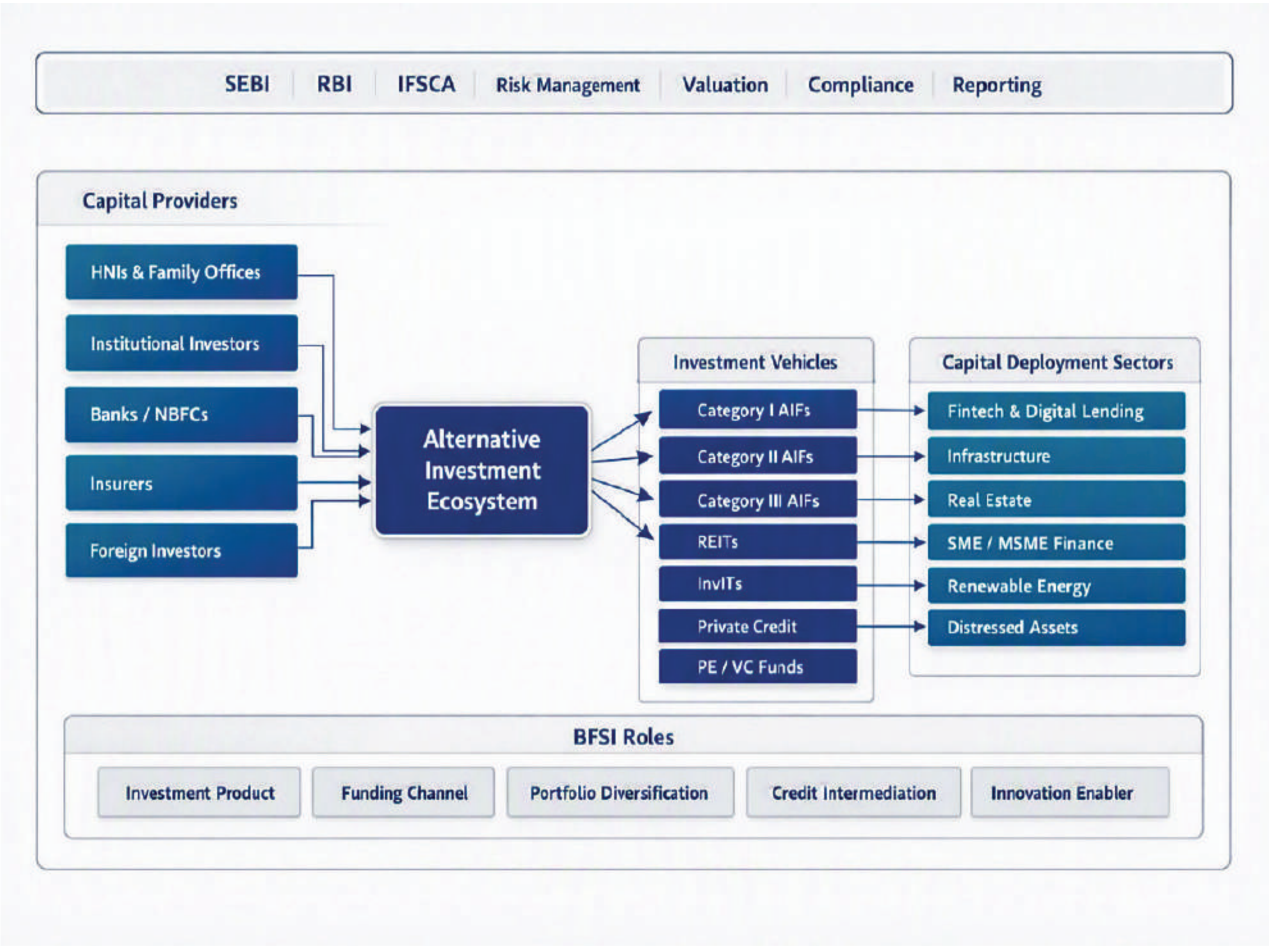
The growth of alternatives has attracted sharper regulatory attention. SEBI's AIF framework has created product classification, registration requirements, disclosure standards and reporting obligations. RBI's Reserve Bank of India (Investment in AIF) Directions, 2025 introduce exposure limits and provisioning requirements for banks, NBFCs and other regulated entities. This regulatory approach reflects a policy balancing act. On one hand, regulators recognise the contribution of alternatives to capital formation, innovation and diversification. On the other hand, they must prevent evergreening, opacity, related-party risk, valuation misstatement and excessive leverage.

Key Risks and Governance Challenges:

Alternative investments bring meaningful benefits, but they also introduce risks that BFSI participants must manage carefully. Illiquidity risk is central because many private-market assets cannot be exited quickly. Valuation risk is significant because unlisted assets rely on models, comparables and manager judgment. Concentration risk may arise when investors over-allocate to a single strategy, manager, sector or vintage. Leverage and derivatives can amplify losses in Category III strategies. Operational and governance risks are also material, especially where information rights, related-party transactions, side letters, waterfall structures and fee arrangements are complex.

For banks and NBFCs, the most sensitive risk is indirect exposure to existing borrowers through AIF structures. If poorly monitored, such exposure can obscure true credit risk and weaken discipline in asset recognition. For distributors and wealth managers, mis selling is a major concern because high-return narratives can overshadow product complexity. For insurers and long-term institutions, asset-liability alignment, capital charges and liquidity planning are essential. The sector therefore requires stronger due diligence, independent valuation, investor education, transparent reporting and board-level oversight.

Alternative investment ecosystem flowchart in Indian BFSI context



USE of SAP S/4HANA to Record, Analyse & Report Alternative Investments:

As banks, NBFCs, insurers and wealth platforms increase their exposure to AIFs, private credit, REITs, InvITs, venture capital and structured products, manual spreadsheets and fragmented accounting systems become inadequate. SAP S/4HANA can support this environment by acting as a digital finance core that captures investment transactions, links them with valuation and risk attributes, and produces timely financial, management and regulatory reporting.

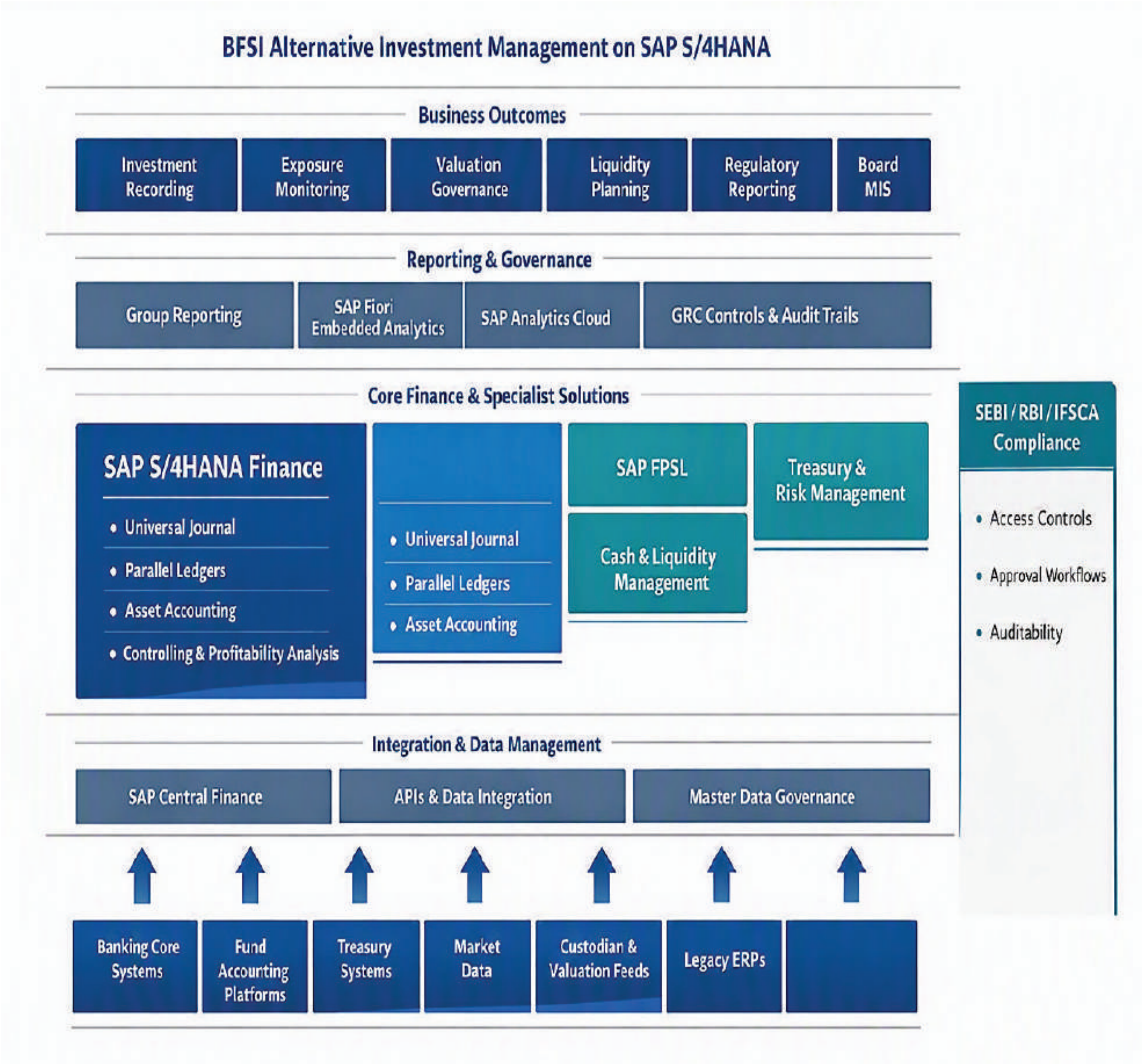
The relevant SAP S/4HANA landscape should be designed as a combination of, SAP S/4HANA Finance, SAP S/4HANA for Financial Products Subledger (FPSL), Treasury and Risk Management, Cash Management, Central Finance, Group Reporting, Profitability Analysis, Asset Accounting. Moreover, SAP Fiori embedded analytics and SAP Analytics Cloud can together provide an end-to-end platform for recording, analysing and reporting alternative investment positions.

SAP S/4HANA Module	Functionality w.r.t alternative investments in BFSI
SAP S/4HANA Finance: General Ledger, Universal Journal and Parallel Accounting	Records investment accounting entries, valuation movements, impairments, realised gains or losses, fee expenses and inter-company or segment postings in a single finance data model.
SAP S/4HANA for Financial Products Subledger	Acts as a specialised subledger for banks, insurers and financial institutions handling complex financial products. It can support contract-level or portfolio-level accounting, valuation, accounting-event processing, aggregation to the general ledger and reporting for large volumes of investment data.
SAP Treasury and Risk Management	Supports transaction management, debt and investment management, securities, derivatives, exposure management, market risk, counterparty risk and treasury analytics. It is especially useful for private credit, structured products, debt instruments, hedging and liquidity-sensitive investment positions.
SAP Cash Management and Liquidity Management	Tracks expected cash inflows and outflows from capital calls, drawdowns, distributions, coupons, redemptions and exits, helping BFSI institutions plan liquidity and asset-liability alignment.
SAP Central Finance	Consolidates finance data from multiple SAP and non-SAP source systems into a central S/4HANA environment, which is useful where investment records are spread across banking platforms, fund management, treasury systems and legacy ERPs.
SAP S/4HANA Finance for Group Reporting	Supports consolidation, group close, elimination entries and entity-wise reporting, enabling BFSI groups to report alternative investment exposure across subsidiaries, branches, funds and regulated entities.
SAP Controlling, Profit Centre Accounting and Profitability Analysis	Enables internal performance analysis by business line, product, fund, portfolio, customer segment, geography, relationship manager or investment strategy, thereby supporting management MIS and profitability measurement.
SAP Asset Accounting	Can be used where certain real assets, infrastructure interests, owned property assets or long-term investment assets are accounted for as fixed or capital assets under the institution's accounting policy.
SAP Fiori Embedded Analytics and SAP Analytics Cloud	Provide dashboards, drill-down reporting, scenario analysis, planning, forecasting and management visualisation for exposure, valuation, liquidity, risk concentration and performance monitoring.
SAP Governance, Risk and Compliance integration	Strengthens approvals, access controls, audit trails, segregation of duties, policy compliance and evidence of management review for regulated BFSI entities.

For recording purposes, SAP S/4HANA Finance enables institutions to maintain investment-related postings in an integrated Universal Journal. Alternative investment transactions such as capital commitments, drawdowns, distributions, fair-value changes, impairment indicators, management fees, carried interest, interest income and realised gains can be mapped to appropriate accounts, cost centres, profit centres, segments, funds, portfolios or business lines.

For analysis, SAP S/4HANA can provide a common data model for finance, risk and performance teams. Portfolio exposures can be analysed by asset class, sector, geography, vintage year, fund manager, counterparty, borrower group, accounting classification, currency and liquidity profile. This is particularly useful for BFSI entities that must monitor concentration risk, indirect borrower exposure through AIF structures, expected cash flows, unrealised gains or losses, fee drag and asset-liability alignment.

For reporting, SAP S/4HANA supports multiple ledgers, parallel accounting and multidimensional financial statements. Alternative investments often require fair-value measurement, impairment assessment, disclosure of level-wise valuation inputs, exposure monitoring and audit trails. A well-designed S/4HANA environment can generate balance sheet, profit and loss, fund-wise, entity-wise and segment-wise views from the same underlying transaction data, improving consistency between statutory reporting, internal reporting, dashboards & investor disclosures.



Recommended SAP Architecture for BFSI Alternative Investments:

A practical roadmap should begin with SAP S/4HANA Finance as the core system of record, supported by the Universal Journal, parallel ledgers and strong master-data governance. Central Finance can consolidate data from legacy investment, banking and fund-accounting platforms, while Group Reporting, Controlling and Profitability Analysis convert the same data into statutory, regulatory and management views. Finally, SAP Fiori, SAP Analytics Cloud and GRC integration should sit above this architecture to deliver dashboards, approvals, audit trails and board-level oversight, enabling a phased implementation from transaction capture to enterprise-wide risk and performance reporting.

In the Indian BFSI context, SAP S/4HANA can strengthen regulatory governance by helping banks and NBFCs track AIF exposure, borrower linkages, limits and provisioning triggers. It can also support insurers, asset managers, wealth platforms and distributors through controlled valuation workflows, approval trails, reconciliations and performance reporting.

The practical implementation, however, depends on data discipline. BFSI institutions must define clear product master data, valuation hierarchies, chart-of-account mappings, investment classifications, counterparty identifiers, approval workflows and reporting dimensions before automation can deliver reliable insights. If implemented with strong governance, SAP S/4HANA can help alternative investments to become more transparent and controllable, thereby strengthening both growth and prudential oversight in this sector.

Conclusion:

From the above discussion it can be concluded that alternative investments like Private Equity, Private Credit, Hedge Funds and Infrastructure, which operate outside standard publicly traded stocks and bonds have distinct benefits viz:

- Access to Non-Traditional Investment Opportunities
- Portfolio Diversification
- Professional Fund Management
- Potential for Capital Appreciation
- Regulated Investment Framework

On the other hand, the growing relevance of alternative investments brings significant governance challenges, including illiquidity, valuation uncertainty, concentration risk, indirect borrower exposure, mis-selling concerns and regulatory complexity. Therefore, their sustainable contribution depends on disciplined oversight, transparent reporting, prudent risk management, strong data architecture and continuous regulatory compliance. In this context, SAP S/4HANA can serve as an integrated digital finance and governance platform by connecting accounting, treasury, risk, consolidation, analytics and compliance functions into a single decision-useful architecture. When implemented with robust master data, clear valuation frameworks, approval controls and reporting dimensions, SAP S/4HANA can help BFSI institutions manage alternative investments with greater transparency, auditability and strategic confidence, thereby aligning financial innovation with institutional resilience and public trust.

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Co-Lending Arrangements Directions, 2025:
A Costing and Risk-Sharing Economics Framework for CMAs in BFSI

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Abstract

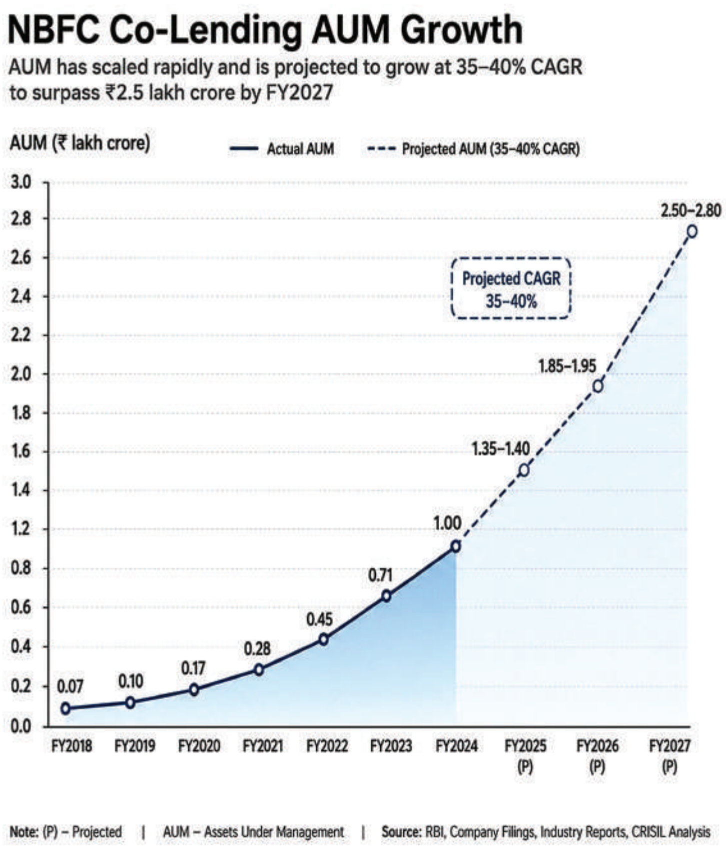
The Reserve Bank of India's Co-Lending Arrangements Directions, 2025, effective January 1, 2026, replace the fragmented priority-sector linked co-lending circular of 2020 with a unified framework governing all bank–NBFC joint lending. While legal and compliance commentary has examined disclosure and risk-retention requirements extensively, the costing dimensions like blended interest rate build-up, Default Loss Guarantee economics, dual-ledger reconciliation overheads, and harmonised provisioning – remain unexamined in professional accounting literature. This article develops a worked costing framework illustrating how Cost and Management Accountants (CMAs) can quantify these dimensions, positioning the CMA as a central actor in co-lending governance rather than a downstream bookkeeper.

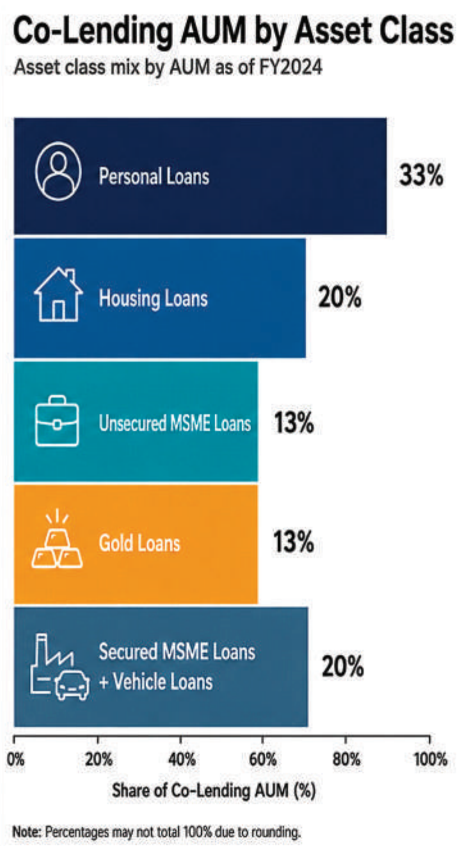
A Regulatory Reset That Cost Accountants Have Not Yet Read

The Reserve Bank of India issued the Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 on August 6, 2025, replacing the priority-sector linked co-lending circular of November 2020 with a single framework that now governs co-lending across all lending segments, not just priority sector loans [1]. Effective from January 1, 2026, the Directions apply to commercial banks (excluding small finance banks, local area banks and regional rural banks), all-India financial institutions, and NBFCs including housing finance companies. Each regulated entity (RE) entering a co-lending arrangement (CLA) must now retain a minimum of 10% of every individual loan on its own books, down from the 20% NBFC-only retention mandated under the 2020 framework [1]. The Directions also permit the originating RE to extend a Default Loss Guarantee (DLG) of up to 5% of the outstanding CLA portfolio, require that each RE's respective loan share be reflected in both books within 15 calendar days of disbursement, and mandate that borrowers be charged a single blended interest rate, computed as the funding-share-weighted average of each RE's applicable rate [1].

In the months since notification, law firms, rating agencies and fintech vendors have published extensively on disclosure formats, KYC reliance, escrow mechanics and the new borrower-level asset classification rule. What has not been examined, is the costing dimension: how the blended rate is actually built up, what the DLG genuinely costs the guarantor relative to the capital relief it buys the guaranteed party, how harmonised provisioning changes the aggregate credit cost of a co-lent book, and what the new dual-ledger, dual-reporting architecture adds to the operating cost per loan. These are not legal questions. They are Cost and Management Accounting questions, and they arrive at a moment when the co-lending book is large enough to matter: NBFC co-lending assets under management were nearing 1 lakh crore by fiscal 2024, just over five years after the model began, with CRISIL projecting 35–40% annual growth over the medium term [2,3]. Personal loans account for roughly a third of this co-lending AUM, housing loans around 20%, unsecured MSME and gold loans about 13% each, with secured MSME and vehicle loans making up the remainder

[2]. Set against an NBFC sector AUM expected to reach approximately 48–50 lakh crore by March 2026 [7], and an NBFC MSME book alone projected to cross 5.3 lakh crore by FY2026 [6], even modest further penetration of co-lending into these portfolios means a very large base of loans will now run through the new costing architecture.

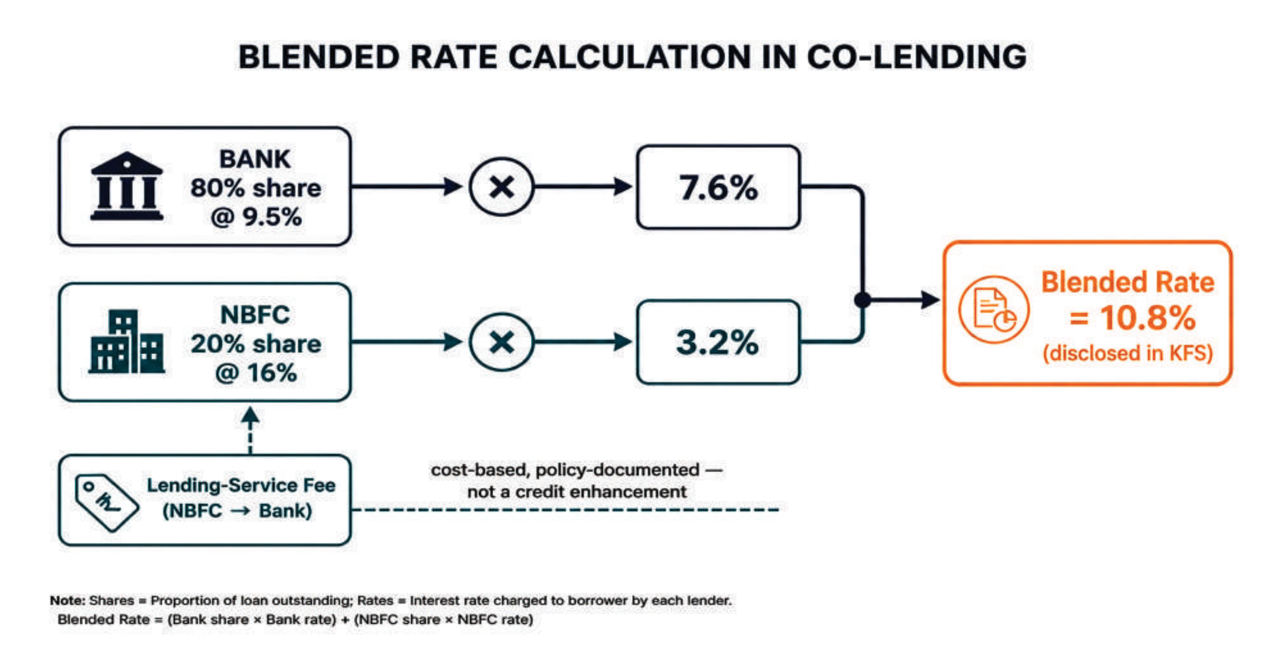




From Two Books to One Price: The Blended Rate Problem

The Directions require a single blended rate to be quoted to the borrower, computed as the weighted average of the originating and partner RE's respective rates, in proportion to their funding share. The computation itself is simple arithmetic, but the costing question behind it is not: what rate should each RE feed into that formula once its own cost of funds, credit cost on its retained share, and the lending-service fee it pays or receives are netted out? The Directions require that any lending-service fee charged between partner REs be based on objective, policy-documented criteria such as service cost and loan size, and explicitly prohibit such fees from acting as implicit credit enhancement.

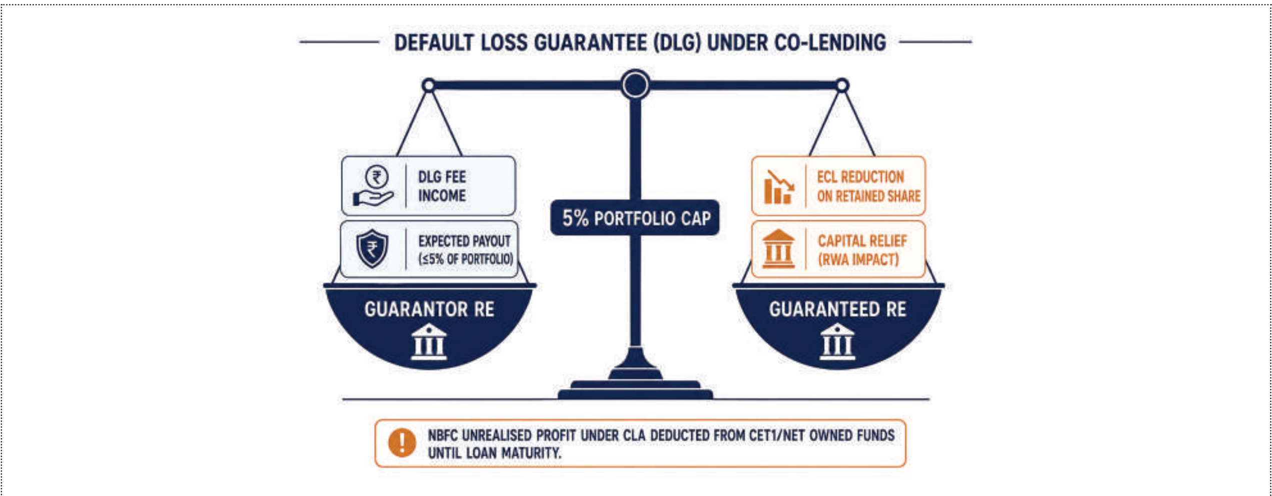
Consider a representative unsecured MSME loan of 10 lakh, funded 80% by a bank at an internal rate of 9.5% and 20% by an NBFC partner originating the loan at 16% (illustrative figures, used for explanatory purposes only). The blended rate works out to (0.80 × 9.5%) + (0.20 × 16%) = 7.6% + 3.2% = 10.8%, the figure actually disclosed to the borrower in the Key Facts Statement. What the blended-rate formula does not show is the servicing fee the NBFC charges the bank for origination, underwriting and collections on the bank's 80% share, or the share of that fee that should properly be absorbed into the bank's effective yield versus treated as a separate cost line. Without an activity-based costing model that splits origination cost, underwriting cost, servicing cost and collections cost between the two REs on a defensible, auditable basis, neither RE can demonstrate to the regulator that its fee structure is policy-based rather than a disguised credit enhancement. This is squarely CMA territory: building and documenting the cost driver analysis that the Directions presuppose but do not specify.



Default Loss Guarantee: Pricing the Risk Transfer

A second area where costing work is largely absent from current commentary is the Default Loss Guarantee. The originating RE may provide a DLG of up to 5% of the outstanding CLA portfolio, structured to operate within the existing Digital Lending Directions framework where digital lending is involved [1]. For the guaranteed RE, the DLG is, in substance, a purchased credit protection: it reduces expected credit loss on its retained share and can support capital relief. For the guaranteeing RE, it is a contingent liability priced as a fee income stream against an open-ended loss exposure capped at 5% of the portfolio.

A defensible DLG arrangement needs a cost-of-risk worksheet that compares the expected credit loss saved by the guaranteed RE (using its own probability-of-default and loss-given-default assumptions on the guaranteed tranche) against the DLG fee paid, and separately compares that fee against the guaranteeing RE's own expected payout under the same loss assumptions, plus the capital it must hold against the guarantee. NBFCs additionally have to deduct any unrealised profit booked under the CLA from CET1 capital or net owned funds until the underlying loans mature [4], which changes the capital-efficiency case for DLG-heavy structures. At present, this pricing analysis has received limited attention in the literature and in industry practice. The 5% DLG cap is generally viewed as a regulatory compliance ceiling rather than as a pricing variable, leaving a significant gap that can be addressed through a CMA-led cost analysis.

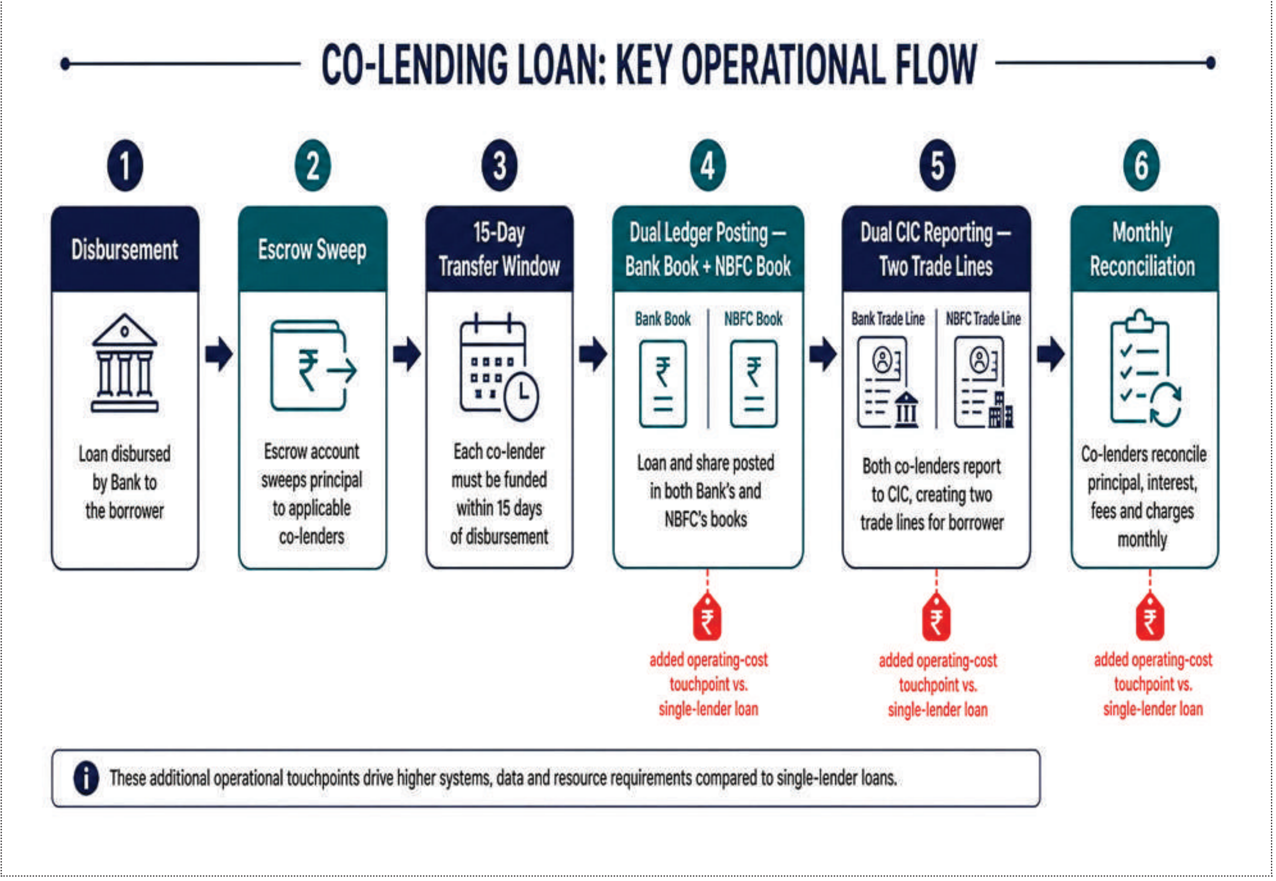


Harmonised Asset Classification: Converging Two Provisioning Regimes

Under the 2020 framework, each lender applied its own asset classification and provisioning policy to its own share of a co-lent loan. The 2025 Directions remove that flexibility: if either RE classifies its exposure to a borrower as a special mention account or non-performing asset on account of default in the CLA exposure, the same classification now applies to the other RE's exposure to that borrower as well. On paper this is a risk-management improvement. From a costing standpoint, it means the RE with the more conservative provisioning trigger effectively sets the provisioning date for both books. A bank following IRAC norms and an NBFC applying Ind AS 109 expected credit loss provisioning rarely reach the same classification on the same day for the same account; under the new rule, whichever RE classifies first now drives an earlier, and usually larger, provisioning charge in the other RE's books as well. Quantifying this convergence effect – the incremental provisioning cost attributable purely to harmonisation rather than to underlying credit deterioration – is a model CMAs working with BFSI entities should be building now, ahead of the loan books originated after January 1, 2026 reaching their first delinquency cycle.

The Reconciliation Overhead: A Cost the Blended Rate Must Absorb

Because each RE continues to report its own share of the loan separately to credit information companies, every co-lent account now generates two trade lines in the bureau record for a single borrower, requiring active monthly reconciliation between the partner REs' systems to avoid mismatches that could distort the borrower's credit profile [5]. Layered on top of the 15-day transfer window, the mandatory escrow-based fund flow, and the requirement that each RE maintain its own amortisation schedule while presenting the borrower a single consolidated EMI [5], the co-lending operating model effectively doubles the transaction-level bookkeeping load relative to a loan held by a single lender. This reconciliation overhead is rarely costed explicitly; it is usually absorbed into general operating expense rather than allocated to the specific loan or product line that generates it. A reconciliation cost-per-loan, or cost-per-₹1-lakh-disbursed, metric, built the way a CMA would build any other activity-based cost driver, is the missing input that tells a bank or NBFC whether its blended rate genuinely covers the true cost to serve a co-lent loan, or whether the product is being cross-subsidised by other, simpler lending lines.



A Costing Agenda for CMAs Engaged with BFSI Entities

Taken together, four pieces of work define where CMAs can add value that the present legal and operational commentary has not provided.

- An activity-based costing model for the lending-service fee charged between partner REs, documented against the Directions' "objective criteria" requirement[1].
- A DLG cost-of-risk worksheet comparing guarantee fee income against expected payout and capital cost, on both sides of the arrangement.
- A provisioning-convergence model quantifying the incremental cost of harmonised, borrower-level asset classification relative to each RE's standalone provisioning policy.
- A reconciliation cost-per-loan metric capturing the dual-ledger, dual-reporting overhead that the new operational architecture imposes, and feeding that figure back into pricing decisions.

Conclusion

The Co-Lending Arrangements Directions, 2025 have been analysed, since their notification, almost entirely as a compliance and disclosure exercise. That analysis is necessary but incomplete. Every operational requirement in the Directions like the blended rate, the DLG cap, the harmonised classification, the dual reporting – has a cost behind it that someone in the bank or NBFC has to quantify, allocate and defend, and that work sits squarely within the cost and management accounting function. With co-lending AUM already past 1 lakh crore and growing at 35–40% annually, the institutions that build this costing discipline early will be the ones able to price co-lent products accurately rather than discover their true cost-to-serve only after the first full delinquency cycle under the new rules. For CMAs working in or advising BFSI entities, the Directions are less a legal milestone to note and more a costing mandate to act on.

"As co-lending stitches together two balance sheets into one borrower experience, it is the Cost and Management Accountant who must stitch together their costs into one defensible price — turning a regulatory mandate into a measurable discipline."

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ESG Due Diligence in Lending Decisions A Risk Management Perspective

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Abstract

The article highlights the growing significance of Environmental, Social, and Governance (ESG) due diligence as an integral component of lending decisions and credit risk management in the banking sector. It explains how banks are moving beyond traditional financial analysis by incorporating ESG factors to assess borrowers' long-term sustainability, operational resilience, and governance standards. It highlights the impact of climate-related risks, regulatory developments, governance practices, and social responsibility on credit quality and portfolio resilience. The article also reviews the evolving regulatory expectations, including the Reserve Bank of India (RBI)'s initiatives on climate risk and sustainable finance, the adoption of ESG scorecards, climate stress testing, and continuous monitoring throughout the credit lifecycle. While acknowledging challenges such as inconsistent ESG data and the absence of uniform rating methodologies, the article concludes that ESG due diligence has become a strategic necessity for enhancing asset quality, mitigating emerging risks, promoting sustainable finance, and strengthening the long-term stability of financial institutions.

The banking industry is undergoing a significant transformation as Environmental, Social, and Governance (ESG) considerations become increasingly integrated into core business strategies and risk management frameworks. Traditionally, lending decisions were primarily based on financial metrics such as creditworthiness, collateral adequacy, repayment capacity, and industry outlook. However, the evolving regulatory landscape, stakeholder expectations, climate-related risks, and sustainability imperatives have expanded the scope of credit assessment. Today, ESG due diligence has emerged as a critical component of lending decisions, enabling financial institutions to identify, assess, and mitigate risks that may affect borrowers' long-term viability and loan performance.

The integration of ESG factors into lending practices is no longer viewed merely as a corporate social responsibility initiative; rather, it is increasingly recognized as a prudent risk management approach that safeguards asset quality, enhances portfolio resilience, and supports sustainable economic development.

Understanding ESG Due Diligence in Banking:

ESG due diligence refers to the systematic evaluation of a borrower's environmental, social, and governance practices and their potential impact on the borrower's operational, financial, and reputational performance. It involves assessing both the risks arising from ESG-related issues and the borrower's capability to manage them effectively.

Environmental considerations encompass factors such as greenhouse gas emissions, energy efficiency, waste management, pollution control, water usage, biodiversity conservation, and climate adaptation strategies. Social factors examine labour practices, employee welfare, occupational safety, community relations, diversity and inclusion, customer protection, and human rights compliance. Governance factors focus on board effectiveness, transparency, ethical conduct, regulatory compliance, anti-corruption measures, executive accountability, and risk oversight mechanisms.

By incorporating these dimensions into credit appraisal processes, banks gain a more comprehensive understanding of risks that may not be fully reflected in traditional financial statements.

The Growing Importance of ESG Risk in Lending:

The significance of ESG due diligence has intensified due to several global developments. Climate change has increased the frequency and severity of natural disasters, exposing businesses and financial institutions to physical and transition risks. Governments worldwide are implementing stricter environmental regulations, carbon pricing mechanisms, and sustainability disclosure requirements. Simultaneously, investors, regulators, customers, and civil society organizations are demanding greater corporate accountability regarding sustainability performance.

Borrowers operating in carbon-intensive sectors may face substantial transition risks as economies move toward decarbonization. Similarly, companies with poor labour practices or weak governance structures may encounter legal liabilities, operational disruptions, reputational damage, and reduced market access. These developments can impair borrowers' financial performance and consequently elevate credit risk for lenders.

As a result, ESG risks are increasingly recognized as financially material risks that can directly influence default probabilities, recovery rates, and overall portfolio quality.

ESG Due Diligence as a Credit Risk Management Tool:

From a risk management perspective, ESG due diligence strengthens the traditional credit assessment process by providing additional insights into a borrower's long-term sustainability and resilience.

Environmental risks can affect borrowers through regulatory penalties, environmental remediation costs, supply chain disruptions, and asset devaluation. For example, industries dependent on fossil fuels may face declining demand and rising compliance costs as countries implement net-zero emission targets. Banks financing such sectors must evaluate the borrower's transition strategy and adaptability to changing regulatory requirements.

Social risks may emerge from labour disputes, workplace accidents, community conflicts, consumer litigation, or human rights violations. These issues can disrupt operations, increase expenses, and damage corporate reputation. Effective social risk assessment helps banks identify vulnerabilities that may undermine business continuity and repayment capacity.

Governance risks often have a direct relationship with credit quality. Weak governance structures can lead to fraud, accounting irregularities, poor strategic decisions, and regulatory breaches. Historical corporate failures have repeatedly demonstrated that governance deficiencies can rapidly erode enterprise value and increase loan default risk. Consequently, governance assessment remains a cornerstone of ESG due diligence.

Regulatory Developments and Supervisory Expectations:

Regulators and central banks across the world are increasingly emphasizing the integration of ESG risks into financial sector supervision. International standard-setting bodies have highlighted the need for banks to incorporate climate-related and sustainability risks into governance, risk management, stress testing, and disclosure frameworks.

The Basel Committee on Banking Supervision has issued principles for the effective management and supervision of climate-related financial risks, encouraging banks to embed these risks within existing risk management processes. Similarly, several jurisdictions have introduced mandatory sustainability reporting requirements and climate disclosure standards based on internationally recognized frameworks.

In India, the regulatory environment is also evolving. The Reserve Bank of India (RBI) has initiated discussions on climate risk management and sustainable finance. Indian banks are increasingly aligning their practices with global sustainability frameworks and are enhancing ESG-related risk assessment methodologies. Furthermore, sustainability reporting requirements applicable to listed entities are encouraging greater transparency, thereby improving the availability of ESG-related information for lenders.

RBI's Survey on Climate Risk Sustainable Finance

Recent regulatory developments indicate that climate-related financial risks are increasingly being treated as material financial risks requiring active oversight by Boards and senior management. The Reserve Bank of India's survey on Climate Risk and Sustainable Finance highlighted the need for banks to establish Board-level governance mechanisms for overseeing climate risk, sustainability and ESG initiatives, while incorporating ESG-related key performance indicators into management evaluation frameworks. Effective governance ensures that sustainability considerations are embedded into strategic decision-making, risk appetite formulation, capital allocation and long-term business planning.

Integrating ESG Factors into the Credit Appraisal Process:

The effective integration of ESG considerations requires a structured approach throughout the credit lifecycle. ESG due diligence typically begins during borrower onboarding and credit evaluation. Banks assess sector-specific ESG risks, borrower policies, compliance history, sustainability initiatives, and governance standards.

Many institutions employ ESG scorecards and risk-rating models to quantify sustainability-related risks. These tools help classify borrowers into different risk categories and facilitate consistency in credit decisions. ESG findings may influence loan pricing, tenor, collateral requirements, covenant structures, and approval authority levels.

For high-risk sectors such as mining, energy, chemicals, infrastructure, and manufacturing, enhanced due diligence is often conducted. This may involve site visits, independent environmental assessments, stakeholder consultations, and review of regulatory compliance records.

The ESG evaluation process does not end with loan sanction. Continuous monitoring is essential to track changes in the borrower's ESG profile and emerging risks. Periodic reviews, sustainability disclosures, and covenant compliance assessments enable banks to respond proactively to evolving risk conditions.

Climate Risk and Portfolio Resilience:

Among ESG factors, climate-related risks have gained particular prominence in recent years. Banks face both physical risks arising from extreme weather events and transition risks associated with the shift toward a low-carbon economy.

Physical risks can affect borrowers through property damage, business interruptions, supply chain disruptions, and agricultural losses. Transition risks may arise from policy changes, technological advancements, shifting consumer preferences, and carbon reduction commitments.

Consequently, banks are increasingly conducting climate scenario analyses and stress testing exercises to evaluate portfolio resilience under different climate pathways. These assessments help identify vulnerable sectors and support strategic portfolio adjustments. By integrating climate considerations into lending decisions, banks can better anticipate future credit risks and enhance long-term financial stability.

Task Force on Climate-related Financial Disclosures (TCFD)

In addition to physical and transition risks, banks are increasingly expected to assess liability risks arising from climate-related litigation and environmental non-compliance by borrowers. The RBI's survey observed that leading banks are integrating climate-related risks into their enterprise-wide risk management frameworks, quantifying climate-sensitive loan and investment exposures, and aligning disclosures with internationally accepted frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD). Such practices enhance portfolio transparency, strengthen risk measurement capabilities, and improve the resilience of lending portfolios against emerging climate-related financial risks.

Benefits of ESG Due Diligence for Banks:

The adoption of ESG due diligence offers multiple strategic and risk management benefits. It improves the quality of credit decisions by identifying non-financial risks that could affect borrower performance. Enhanced ESG assessment contributes to lower default rates, improved portfolio quality, and stronger risk-adjusted returns.

Furthermore, ESG integration strengthens regulatory compliance and reduces exposure to litigation and reputational risks. Financial institutions that actively support sustainable businesses may also benefit from enhanced investor confidence and improved access to sustainable finance opportunities.

As global capital increasingly flows toward sustainable investments, banks with robust ESG frameworks are better positioned to attract environmentally and socially conscious investors while supporting national and international sustainability goals.

Challenges in ESG Due Diligence Implementation:

Despite its growing importance, ESG due diligence presents several challenges. One of the primary concerns is the lack of standardized and comparable ESG data. Borrowers often disclose sustainability information using different methodologies, making cross-company comparisons difficult.

Another challenge involves the absence of universally accepted ESG rating standards. Different rating agencies may assign significantly different scores to the same organization due to variations in methodologies and weighting criteria.

Banks also face difficulties in quantifying ESG risks and incorporating them into traditional credit risk models. The long-term nature of many ESG impacts can complicate risk measurement and forecasting. Additionally, smaller borrowers may have limited resources to produce comprehensive sustainability disclosures, creating information gaps for lenders.

To address these challenges, financial institutions are investing in advanced analytics, sustainability expertise, ESG data platforms, and industry-specific assessment frameworks.

The Future of ESG in Lending:

The future of banking is expected to be increasingly shaped by sustainability considerations. ESG due diligence is evolving from a supplementary assessment tool into a fundamental element of enterprise-wide risk management. Advances in data analytics, artificial intelligence, climate modelling, and sustainability reporting standards are expected to improve the accuracy and effectiveness of ESG risk assessment.

The emergence of global disclosure frameworks, including sustainability reporting standards and climate-related financial disclosure requirements, is likely to enhance transparency and comparability. As regulatory expectations continue to strengthen, banks will be required to demonstrate more rigorous integration of ESG risks into lending, capital allocation, and strategic planning processes.

Moreover, sustainable finance instruments such as green loans, sustainability-linked loans, and transition finance products are expected to expand significantly, further embedding ESG considerations within lending practices.

To Sum Up:

ESG due diligence has become an indispensable component of modern lending decisions and credit risk management. Environmental, social, and governance factors increasingly influence the financial health, operational resilience, and long-term sustainability of borrowers. By systematically evaluating ESG risks and opportunities, banks can make more informed lending decisions, protect asset quality, enhance portfolio resilience, and support sustainable economic growth.

As climate change, social expectations, and governance standards continue to reshape the business environment, the integration of ESG considerations into lending frameworks will become not only a regulatory expectation but also a strategic necessity. Financial institutions that proactively strengthen their ESG due diligence capabilities will be better equipped to navigate emerging risks, capitalize on sustainable finance opportunities, and contribute meaningfully to a more resilient and responsible financial system.

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ESG Audits

(The Future of Responsible Banking)

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Abstract

The global banking industry is undergoing a profound transformation as Environmental, Social, and Governance (ESG) considerations increasingly influence financial decision-making, risk management, and corporate strategy. Regulators, investors, customers, and society at large now expect banks to demonstrate accountability for the environmental and social impacts of their financing activities. In this evolving landscape, ESG audits have emerged as a critical mechanism for assessing the effectiveness, transparency, and credibility of sustainability initiatives undertaken by financial institutions. ESG audits not only validate sustainability disclosures but also strengthen governance frameworks, identify emerging risks, and enhance stakeholder confidence. This article examines the growing importance of ESG audits in the banking sector, explores global and Indian regulatory developments, discusses implementation challenges, and analyses how ESG assurance mechanisms are shaping the future of responsible banking.

Keywords:

ESG, Responsible Banking, Sustainability Audit, Green Finance, Climate Risk, Sustainable Development, Governance, Banking Regulation, ESG Reporting, Risk Management.

Introduction:

The concept of banking has evolved significantly over the past few decades. Traditionally, banks were evaluated primarily on their profitability, asset quality, capital adequacy, and operational efficiency. However, the increasing urgency of climate change, social inequalities, corporate misconduct, and governance failures has broadened the expectations placed upon financial institutions. Today, banks are expected not only to generate profits but also to contribute positively to society and environmental sustainability.

Environmental, Social, and Governance (ESG) principles have emerged as a comprehensive framework through which financial institutions can align their operations with sustainable development objectives. ESG considerations influence lending decisions, investment strategies, operational practices, customer relationships, and overall corporate governance.

As ESG commitments become more prominent, stakeholders are demanding assurance that sustainability claims are genuine, measurable, and supported by verifiable evidence. This growing demand has led to the emergence of ESG audits as an essential component of responsible banking.

ESG audits provide independent evaluation of an institution's ESG policies, practices, disclosures, and performance. They help identify gaps between commitments and implementation while enhancing transparency and accountability. In an era where sustainability performance increasingly affects reputation, regulatory compliance, and financial resilience, ESG audits are becoming indispensable for banks worldwide.

Understanding ESG Audits:

An ESG audit is a systematic assessment of an organization's environmental, social, and governance practices, controls, disclosures, and performance indicators. Unlike traditional financial audits that focus primarily on financial statements, ESG audits examine non-financial dimensions that influence long-term sustainability and enterprise value.

The environmental component evaluates issues such as carbon emissions, energy efficiency, waste management, biodiversity impacts, resource utilization, and climate-related risks. The social dimension assesses labour practices, employee welfare, diversity and inclusion, community engagement, customer protection, data privacy, and human rights considerations. Governance reviews focus on board effectiveness, ethical conduct, anti-corruption mechanisms, executive compensation, risk oversight, transparency, and accountability structures.

For banks, ESG audits extend beyond internal operations. Since banks influence economic activities through lending and investment decisions, ESG audits increasingly assess the sustainability implications of financed activities and portfolios. Consequently, the scope of ESG audits has expanded from operational sustainability to encompass the broader impact of financial intermediation.

The Emergence of Responsible Banking:

Responsible banking represents a paradigm shift in the role of financial institutions. It recognizes that banks serve as allocators of capital and therefore play a significant role in shaping economic, environmental, and social outcomes.

The adoption of the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement accelerated global interest in sustainable finance. Financial institutions increasingly acknowledge that environmental degradation, social instability, and governance failures pose material risks to financial stability and economic growth.

Responsible banking seeks to integrate sustainability considerations into core banking activities, including credit appraisal, investment management, treasury operations, product development, and customer engagement. Banks are now expected to assess not only the financial viability of projects but also their environmental and social impacts.

This evolution has transformed ESG considerations from voluntary corporate responsibility initiatives into strategic business imperatives. ESG audits provide the verification mechanism necessary to ensure that responsible banking commitments translate into measurable outcomes.

ESG Audits as a Risk Management Tool: One of the most significant contributions of ESG audits lies in strengthening risk management frameworks. Environmental and social risks are increasingly recognized as sources of financial risk that can affect borrowers, counterparties, and entire sectors.

Climate change has intensified physical risks such as floods, droughts, cyclones, and heatwaves. Simultaneously, transition risks arise from policy changes, technological developments, and shifts in consumer preferences as economies move toward lower-carbon models. Banks with significant exposure to carbon-intensive industries face potential credit losses and asset impairments.

ESG audits help institutions identify these emerging vulnerabilities by assessing the adequacy of climate risk frameworks, sustainability governance structures, and portfolio monitoring systems. They provide assurance that environmental and social risks are integrated into credit evaluation, stress testing, and strategic planning processes.

Furthermore, ESG audits enable banks to detect reputational risks associated with financing controversial projects or entities involved in environmental or social violations. By identifying such exposures early, banks can adopt proactive risk mitigation strategies.

Regulatory Developments Driving ESG Audits:

The global regulatory landscape surrounding ESG disclosures has evolved rapidly. Policymakers increasingly recognize the need for standardized sustainability reporting and independent assurance mechanisms.

Across several jurisdictions, regulators have introduced climate-related disclosure requirements aligned with international sustainability standards. Financial institutions are expected to disclose information relating to climate risks, governance structures, sustainability targets, and environmental impacts.

In India, ESG reporting has gained substantial momentum through the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework by the Securities and Exchange Board of India. BRSR has enhanced transparency regarding sustainability performance among listed entities and is gradually influencing the broader financial ecosystem.

Simultaneously, the Reserve Bank of India has emphasized the importance of climate risk management and sustainable finance within the banking sector. Indian banks are increasingly incorporating ESG considerations into governance frameworks, risk management systems, and strategic planning processes.

These regulatory developments have elevated the importance of ESG audits as institutions seek assurance regarding the reliability and completeness of sustainability disclosures.

ESG Audits and Sustainable Lending:

The lending function represents one of the most important areas where ESG audits influence banking practices. Banks increasingly evaluate environmental and social risks before extending credit, particularly for large infrastructure, industrial, and energy projects.

ESG audits assess whether lending policies adequately incorporate sustainability considerations. They examine how environmental due diligence is conducted, how social impacts are evaluated, and whether governance concerns are integrated into credit approval processes.

For example, financing a project with significant environmental risks without adequate mitigation measures may expose a bank to future financial losses and reputational damage. ESG audits help ensure that sustainability risks are appropriately identified and managed before credit decisions are finalized.

As green finance expands globally, ESG audits also verify whether loans classified as green, sustainable, or transition finance genuinely meet established eligibility criteria. This verification is crucial for preventing "greenwashing," where environmental claims exceed actual sustainability performance.

Strengthening Governance Through ESG Audits:

Governance remains the foundation upon which effective ESG performance is built. Without robust governance structures, sustainability initiatives often fail to deliver meaningful results.

ESG audits evaluate the effectiveness of board oversight regarding sustainability matters. They assess whether boards possess adequate expertise, whether sustainability risks are incorporated into strategic discussions, and whether management accountability mechanisms are clearly defined.

Modern ESG audits increasingly review executive compensation structures to determine whether sustainability objectives are integrated into performance evaluations and incentive systems. Such alignment helps ensure that ESG commitments are embedded within organizational decision-making processes.

The audit process also examines ethics frameworks, whistleblower mechanisms, anti-corruption controls, and transparency practices. These governance elements are essential for maintaining stakeholder trust and institutional credibility.

Importance of Governance

The importance of governance in sustainability management has also been emphasized by the Reserve Bank of India through its Survey on Climate Risk and Sustainable Finance. The survey highlighted that effective oversight of climate and sustainability initiatives should receive greater attention at the Board and senior management levels. It further observed that institutions with dedicated structures for sustainable finance and ESG oversight are better positioned to manage emerging risks and capitalize on opportunities arising from the transition to a greener economy. ESG audits, therefore, play a crucial role in evaluating whether governance mechanisms are sufficiently robust to support long-term sustainability objectives.

Technology and Data in ESG Auditing:

The effectiveness of ESG audits depends heavily on the quality and reliability of sustainability data. Advances in technology are transforming how ESG information is collected, analysed, and verified.

Artificial intelligence, machine learning, blockchain, satellite imagery, and advanced analytics are increasingly supporting ESG monitoring and assurance activities. These technologies enable auditors to assess large datasets, track environmental performance, monitor supply chains, and identify potential inconsistencies in sustainability reporting.

Banks are investing in sophisticated ESG data platforms that integrate information from internal systems, third-party providers, and regulatory sources. Such platforms enhance the accuracy of sustainability reporting and facilitate more comprehensive audit processes.

As ESG disclosures become increasingly quantitative, technology-enabled auditing will play a critical role in ensuring the reliability of reported information.

Challenges in Conducting ESG Audits:

Despite their growing importance, ESG audits face several challenges. One of the most significant obstacles is the lack of complete standardization across sustainability reporting frameworks. While global convergence is improving, variations in methodologies and metrics continue to create complexities.

Data quality remains another challenge. Unlike financial reporting, ESG information often relies on estimates, assumptions, and qualitative assessments. Obtaining accurate and comparable sustainability data can be difficult, particularly in emerging markets.

Banks also face challenges in assessing financed emissions and indirect environmental impacts associated with borrowers. Measuring such impacts requires sophisticated methodologies and extensive stakeholder collaboration.

Furthermore, the shortage of professionals possessing expertise in sustainability, climate science, governance, and auditing creates capacity constraints. Building multidisciplinary ESG audit capabilities remains a priority for many institutions.

Challenges Identified by the RBI

Another challenge identified by the RBI relates to the need for capacity building and dedicated human resources for climate-risk and ESG initiatives. The survey found that while foreign banks have generally established specialized teams and invested significantly in staff training, many public and private sector banks are still strengthening their internal capabilities. The lack of adequately trained personnel, standardized methodologies, and reliable climate-related data continues to impede effective ESG risk assessment. Consequently, sustained investment in training, technology, and specialized ESG functions has become indispensable for the successful implementation of ESG audit frameworks.

ESG Assurance and Investor Confidence:

Investors increasingly incorporate ESG factors into investment decisions. Institutional investors, pension funds, sovereign wealth funds, and asset managers seek reliable sustainability information to evaluate long-term risks and opportunities.

Independent ESG audits enhance investor confidence by providing assurance regarding the accuracy and credibility of sustainability disclosures. Audited ESG information reduces information asymmetry and supports informed decision-making.

Financial markets increasingly reward organizations demonstrating strong sustainability performance and transparent reporting practices. Consequently, ESG assurance is becoming a strategic differentiator that influences market valuation, access to capital, and investor engagement.

For banks seeking to attract sustainability-focused investors, ESG audits have become an essential component of corporate credibility.

The Future of ESG Audits in Banking:

The future of ESG audits is likely to be characterized by greater standardization, deeper regulatory oversight, and enhanced integration with financial auditing processes. Sustainability reporting is expected to become increasingly comparable, measurable, and subject to independent assurance requirements.

Banks will likely move beyond compliance-oriented ESG audits toward strategic sustainability assurance models that support long-term value creation. Climate scenario analysis, biodiversity assessments, social impact evaluations, and human rights due diligence are expected to become routine components of ESG audit frameworks.

Artificial intelligence and real-time monitoring technologies may enable continuous ESG auditing rather than periodic reviews. Such developments will improve responsiveness to emerging risks and enhance transparency.

Furthermore, as sustainable finance expands, ESG audits will play a critical role in validating green bonds, sustainability-linked loans, transition finance instruments, and other innovative financial products.

The distinction between financial performance and sustainability performance is gradually diminishing. Future banking success will increasingly depend on an institution's ability to manage both dimensions simultaneously.

Conclusion:

ESG audits are emerging as a cornerstone of responsible banking in the twenty-first century. As environmental challenges intensify, social expectations evolve, and governance standards become more demanding, banks must demonstrate that sustainability commitments are supported by credible actions and measurable outcomes.

Beyond regulatory compliance, ESG audits strengthen risk management, improve governance, enhance transparency, and reinforce stakeholder confidence. They provide assurance that sustainability considerations are embedded within business strategies, lending decisions, and operational practices.

For banks, ESG audits represent far more than a reporting exercise. They serve as strategic tools that support resilience, competitiveness, and long-term value creation. As sustainable finance continues to reshape the global financial system, institutions that embrace rigorous ESG auditing practices will be better positioned to navigate emerging risks, seize new

opportunities, and contribute meaningfully to sustainable economic development.

The future of responsible banking will not be defined solely by financial performance but by the ability of banks to balance profitability with environmental stewardship, social responsibility, and ethical governance. ESG audits will remain central to achieving this balance and ensuring that banking institutions fulfil their evolving role as catalysts for sustainable growth.

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Integrating ESG Audit

(Credit Appraisal Framework)

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Abstract

The integration of Environmental, Social, and Governance (ESG) audit into credit appraisal has become an essential component of modern banking risk management. This article examines how ESG factors complement traditional financial analysis by enabling banks to identify emerging environmental, social, and governance risks that may significantly affect borrowers' long-term creditworthiness and repayment capacity. It discusses evolving global and Indian regulatory expectations, particularly the role of the Reserve Bank of India in promoting climate-risk management and sustainable finance. The article further highlights the methodologies, benefits, implementation challenges, and future prospects of ESG-integrated credit appraisal, emphasizing that robust ESG auditing enhances portfolio resilience, regulatory compliance, sustainable lending practices, and long-term value creation within the banking sector.

The banking industry is undergoing a profound transformation as Environmental, Social, and Governance (ESG) considerations move from being voluntary sustainability initiatives to becoming core determinants of financial risk and long-term value creation. Traditionally, credit appraisal frameworks have focused on financial parameters such as profitability, liquidity, leverage, cash flows, and collateral coverage. However, recent developments in climate regulation, sustainable finance, stakeholder expectations, and risk management practices have highlighted that non-financial factors can significantly influence a borrower's creditworthiness and repayment capacity.

The increasing frequency of climate-related events, environmental liabilities, governance failures, labour disputes, and social controversies has demonstrated that ESG risks often translate into financial risks. Consequently, banks across the world are integrating ESG assessments into their credit evaluation processes. Regulatory authorities, including the Reserve Bank of India (RBI), the Basel Committee on Banking Supervision, and international banking regulators, are progressively emphasizing climate-risk management, sustainability disclosures, and ESG risk integration within banking operations. Recent global guidelines on ESG risk management and climate-related disclosures further underscore the need for banks to embed ESG considerations into lending decisions and portfolio management.

In this evolving landscape, ESG audit has emerged as an essential component of modern credit appraisal frameworks.

Understanding ESG Audit in the Context of Credit Risk:

An ESG audit refers to the systematic evaluation of a borrower's environmental practices, social responsibilities, and governance structures. Unlike conventional financial audits that focus on accounting accuracy and financial reporting, ESG audits assess sustainability-related risks and opportunities that may affect an enterprise's long-term viability.

Environmental assessment examines issues such as carbon emissions, energy efficiency, pollution control, water management, waste disposal practices, climate resilience, and compliance with environmental regulations. Social assessment evaluates labour standards, employee welfare, occupational safety, customer protection, community relations, diversity practices, and supply chain responsibility. Governance assessment focuses on board effectiveness, transparency, ethical conduct, internal controls, regulatory compliance, and risk management mechanisms.

The objective is not merely to assess compliance but to determine how ESG factors may influence the borrower's future cash flows, operational stability, reputation, and ultimately, its ability to service debt obligations.

The Growing Relevance of ESG in Credit Appraisal:

The traditional credit appraisal process largely relies on historical financial performance. However, ESG-related events often have forward-looking implications that may not be immediately visible in financial statements.

For example, industries with high carbon intensity may face transition risks arising from changing regulations, carbon taxes, technological disruption, or shifting consumer preferences. Similarly, poor labour practices can lead to operational disruptions, legal liabilities, and reputational damage. Weak governance structures may increase the probability of fraud, mismanagement, and regulatory penalties.

Financial institutions increasingly recognize that ESG risks can materially affect Probability of Default (PD), Loss Given Default (LGD), and overall portfolio quality. Recent studies indicate that while banks are increasingly incorporating ESG considerations into pricing decisions, stress testing, governance frameworks, and lending policies, the integration of ESG factors into core credit risk models remains an evolving area.

As a result, ESG audit serves as an important supplementary tool that enhances the predictive capability of conventional credit assessment models.

Regulatory Momentum Driving ESG Integration:

The integration of ESG into banking supervision is no longer confined to voluntary initiatives. Globally, regulators are strengthening expectations regarding climate and sustainability risk management.

The European Banking Authority (EBA) has issued comprehensive guidelines requiring banks to identify, measure, manage, and monitor ESG risks while incorporating them into governance and risk management frameworks. These guidelines are designed to enhance resilience against sustainability-related financial risks and are being progressively implemented across European institutions.

Similarly, the Basel Committee has finalized climate-related financial disclosure standards aimed at improving transparency and comparability of climate-risk information within the banking sector. These standards encourage banks to assess physical and transition climate risks in a structured manner.

In India, the RBI has intensified its focus on climate-risk management and disclosure frameworks. Initiatives such as climate-risk disclosure requirements and the establishment of climate-risk information systems reflect the regulator's commitment to strengthening the resilience of financial institutions against emerging environmental risks.

These regulatory developments indicate that ESG integration will increasingly become an essential component of prudential banking practices.

RBI's Survey on Climate Risk and Sustainable Finance

The Reserve Bank of India's Survey on Climate Risk and Sustainable Finance has highlighted that climate-related financial risks are increasingly being recognized as material risks by banks. The survey also emphasized that banks need to integrate climate and sustainability risks into their overall risk management framework, strengthen governance mechanisms at the Board and senior management levels, and develop dedicated structures for overseeing ESG-related initiatives. Such measures are essential for enhancing the resilience of banking portfolios and facilitating the transition towards sustainable finance.

Incorporating ESG Audit into the Credit Appraisal Process:

Integrating ESG audit into credit appraisal requires a structured and risk-based approach. Rather than replacing traditional financial analysis, ESG assessment complements it by providing additional insights into long-term sustainability and risk exposure.

The integration process typically begins during borrower onboarding, where ESG information is collected alongside financial and operational data. Sector-specific ESG risk assessment frameworks can then be applied to identify material sustainability risks.

Industries such as mining, power generation, chemicals,

infrastructure, textiles, agriculture, and real estate often exhibit significant environmental and social risk exposures. In such sectors, detailed ESG audits become particularly important. Borrowers can be evaluated using ESG scorecards that assess environmental performance, social responsibility, and governance quality based on predefined parameters.

The findings may subsequently influence credit ratings, pricing decisions, exposure limits, loan covenants, collateral requirements, and monitoring frequency. Borrowers demonstrating strong ESG performance may qualify for favourable lending terms, while those exhibiting elevated ESG risks may be subject to enhanced due diligence or risk premiums.

ESG Audit Methodologies in Banking:

Modern ESG audits employ a combination of qualitative and quantitative methodologies.

Qualitative assessments involve reviewing policies, governance structures, sustainability reports, compliance records, stakeholder engagement mechanisms, and management practices. Quantitative analysis may include measurement of greenhouse gas emissions, carbon intensity, workplace safety indicators, employee turnover rates, regulatory violations, litigation history, and board independence metrics.

Increasingly, banks are leveraging technology, artificial intelligence, satellite imagery, geospatial analytics, and climate-risk modelling tools to strengthen ESG evaluations. Advanced data analytics enables lenders to assess environmental exposures, climate vulnerabilities, and supply-chain risks with greater precision.

The growing availability of sustainability disclosures and ESG datasets is also improving the reliability of ESG audit outcomes and facilitating more objective credit decision-making.

Benefits of ESG-Integrated Credit Appraisal:

The incorporation of ESG audit into credit appraisal generates multiple benefits for banks and financial institutions.

- First, it enhances risk identification by capturing emerging vulnerabilities that may not be reflected in financial statements. This strengthens credit quality assessment and improves portfolio resilience.
- Second, ESG integration supports regulatory compliance and aligns lending practices with evolving supervisory expectations. Financial institutions that proactively address ESG risks are better positioned to meet future disclosure and governance requirements.
- Third, ESG-based lending contributes to sustainable economic development by directing capital toward environmentally responsible and socially inclusive enterprises. This aligns banking activities with broader national and global sustainability objectives.
- Fourth, integrating ESG considerations can improve reputation and stakeholder confidence. Investors, regulators, customers, and shareholders increasingly expect banks to demonstrate responsible lending practices and sustainability leadership.
- Finally, ESG-focused credit appraisal can facilitate the development of innovative financing products such as green loans, sustainability-linked loans, transition finance instruments, and climate-resilient financing solutions.

Challenges in Implementing ESG Audit Frameworks:

Despite its growing importance, ESG integration presents several implementation challenges.

One of the primary obstacles is the lack of standardized ESG data and reporting practices. Variations in disclosure quality, methodologies, and metrics often make comparisons difficult. Many borrowers, particularly small and medium enterprises, may not possess formal ESG reporting systems.

Another challenge involves the absence of universally accepted ESG scoring methodologies. Different rating agencies frequently assign divergent ESG scores to the same entity, creating inconsistencies in risk assessment.

Banks also face difficulties in quantifying the direct financial impact of ESG risks. While governance failures often have immediate consequences, environmental and social risks may materialize over longer time horizons, complicating risk measurement.

Capacity building represents another significant concern. Effective ESG audits require specialized expertise in sustainability, environmental science, climate modelling, social impact assessment, and governance evaluation. Developing these competencies necessitates investment in training, technology, and institutional infrastructure.

RBI's Survey on Climate Risk and Sustainable Finance

The RBI survey further observed that many banks, particularly public and private sector banks, are still in the process of building internal capabilities for climate-risk management and sustainable finance. The absence of adequately trained personnel, insufficient climate-related data, and evolving methodologies for measuring ESG risks continue to impede effective implementation. The survey therefore underscored the need for specialized teams, continuous training programmes, and investment in technology and analytical capabilities to enable robust ESG assessment and integration into credit appraisal processes.

The Future of ESG Audits in Banking:

The future of credit appraisal is likely to be increasingly shaped by ESG considerations. As sustainability risks become more material to financial stability, ESG audits will evolve from supplementary assessments to integral components of mainstream credit risk management.

The next generation of credit appraisal frameworks is expected to incorporate climate stress testing, scenario analysis, transition-risk assessment, biodiversity considerations, supply-chain sustainability evaluation, and real-time ESG monitoring. Regulatory expectations will likely drive greater standardization of ESG metrics and disclosures, enabling more consistent integration into lending decisions.

Artificial intelligence, machine learning, and climate-risk data platforms are expected to further enhance ESG assessment capabilities, improving predictive accuracy and enabling dynamic monitoring of borrower risk profiles. As sustainable finance markets continue to expand, ESG-linked lending products will become increasingly prominent within banking portfolios.

Conclusion:

The integration of ESG audit into the credit appraisal framework represents a significant evolution in banking risk management. It reflects a broader recognition that environmental, social, and governance factors are not merely ethical considerations but critical determinants of financial performance and credit quality.

By embedding ESG assessments within lending processes, banks can improve risk identification, enhance portfolio resilience, support regulatory compliance, and contribute to sustainable economic development. While challenges relating to data quality, standardization, and implementation remain, the strategic importance of ESG integration is becoming increasingly evident.

In the years ahead, institutions that successfully combine traditional financial analysis with robust ESG auditing practices will be better equipped to manage emerging risks, seize sustainable finance opportunities, and create long-term value for stakeholders. ESG-integrated credit appraisal is therefore not merely a regulatory expectation but a strategic imperative for the future of banking.

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ESG Audit in Banking

(Concepts, Methodologies and Practical Applications)

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Abstract

Environmental, Social and Governance (ESG) considerations have emerged as a critical dimension of modern banking. The growing focus on climate change, social responsibility, sustainable finance, stakeholder expectations, and regulatory compliance has transformed ESG from a voluntary corporate initiative into a strategic business imperative. Banks are increasingly expected not only to manage financial risks but also to assess and disclose their environmental and social impacts. In this context, ESG audit has become an essential mechanism for evaluating the effectiveness, reliability, and integrity of sustainability-related practices and disclosures. This article examines the concepts, methodologies, regulatory developments, and practical applications of ESG audit in the banking sector, highlighting its significance in enhancing transparency, risk management, and long-term value creation.

The banking industry occupies a unique position in the global economy. While banks may have relatively limited direct environmental footprints compared to manufacturing industries, their lending, investment, and financing decisions significantly influence economic activities across sectors. Consequently, regulators, investors, customers, and society increasingly expect banks to integrate sustainability principles into their business models.

Over the last decade, ESG considerations have evolved from being peripheral concerns to becoming central elements of strategic decision-making. Global initiatives such as the Paris Climate Agreement, the United Nations Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB), and various national regulatory frameworks have accelerated the adoption of ESG practices.

As ESG reporting expands, the need for independent assurance and verification has become increasingly important. ESG audit provides stakeholders with confidence that sustainability-related information is accurate, reliable, and aligned with regulatory expectations.

Understanding ESG Audit:

ESG audit refers to the systematic examination and evaluation of an organization's environmental, social, and governance practices, policies, controls, performance metrics, disclosures, and risk management frameworks. The primary objective is to assess whether ESG commitments are effectively implemented and whether reported information accurately reflects actual performance.

Unlike traditional financial audits, ESG audits evaluate both quantitative and qualitative dimensions of sustainability performance. They examine issues such as greenhouse gas emissions, energy consumption, employee welfare, diversity and inclusion, human rights practices, board governance, ethical conduct, cybersecurity, responsible lending, and climate risk management.

In the banking sector, ESG audits extend beyond operational activities to encompass financing portfolios, investment decisions, sustainability-linked products, and environmental and social risk assessment mechanisms embedded within credit processes.

Evolution of ESG Auditing in Banking:

The evolution of ESG auditing has been driven by increasing stakeholder demand for transparency and accountability. Initially, sustainability disclosures were largely voluntary and lacked standardized frameworks. As sustainability reporting matured, concerns emerged regarding inconsistent methodologies, selective disclosures, and potential "greenwashing."

Today, regulatory authorities across multiple jurisdictions require more comprehensive sustainability reporting and assurance. Financial institutions are expected to disclose climate-related risks, carbon exposure, transition plans, biodiversity impacts, and social performance indicators.

Recent developments include the adoption of the ISSB standards, IFRS S1 (General Sustainability-related Disclosures) and IFRS S2 (Climate-related Disclosures), which aim to establish a global baseline for sustainability reporting. Similarly, the European Union's Corporate Sustainability Reporting Directive (CSRD) has strengthened sustainability disclosure requirements and assurance expectations.

For banks, ESG auditing has consequently evolved into a structured discipline involving risk assessment, governance evaluation, data validation, and independent assurance.

Core Components of ESG Audit in Banking:

- ***Environmental Assessment:*** Environmental auditing evaluates a bank's direct and indirect environmental impacts. Direct impacts include energy consumption, carbon emissions from branch networks, paper usage, waste management, and resource efficiency.

  However, the more significant focus for banks lies in financed emissions, the greenhouse gas emissions associated with lending and investment portfolios. ESG auditors assess whether banks accurately measure and disclose financed emissions and integrate climate-related risks into credit appraisal processes.

  The audit also examines climate stress-testing frameworks, transition risk management, green financing initiatives, renewable energy financing, and adherence to sustainable finance principles.

- ***Social Assessment:*** The social component evaluates the bank's relationships with employees, customers, communities, suppliers, and other stakeholders

  Key areas include workforce diversity, gender equality, employee health and safety, skill development, labour practices, financial inclusion initiatives, customer protection mechanisms, data privacy controls, and responsible banking practices.

  Auditors assess whether social commitments are translated into measurable outcomes and whether banks maintain adequate systems to monitor social performance indicators.

- ***Governance Assessment:*** Governance forms the foundation of ESG performance. Governance audits examine board oversight, executive accountability, ethical standards, compliance mechanisms, anti-corruption controls, risk governance structures, and transparency practices.

  Particular attention is given to how ESG responsibilities are assigned within the organization, the effectiveness of sustainability committees, integration of ESG objectives into executive compensation, and mechanisms for monitoring sustainability performance.

  Strong governance ensures that ESG objectives are embedded within strategic decision-making rather than treated as standalone initiatives.

Strategic Decision Support Tool

Beyond compliance and reporting assurance, ESG audits increasingly serve as a strategic decision-support tool for banks. By evaluating the effectiveness of sustainability governance, climate risk integration, responsible lending practices, and stakeholder engagement, ESG audits provide management and boards with actionable insights that inform capital allocation, portfolio strategy, product development, and long-term business planning. This strategic perspective helps banks align profitability objectives with sustainability commitments and strengthens institutional resilience in a rapidly changing economic and regulatory environment.

Methodologies Used in ESG Auditing:

- ***Risk-Based Audit Approach:*** The most widely adopted methodology in banking is the risk-based ESG audit approach. Auditors identify material ESG risks that could significantly impact the institution's financial performance, reputation, regulatory compliance, or stakeholder trust.

  Materiality assessments help prioritize high-risk areas such as climate risk exposure, fossil fuel financing,

data privacy concerns, anti-money laundering controls, diversity targets, and governance effectiveness.

This approach ensures efficient allocation of audit resources toward areas of greatest significance.

- ***Framework-Based Assessment:*** ESG audits often utilize internationally recognized frameworks and standards as benchmarks. These include:
  - ✓ Global Reporting Initiative (GRI).
  - ✓ Sustainability Accounting Standards Board (SASB).
  - ✓ ISSB Sustainability Standards.
  - ✓ TCFD Recommendations.
  - ✓ Equator Principles.
  - ✓ United Nations Principles for Responsible Banking (PRB).
  - ✓ Global Compact Principles.

Auditors compare organizational practices and disclosures against these frameworks to determine compliance and identify improvement opportunities.

- ***Data Validation and Assurance:*** A critical aspect of ESG auditing involves verification of sustainability-related data. ESG metrics often originate from multiple internal systems and external sources, increasing the risk of inconsistencies.

  Auditors evaluate data governance structures, data collection methodologies, calculation assumptions, reporting boundaries, and quality assurance controls.

  Increasingly, advanced analytics, artificial intelligence, and automated monitoring systems are being employed to validate ESG data and identify anomalies.

- ***Internal Control Evaluation:*** ESG audits assess the effectiveness of internal controls supporting sustainability reporting and risk management.

  This includes evaluating policy frameworks, governance mechanisms, approval processes, documentation standards, escalation procedures, and monitoring systems.

  Strong internal controls enhance the credibility and reliability of ESG disclosures.

ESG Audit Process in Banks:

An effective ESG audit generally follows a structured process. The engagement begins with planning and scoping, during which auditors identify material ESG risks, relevant regulations, stakeholder expectations, and organizational objectives. This is followed by a detailed review of policies, governance structures, sustainability reports, risk management frameworks, and operational practices.

Fieldwork involves interviews with management, examination of records, testing of controls, verification of ESG metrics, and assessment of compliance with applicable standards.

The audit findings are then analysed and documented. Areas requiring improvement are identified, and recommendations are developed to strengthen ESG governance and performance.

Finally, management action plans are established, and follow-up reviews are conducted to monitor implementation progress.

Practical Applications of ESG Audit in Banking:

- ***Climate Risk Management:*** Climate risk has become one of the most significant focus areas for ESG audits. Banks increasingly conduct climate stress tests to evaluate the impact of physical and transition risks on their portfolios.

  ESG audits assess the robustness of climate risk models, scenario analyses, portfolio monitoring systems, and risk mitigation strategies.

- ***Sustainable Finance Verification:*** Banks worldwide have expanded green bonds, sustainability-linked loans, renewable energy financing, and transition finance products.

  ESG audits verify whether funds are utilized for eligible purposes and whether sustainability commitments associated with these products are properly monitored and reported.

- ***Responsible Lending Assessment:*** ESG audits evaluate the incorporation of environmental and social considerations into credit decision-making.

  This includes assessing sector-specific risk screening, environmental due diligence procedures, social impact assessments, and exclusion policies for high-risk industries.

  Diversity and Inclusion Monitoring: Auditors review workforce diversity metrics, leadership representation, equal opportunity practices, and inclusion initiatives.

  These assessments help ensure that diversity commitments translate into measurable organizational outcomes.

- ***Prevention of Greenwashing:*** One of the emerging applications of ESG audit is the detection and prevention of greenwashing. Auditors examine whether sustainability claims are supported by evidence and whether marketing communications accurately reflect actual ESG performance.

  This function is increasingly important as regulators intensify scrutiny of sustainability-related claims.

Challenges in ESG Auditing:

Despite its growing importance, ESG auditing faces several challenges.

A major challenge is the lack of complete global standardization. While ISSB standards have improved consistency, differences in regulatory expectations and reporting frameworks remain.

Data quality and availability also pose significant difficulties. ESG information often originates from decentralized systems and may involve subjective estimates and assumptions.

Another challenge relates to the evolving nature of sustainability risks. Climate science, biodiversity considerations, social expectations, and regulatory requirements continue to develop rapidly, requiring auditors to continuously update methodologies and expertise.

Additionally, measuring financed emissions and indirect environmental impacts remains complex due to extensive value chains and varying data availability.

Emerging Trends in ESG Audit:

The future of ESG auditing is likely to be shaped by technological innovation, regulatory developments, and increasing stakeholder expectations.

Artificial intelligence, machine learning, blockchain technology, and advanced analytics are expected to enhance ESG data verification and monitoring capabilities.

Integrated assurance models combining financial, risk, compliance, and sustainability audits are becoming increasingly common. Such approaches provide a more holistic view of organizational performance.

Regulators are also moving toward mandatory external assurance of sustainability disclosures. As a result, ESG audits will increasingly resemble financial audits in terms of rigor, documentation, and assurance standards.

Furthermore, biodiversity risk assessment, nature-related financial disclosures, and social impact measurement are emerging as new areas of audit focus.

Sustainability Disclosures

As sustainability disclosures become more standardized and subject to greater regulatory scrutiny, stakeholder expectations for independent assurance are rising. Investors, regulators, customers, and civil society increasingly seek confidence that ESG metrics, climate commitments, and sustainability claims are supported by robust data and effective controls. Consequently, banks are expected to strengthen governance over ESG reporting, enhance data quality management, and develop assurance-ready processes that provide credible, decision-useful sustainability information to the market.

ESG Audit and the Indian Banking Sector:

India has made significant progress in sustainable finance and ESG governance. The Reserve Bank of India has emphasized climate risk management, sustainable finance, and enhanced disclosure practices. The Securities and Exchange Board of India (SEBI) has introduced Business Responsibility and Sustainability Reporting (BRSR) requirements for listed entities, promoting greater transparency in ESG disclosures.

Indian banks are increasingly integrating ESG considerations into credit assessment frameworks, green financing initiatives, and risk management processes. ESG audits are playing a crucial role in evaluating the effectiveness of these efforts and ensuring alignment with evolving regulatory expectations.

As India's financial system supports the country's transition toward a low-carbon and inclusive economy, ESG auditing will become an indispensable tool for promoting sustainable banking practices.

To Sum Up:

ESG audit has emerged as a vital component of contemporary banking governance. It provides assurance regarding the integrity of sustainability practices, strengthens risk management capabilities, enhances stakeholder confidence, and supports long-term value creation. As regulatory expectations continue to evolve and sustainable finance becomes mainstream, banks must adopt robust ESG audit frameworks that integrate environmental, social, and governance considerations into their core business strategies.

The future of banking will increasingly be shaped by institutions that successfully balance profitability with sustainability. In this transformation, ESG auditing will serve not merely as a compliance exercise but as a strategic mechanism for ensuring resilience, accountability, and responsible growth in an increasingly complex and sustainability-focused financial landscape.

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ESG Audit

(A New Dimension in Credit Risk Management for Banks)

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Abstract

Environmental, Social, and Governance (ESG) Audit has emerged as a vital component of modern credit risk management in the banking sector. As climate change, environmental regulations, governance failures, and social accountability increasingly influence borrowers' financial sustainability, traditional credit appraisal based solely on financial indicators is no longer sufficient. This article explains the concept of ESG Audit, its integration into the credit appraisal process, climate risk assessment, Expected Credit Loss (ECL) models, technology-driven ESG evaluation, implementation challenges, and the evolving regulatory framework in India. It highlights how ESG Audit enhances risk identification, strengthens portfolio resilience, improves lending decisions, and supports sustainable banking. The article concludes that ESG Audit is poised to become a fundamental pillar of prudent banking and long-term financial stability.

The banking industry has traditionally relied upon financial statements, cash flow analysis, collateral valuation, industry outlook, and management assessment while evaluating the creditworthiness of borrowers. However, the increasing frequency of climate-related events, environmental regulations, social accountability concerns, and governance failures has fundamentally altered the risk landscape. Today, a borrower may possess strong financial ratios and yet pose significant credit risk due to environmental liabilities, labour disputes, governance weaknesses, or climate transition challenges.

In this evolving environment, Environmental, Social, and Governance (ESG) considerations have emerged as critical determinants of long-term business sustainability. Consequently, ESG Audit has become an important component of modern credit risk management. Banks across the world are increasingly integrating ESG assessment into their lending decisions, portfolio monitoring, stress testing, and risk governance frameworks. Regulatory authorities, including the Reserve Bank of India (RBI), have also initiated measures to incorporate climate-related and sustainability-related risks into the banking system.

ESG Audit is therefore no longer viewed as a compliance exercise but as a strategic risk management tool that helps banks identify hidden risks, protect asset quality, and promote sustainable finance.

Understanding ESG Audit:

An ESG Audit is a systematic examination of an organization's environmental practices, social responsibilities, and governance framework to assess the sustainability and risk implications of its operations.

Unlike a traditional financial audit that focuses on historical financial performance, ESG Audit evaluates non-financial factors that may significantly affect the borrower's future financial viability and repayment capacity.

The audit generally covers:

- ***Environmental Factors:*** Environmental assessment focuses on issues such as carbon emissions, energy efficiency, waste management, water consumption, pollution control, biodiversity protection, environmental compliance, and climate change exposure. A manufacturing company operating in a pollution-sensitive area may face substantial penalties, litigation costs, or closure risks if environmental regulations become stricter. Such risks can ultimately impair its ability to service debt obligations.

- ***Social Factors:*** Social assessment examines labour practices, employee welfare, occupational safety, customer protection, supply-chain management, community relations, diversity, and human rights compliance. Poor social practices may result in labour unrest, reputational damage, legal liabilities, and operational disruptions that adversely affect business performance.
- ***Governance Factors:*** Governance evaluation focuses on board effectiveness, transparency, ethical conduct, anti-corruption measures, risk management systems, regulatory compliance, and internal controls. Several corporate failures around the world have demonstrated that weak governance often precedes financial distress and loan defaults. Governance risk is therefore increasingly becoming a key consideration in credit appraisal.

Why ESG Matters in Credit Risk Management?

Traditionally, banks assessed the probability of default primarily through financial indicators. However, recent global developments have demonstrated that non-financial risks can quickly transform into financial risks.

For example, climate change may damage production facilities, disrupt supply chains, and affect agricultural output. Social controversies can trigger consumer boycotts and regulatory investigations. Governance failures can lead to fraud, accounting irregularities, and sudden corporate collapses. As a result, ESG risks directly influence:

- Probability of Default (PD).
- Loss Given Default (LGD).
- Exposure at Default (EAD).
- Credit Rating.
- Portfolio Quality.
- Capital Adequacy.

Regulators and international banking bodies increasingly recognize ESG risks as material financial risks requiring systematic identification, measurement, monitoring, and management. Recent global banking regulations have strengthened expectations regarding ESG risk integration within banks' risk management frameworks.

Evolution of ESG in Banking:

- The concept of sustainable banking has evolved significantly over the past decade. Initially, ESG considerations were primarily associated with corporate social responsibility and ethical investing. Today, ESG has become a core element of prudential supervision and enterprise-wide risk management. Several international initiatives have accelerated this transformation:
- United Nations Principles for Responsible Banking (PRB).
- Equator Principles.
- Task Force on Climate-related Financial Disclosures (TCFD).
- International Sustainability Standards Board (ISSB).
- Basel Committee initiatives on climate-related financial risks.

Financial regulators worldwide are increasingly requiring banks to evaluate climate-related and ESG-related risks within their lending portfolios. The European Banking Authority (EBA) has issued comprehensive guidelines requiring banks to identify, measure, manage, and monitor ESG risks as part of their overall risk management framework.

ESG Audit in the Credit Appraisal Process:

ESG Audit is gradually becoming an integral component of the credit lifecycle.

- ***Pre-Sanction Stage:*** Before sanctioning a loan, banks increasingly evaluate the borrower's ESG profile alongside traditional financial analysis. The ESG assessment helps identify:
  - Environmental liabilities.
  - Regulatory compliance issues.
  - Labour disputes.
  - Governance weaknesses.
  - Climate vulnerability.
  - Sustainability preparedness.

A borrower operating in highly polluting industries may face significant future compliance costs, making the loan inherently riskier.

- ***Credit Rating and Risk Pricing:*** Banks are increasingly integrating ESG scores into internal credit rating models. Borrowers demonstrating strong ESG
    - practices may receive:
    - Better credit ratings.
    - Lower risk premiums.
    - Enhanced financing opportunities.
    - Longer repayment tenures.

Conversely, weak ESG performance may result in higher risk weights, stricter covenants, and enhanced monitoring requirements.

- ***Loan Structuring:*** ESG Audit findings can influence loan terms and conditions. Banks may incorporate:
    - Sustainability-linked covenants.
    - ESG performance milestones.
    - Environmental compliance requirements.
    - Periodic ESG reporting obligations.

Such measures help ensure continuous improvement in borrowers' sustainability practices.

ESG Audit and Climate Risk Assessment:

Climate risk has emerged as one of the most significant components of ESG risk management. Climate-related risks generally fall into two categories:

- ***Physical Risks:*** Physical risks arise from extreme weather events such as:
    - Floods.
    - Cyclones.
    - Droughts.
    - Heat waves.
    - Rising sea levels.

These events can damage assets, interrupt business operations, and reduce repayment capacity.

- ***Transition Risks:*** Transition risks arise from the shift toward a low-carbon economy. Examples include:
    - Carbon taxes.
    - Emission regulations.
    - Technological disruption.
    - Changes in consumer preferences.
    - Stricter environmental standards.

Industries heavily dependent on fossil fuels may face substantial transition challenges. Recognizing these risks, the RBI has introduced climate-related disclosure initiatives and climate risk management frameworks to strengthen resilience within the Indian financial system. Banks are expected to identify, assess, monitor, and disclose climate-related financial risks.

RBI's Survey on Climate Risk and Sustainable Finance

The Reserve Bank of India's Survey on Climate Risk and Sustainable Finance highlighted that climate-related financial risks have emerged as a material threat to the banking sector. The survey observed that physical risks arising from extreme weather events and transition risks associated with the shift towards a low-carbon economy are increasingly capable of affecting borrowers' financial health and repayment capacity. Consequently, banks are expected to integrate climate and ESG considerations into their overall risk management framework and strengthen portfolio resilience against emerging environmental risks.

ESG Audit and Expected Credit Loss (ECL):

The implementation of Expected Credit Loss (ECL) frameworks has further increased the relevance of ESG assessment. Under ECL methodology, banks must estimate future credit losses based on forward-looking information.

- ESG factors can significantly affect:
- Future cash flows.
- Business sustainability.
- Asset values.
- Industry prospects.
- Recovery rates.

For example, a coal-based power project facing stricter environmental regulations may experience reduced profitability, thereby increasing its probability of default. Therefore, ESG Audit provides valuable inputs for forward-looking credit risk modelling under ECL frameworks.

Technology-Driven ESG Auditing:

The growing complexity of ESG reporting has accelerated the adoption of technology-driven ESG assessment platforms. Artificial Intelligence, data analytics, satellite imagery, climate modelling, and ESG databases are increasingly being used to monitor borrower sustainability performance. In India, technology-enabled ESG platforms are being developed to support banks and financial institutions in ESG assessment, reporting, and risk management processes. Advanced analytics can assist banks in:

- Monitoring carbon-intensive sectors.
- Tracking climate vulnerabilities.
- Identifying emerging ESG risks.
- Conducting scenario analysis.
- Performing climate stress testing.

These technologies improve the accuracy and efficiency of ESG audits.

Challenges in ESG Audit Implementation:

Despite its growing importance, ESG Audit faces several challenges. One major challenge is the absence of standardized ESG data across industries. Many borrowers, particularly MSMEs, may not maintain comprehensive sustainability records. Another challenge relates to data quality and reliability. ESG information often involves qualitative judgments, making objective assessment difficult.

Banks also face challenges in integrating ESG variables into traditional credit models because historical default data linked to ESG indicators remains limited. Additionally, capacity building and specialized expertise are required for effective ESG auditing and risk assessment.

RBI's Survey on Climate Risk and Sustainable Finance

Another significant challenge identified by the Reserve Bank of India relates to the lack of adequate ESG and climate-related data and the absence of well-developed methodologies for measuring and monitoring such risks. The RBI survey revealed that many banks are still in the process of building institutional capacity and are looking for regulatory guidance to effectively incorporate climate risk into their credit and risk management practices. This underscores the need for specialized expertise, standardized disclosure frameworks, and technology-enabled ESG assessment systems to support robust ESG auditing.

The Emerging Regulatory Landscape in India:

India is witnessing a rapid evolution in sustainability regulation. The RBI has progressively strengthened its focus on climate-related financial risks and disclosure requirements. Climate-risk governance, strategy, risk management, and metrics are increasingly becoming important elements of regulatory expectations.

Simultaneously, the regulatory focus on transparency, risk disclosure, and sustainability reporting is encouraging banks to strengthen their ESG governance frameworks. Going forward, ESG Audit is likely to become an integral part of supervisory review, stress testing, capital planning, and risk-based supervision.

The Future of ESG Audit in Banking:

The future of banking will increasingly be shaped by sustainability considerations. Credit decisions will no longer depend solely upon profitability and collateral coverage. Instead, banks will evaluate whether a borrower can remain financially viable in a rapidly changing environmental, social, and regulatory landscape. ESG Audit is expected to evolve from a supplementary assessment tool into a core pillar of credit risk management. ESG scores may eventually become as important as traditional credit ratings in determining lending decisions.

Banks that successfully integrate ESG principles into their credit processes will be better positioned to manage emerging risks, enhance portfolio resilience, meet regulatory expectations, and support sustainable economic development.

Conclusion:

ESG Audit represents a transformative shift in the way banks assess and manage credit risk. It expands the traditional credit evaluation framework by incorporating environmental sustainability, social responsibility, and governance quality into lending decisions. As climate change, social accountability, and corporate governance issues increasingly influence business performance, ESG-related risks are becoming inseparable from financial risks.

For banks, ESG Audit is not merely a regulatory requirement or sustainability initiative; it is a strategic mechanism for protecting asset quality, strengthening portfolio resilience, improving risk-adjusted returns, and supporting long-term financial stability. In the coming years, ESG Audit will undoubtedly emerge as one of the most significant pillars of prudent credit risk management and sustainable banking worldwide.

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Incorporating ESG Factors Credit Evaluation and Monitoring

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Abstract

The article highlights the growing integration of Environmental, Social, and Governance (ESG) factors into credit evaluation and monitoring as a key component of modern banking risk management. It explains how financial institutions are expanding traditional credit appraisal beyond financial metrics by incorporating ESG considerations to assess borrowers' long-term sustainability, resilience, and repayment capacity. The article discusses the influence of evolving regulatory frameworks, climate-related risks, ESG due diligence, sector-specific risk assessments, ESG scorecards, climate stress testing, and continuous monitoring throughout the loan lifecycle. It also highlights the role of sustainable finance, ESG-linked lending, and technology-driven monitoring tools in enhancing credit quality and portfolio resilience. While acknowledging challenges such as inconsistent ESG data, measurement complexities, and evolving disclosure standards, the article concludes that ESG integration is becoming indispensable for strengthening credit risk management, improving regulatory compliance, supporting sustainable finance, and promoting long-term financial stability in the banking sector.

The global banking industry is undergoing a significant transformation as Environmental, Social, and Governance (ESG) considerations increasingly influence financial decision-making. Traditionally, credit evaluation focused primarily on financial parameters such as profitability, liquidity, leverage, cash flows, collateral quality, and repayment capacity. However, growing awareness of climate change, social responsibility, stakeholder expectations, and corporate governance standards has expanded the scope of credit risk assessment. Financial institutions are now recognizing that ESG factors can materially affect a borrower's long-term viability, operational resilience, and ability to meet debt obligations.

In recent years, regulators, investors, customers, and international standard-setting bodies have emphasized the integration of ESG considerations into banking operations. Consequently, banks are embedding ESG principles into credit underwriting, portfolio management, risk monitoring, and strategic planning. Incorporating ESG factors into credit evaluation not only strengthens risk management frameworks but also supports sustainable economic development and enhances financial stability.

Understanding ESG in the Context of Credit Risk:

ESG refers to a set of non-financial factors that measure an organization's sustainability performance and ethical impact. Environmental factors assess how a company manages natural resources, carbon emissions, energy consumption, waste management, pollution control, biodiversity preservation, and climate-related risks. Social factors evaluate employee welfare, workplace safety, diversity and inclusion, community engagement, customer protection, human rights compliance, and supply chain practices. Governance factors examine board effectiveness, transparency, business ethics, regulatory compliance, executive compensation, shareholder rights, and internal control mechanisms.

From a credit perspective, ESG risks can directly or indirectly influence a borrower's repayment capacity. For example, environmental violations may result in substantial penalties and operational disruptions. Poor labour practices may trigger litigation, reputational damage, and productivity losses. Weak governance structures can lead to fraud, financial misreporting, regulatory sanctions, and strategic failures. Therefore, ESG risks increasingly serve as indicators of potential future credit deterioration.

Growing Regulatory and Market Expectations:

The integration of ESG into banking practices has accelerated due to evolving regulatory frameworks and market expectations. Central banks and financial regulators worldwide are encouraging financial institutions to assess climate-related and sustainability risks as part of their risk management processes.

Global initiatives such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB) disclosure standards, and sustainability reporting frameworks have significantly improved transparency regarding ESG performance. Banks are expected to understand how environmental and social risks may affect borrowers across sectors and geographies.

In India, the Reserve Bank of India has increasingly emphasized climate risk management and sustainable finance. Simultaneously, the Securities and Exchange Board of India (SEBI) has strengthened sustainability disclosure requirements through the Business Responsibility and Sustainability Reporting (BRSR) framework for listed entities. These developments provide banks with improved ESG-related information for credit assessment and monitoring purposes.

Integrating ESG Factors into Credit Evaluation:

The incorporation of ESG considerations into credit appraisal begins with identifying sector-specific ESG risks. Different industries face distinct sustainability challenges. For example, thermal power generation, mining, cement, steel, chemicals, and aviation sectors are exposed to significant environmental risks due to carbon emissions and regulatory pressures. Financial institutions therefore evaluate how borrowers manage these challenges and adapt to emerging sustainability requirements.

During credit underwriting, banks increasingly collect ESG-related information alongside traditional financial data. Borrowers may be required to disclose environmental permits, carbon reduction strategies, energy efficiency initiatives, occupational safety records, governance structures, and compliance histories. The quality of ESG management often provides valuable insight into the effectiveness of overall business management.

Many banks have developed ESG scorecards that assign risk ratings based on predefined environmental, social, and governance parameters. These scores are incorporated into credit assessment models and may influence loan pricing, approval decisions, exposure limits, collateral requirements, and covenant structures. Borrowers demonstrating strong ESG performance may benefit from favourable financing terms due to their lower perceived long-term risk profile.

> **_Board Approved Credit Policies_**
>
> *To ensure consistency in ESG-based credit decision-making, many banks are incorporating ESG considerations into their Board-approved credit policies and risk appetite frameworks. ESG-related thresholds, sectoral exposure limits, exclusion criteria, and sustainability objectives are increasingly embedded within credit governance structures. Such integration enables banks to align lending activities with long-term sustainability goals while ensuring that ESG-related risks are considered alongside traditional credit, market, operational, and reputational risks during the credit approval process.*

Climate Risk as a Critical Component of Credit Assessment:

Climate risk has emerged as one of the most significant ESG considerations for financial institutions. Climate-related risks are generally classified into physical risks and transition risks.

Physical risks arise from extreme weather events such as floods, droughts, cyclones, heatwaves, and rising sea levels. These events can damage assets, disrupt operations, reduce productivity, and impair borrowers' cash flows. Industries such as agriculture, infrastructure, real estate, tourism, and energy are particularly vulnerable to physical climate risks.

Transition risks stem from the shift toward a low-carbon economy. Changes in environmental regulations, carbon pricing mechanisms, technological advancements, and consumer preferences may adversely affect businesses dependent on carbon-intensive operations. Companies that fail to adapt to evolving sustainability standards may face declining revenues, stranded assets, and increased financing costs.

Banks are increasingly conducting climate stress testing and scenario analysis to evaluate how climate-related developments could impact borrowers' financial health and creditworthiness over time.

ESG Due Diligence in Lending Decisions:

Modern credit evaluation increasingly incorporates ESG due diligence as a standard component of the appraisal process. ESG due diligence involves assessing whether a borrower complies with environmental regulations, labour laws, governance standards, and sustainability commitments.

Financial institutions examine past environmental incidents, legal disputes, workplace accidents, regulatory sanctions, corruption allegations, and governance failures. They also evaluate management's preparedness to address emerging ESG risks and capitalize on sustainability-related opportunities.

The objective is not merely to identify compliance issues but to understand whether ESG weaknesses could materially affect future cash flows, profitability, asset values, or reputation. Such assessments enable lenders to make more informed decisions regarding credit approval and risk pricing.

ESG-Based Credit Rating Enhancements:

Credit rating methodologies are evolving to reflect ESG considerations more comprehensively. Rating agencies increasingly incorporate ESG risks into their assessments of corporate and sovereign creditworthiness.

Banks are similarly integrating ESG indicators into internal rating systems. ESG-related risks are often treated as risk modifiers that complement traditional financial analysis. For instance, a company with strong financial performance but significant environmental liabilities may receive a lower overall risk assessment due to potential future costs and regulatory exposure.

Conversely, organizations demonstrating strong sustainability practices, effective governance, and robust risk management may benefit from enhanced credit profiles. This integration creates a more forward-looking and holistic approach to credit risk assessment.

Ongoing ESG Monitoring Throughout the Loan Lifecycle:

The integration of ESG factors does not end at loan sanction. Continuous monitoring is essential to ensure that emerging ESG risks are identified and managed proactively.

Banks increasingly establish ESG monitoring frameworks that track borrowers' sustainability performance throughout the loan lifecycle. Monitoring activities may include periodic reviews of ESG disclosures, sustainability reports, environmental compliance records, governance changes, and climate-related developments.

Advanced analytics and digital tools are helping institutions monitor ESG indicators in real time. Artificial intelligence, satellite imagery, geospatial analysis, and alternative data sources are increasingly being used to identify environmental risks and operational disruptions that could affect borrowers.

Loan covenants linked to ESG performance are also becoming more common. These agreements may require borrowers to maintain specific sustainability targets or reporting standards, with financial consequences if commitments are not met.

Early Warning Signal Frameworks

An emerging best practice is the incorporation of ESG indicators into Early Warning Signal (EWS) frameworks used for credit monitoring. Adverse developments such as environmental violations, regulatory penalties, workplace safety incidents, governance failures, adverse media coverage, or significant deterioration in sustainability performance may serve as leading indicators of future financial stress. By integrating ESG-related triggers into monitoring systems, banks can identify potential credit deterioration at an earlier stage and initiate timely risk mitigation measures.

Sustainable Finance and ESG-Linked Lending:

The rise of sustainable finance has further strengthened the role of ESG in banking. Green loans, sustainability-linked loans, transition finance, and ESG-linked credit facilities are becoming important components of lending portfolios.

Under sustainability-linked financing structures, loan pricing may be linked to the achievement of predefined ESG performance targets such as reductions in greenhouse gas emissions, improvements in energy efficiency, workplace diversity goals, or enhanced governance practices. Such mechanisms incentivize borrowers to improve sustainability performance while enabling banks to align financing activities with broader ESG objectives.

As investors increasingly allocate capital toward sustainable investments, banks that effectively integrate ESG considerations into lending activities can enhance their competitiveness and reputation.

Challenges in ESG Integration:

Despite significant progress, several challenges remain in incorporating ESG factors into credit evaluation and monitoring. One of the primary difficulties is the lack of standardized ESG data across industries and jurisdictions. Differences in reporting methodologies and disclosure quality can limit comparability and consistency.

Another challenge involves quantifying ESG risks and translating them into measurable credit impacts. Many ESG risks materialize over extended periods, making it difficult to estimate their financial implications accurately.

Data availability, technological limitations, evolving regulations, and the need for specialized expertise further complicate implementation efforts. Smaller borrowers, particularly small and medium enterprises, may face difficulties in providing comprehensive ESG disclosures.

Banks must therefore invest in data infrastructure, analytical capabilities, staff training, and governance frameworks to effectively integrate ESG considerations into risk management processes.

Future Outlook:

The importance of ESG integration in banking is expected to increase significantly over the coming decade. Climate change, biodiversity loss, social inequalities, and governance concerns are becoming increasingly material to financial performance and credit risk. Regulatory expectations, investor demands, and stakeholder scrutiny will continue to drive the adoption of ESG-based risk assessment practices.

Technological advancements, improved sustainability disclosures, and the development of globally harmonized reporting standards are likely to enhance the quality and reliability of ESG data. Artificial intelligence and advanced analytics will further strengthen banks' ability to identify, measure, and monitor ESG risks.

As sustainable finance becomes mainstream, ESG considerations will increasingly be viewed not as supplementary factors but as fundamental determinants of credit quality and long-term financial resilience.

ESG Integrated Credit Assessment

The future evolution of ESG-integrated credit assessment is likely to be supported by advanced technologies such as artificial intelligence, machine learning, geospatial analytics, satellite-based monitoring, and climate-risk modelling. These tools will enable banks to assess borrower exposures more accurately, quantify climate-related vulnerabilities, and monitor sustainability performance in near real time. As data quality and disclosure standards improve, ESG analytics are expected to become an integral component of credit risk modelling and portfolio management.

To Sum Up:

Incorporating ESG factors into credit evaluation and monitoring represents a significant evolution in modern banking risk management. ESG considerations provide valuable insights into risks and opportunities that may not be fully captured through traditional financial analysis alone. By integrating environmental, social, and governance assessments into lending decisions, banks can improve credit quality, enhance portfolio resilience, support regulatory compliance, and contribute to sustainable economic growth.

The future of credit risk management lies in adopting a comprehensive and forward-looking approach that combines financial performance with sustainability considerations. Institutions that successfully embed ESG principles into their credit processes will be better positioned to manage emerging risks, seize new opportunities, and create long-term value for stakeholders while supporting a more sustainable global economy.

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The Growing Importance of ESG Audits in Banking and Finance

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Abstract

The article examines the growing importance of Environmental, Social, and Governance (ESG) audits in the banking and financial sector as an essential component of modern risk management, regulatory compliance, and sustainable finance. It explains how ESG audits enable financial institutions to assess climate-related risks, governance practices, social responsibilities, and sustainability disclosures while enhancing transparency, accountability, and stakeholder confidence. The article also discusses global and Indian regulatory developments, the role of ESG audits in preventing greenwashing, supporting sustainable lending, strengthening corporate governance, and leveraging technology for ESG assurance. It concludes that ESG audits are evolving from a voluntary practice into a strategic necessity, enabling banks to build resilience, improve long-term value creation, and contribute to sustainable economic development.

The global financial landscape is undergoing a profound transformation as Environmental, Social and Governance (ESG) considerations increasingly become integral to the way banks and financial institutions conduct business. ESG principles, once viewed as voluntary initiatives or corporate social responsibility measures, have now evolved into critical determinants of long-term sustainability, risk management and stakeholder confidence. Investors, regulators, customers and society at large are demanding greater transparency and accountability from financial institutions regarding their environmental footprint, social commitments and governance practices. In this changing environment, ESG audits have emerged as a powerful mechanism to assess, validate and strengthen sustainability performance.

The banking and financial sector occupies a unique position in the economy as it influences the allocation of capital and shapes sustainable economic development. Consequently, ESG audits are gaining strategic importance, not only for ensuring regulatory compliance but also for protecting reputation, managing emerging risks and supporting sustainable growth. The increasing emphasis placed by global regulatory bodies, central banks and financial institutions indicates that ESG auditing is becoming an essential pillar of modern banking governance.

Understanding ESG Audits:

An ESG audit is a systematic and independent assessment of an institution's environmental, social and governance policies, practices, controls, disclosures and risk management frameworks. Unlike traditional financial audits, which primarily focus on financial statements and compliance with accounting standards, ESG audits examine how effectively an organization addresses sustainability issues and integrates them into its operations and strategic decision-making.

Environmental audits assess matters such as carbon emissions, energy efficiency, waste management, green financing and climate-related risks. Social audits evaluate customer protection, employee welfare, diversity and inclusion, financial inclusion and community development initiatives. Governance audits focus on ethical conduct, board effectiveness, risk management, transparency,

anti-corruption mechanisms and regulatory compliance. Through such comprehensive evaluation, ESG audits provide assurance regarding the reliability and credibility of sustainability-related disclosures and practices.

ESG as a New Dimension of Risk Management:

Risk management has traditionally focused on credit risk, market risk, liquidity risk and operational risk. However, climate change, social inequalities and governance failures have introduced new categories of risks that can significantly affect the financial stability and profitability of banks. Extreme weather events, transition risks associated with decarbonization, cybersecurity challenges, social unrest and governance deficiencies have demonstrated that sustainability-related risks possess the potential to translate into financial losses.

ESG audits help financial institutions identify, measure and manage these emerging risks. They enable banks to assess the resilience of their portfolios against climate-related events, evaluate social vulnerabilities in lending activities and strengthen governance structures to minimize ethical and compliance failures. By integrating ESG audits into enterprise-wide risk management frameworks, banks can improve their preparedness for future uncertainties.

Regulatory Developments and Global Momentum:

The importance of ESG audits has been reinforced by significant regulatory developments across the world. The Basel Committee on Banking Supervision has emphasized the integration of climate-related financial risks into banking supervision. The International Sustainability Standards Board (ISSB), established under the IFRS Foundation, has introduced sustainability disclosure standards aimed at creating a globally consistent reporting framework.

In Europe, the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR) have expanded sustainability reporting requirements and strengthened assurance expectations. Financial institutions are increasingly required to demonstrate transparency regarding climate-related exposures and sustainability practices.

In India, the Securities and Exchange Board of India (SEBI) has mandated Business Responsibility and Sustainability Reporting (BRSR) for the top listed entities. The Reserve Bank of India has also been actively encouraging regulated entities to incorporate climate-related risks into governance, strategy and risk management frameworks. The RBI's draft framework on disclosure of climate-related financial risks and opportunities reflects the growing importance attached to sustainability considerations in the Indian banking system.

These developments indicate that ESG assurance and audit mechanisms are likely to become increasingly formalized and integrated into regulatory expectations.

ESG Audits and Sustainable Finance:

The rapid growth of sustainable finance has further enhanced the importance of ESG audits. Green bonds, sustainability-linked loans, social bonds and transition financing are becoming important segments of the global financial market. Investors and lenders seek credible assurance that funds raised under such instruments are genuinely utilized for environmentally and socially responsible purposes.

ESG audits play a vital role in preventing greenwashing and ensuring the integrity of sustainable finance products. Independent verification of ESG claims enhances investor confidence and strengthens the credibility of sustainability-linked transactions. Banks involved in green financing require robust ESG auditing mechanisms to ensure compliance with international standards and maintain stakeholder trust.

RBI's Survey on Climate Risk and Sustainable Finance

The Reserve Bank of India's Survey on Climate Risk and Sustainable Finance has indicated that banks are increasingly exploring sustainability-linked lending and engaging with corporate borrowers on their transition towards lower carbon emissions. Sustainability-linked loans, which connect lending terms with predefined environmental targets, are emerging as an important instrument for promoting sustainable finance. ESG audits assume critical importance in this context, as they provide assurance regarding the achievement of sustainability objectives and help ensure that environmental commitments made by borrowers are supported by measurable outcomes, thereby minimizing the risk of greenwashing.

ESG Audits and Credit Risk Assessment:

The relationship between ESG performance and credit quality has attracted increasing attention from banks and regulators. Borrowers with poor environmental practices, weak governance systems or inadequate social safeguards may face legal liabilities, regulatory penalties, reputational damage and business disruptions, ultimately affecting their repayment capacity.

Consequently, ESG considerations are increasingly being incorporated into credit appraisal and monitoring processes. ESG audits assist banks in evaluating the sustainability profile of borrowers and identifying hidden vulnerabilities that may not be apparent through traditional financial analysis. Such assessments contribute to improved portfolio quality and long-term risk mitigation.

In sectors such as mining, power generation, chemicals, real estate and infrastructure, ESG factors are becoming critical components of lending decisions. Banks are recognizing that sustainable businesses are generally more resilient and better positioned to withstand economic and regulatory changes.

Enhancing Corporate Governance through ESG Audits:

Governance failures have historically been at the root of several banking crises and corporate scandals. Weak internal controls, unethical practices, conflicts of interest and lack of accountability have often resulted in substantial financial losses and reputational damage. ESG audits strengthen governance frameworks by evaluating board oversight, transparency, whistleblower mechanisms, ethical standards and compliance structures.

Strong governance is essential for maintaining public confidence in financial institutions. ESG audits provide independent assurance regarding governance practices and contribute to improved accountability and stakeholder trust. They also encourage boards and senior management to integrate sustainability objectives into strategic planning and decision-making processes.

Technology and Data Analytics in ESG Auditing:

The increasing complexity of ESG reporting has accelerated the adoption of advanced technologies in ESG audits. Artificial intelligence, machine learning, big data analytics and blockchain technologies are enhancing the efficiency and reliability of sustainability assessments. Digital tools enable real-time monitoring of ESG metrics and improve the accuracy of data collection and analysis.

Banks are investing in ESG data platforms and analytical frameworks to evaluate climate risks, monitor carbon footprints and assess social and governance indicators. Technology-driven ESG audits facilitate timely identification of gaps and support informed decision-making. The use of advanced analytical tools is expected to transform ESG assurance practices in the coming years.

Role of Internal Auditors and Assurance Professionals:

Internal auditors are increasingly expanding their scope to include ESG-related assessments. Their role extends beyond traditional compliance reviews to evaluating sustainability frameworks, governance structures and ESG data reliability. External assurance providers are also becoming important participants in validating ESG disclosures and sustainability reports.

Professional accountants, cost accountants and auditors possess significant expertise that can contribute to ESG assurance. Their understanding of controls, risk management and reporting frameworks positions them uniquely to provide credible and independent assessments. The emergence of ESG auditing is creating new opportunities for professionals in the banking and financial sector.

RBI Survey Highlights

The RBI survey has also highlighted the growing importance of capacity building and institutional preparedness in addressing climate-related and ESG risks. Banks are increasingly organizing awareness programmes and allocating dedicated personnel to oversee climate-risk management and sustainability initiatives. As ESG frameworks become more sophisticated, internal auditors, cost accountants, chartered accountants and assurance professionals are expected to play a vital role in evaluating ESG controls, validating sustainability disclosures and strengthening governance mechanisms. The emergence of specialized ESG assurance functions is likely to become a defining feature of the future banking ecosystem.

Challenges in ESG Auditing:

Despite its growing significance, ESG auditing faces several challenges. Lack of uniform standards, inconsistencies in data quality, evolving regulatory requirements and absence of universally accepted metrics continue to pose difficulties. Measuring social and governance performance often involves subjective judgments and qualitative assessments. Smaller financial institutions may encounter resource constraints and technological limitations in implementing comprehensive ESG frameworks.

Another challenge lies in the risk of greenwashing, where organizations exaggerate or misrepresent their sustainability credentials. Robust ESG audit methodologies and independent assurance mechanisms are therefore essential to ensure authenticity and transparency.

The Future of ESG Audits in Banking and Finance:

The future of banking and finance is increasingly intertwined with sustainability. ESG considerations are moving from the periphery to the core of strategic and operational decision-making. Regulatory expectations, investor preferences and societal demands are likely to intensify further, making ESG audits indispensable for financial institutions.

Climate-related stress testing, carbon accounting, biodiversity risks, social impact assessments and governance evaluations are expected to become integral elements of banking supervision and internal audit functions. Artificial intelligence and digital reporting frameworks will further enhance the sophistication of ESG assurance practices. Banks that proactively adopt ESG auditing frameworks are likely to enjoy competitive advantages, stronger stakeholder confidence and greater resilience in an increasingly complex environment.

Conclusion:

ESG audits have emerged as a transformative force in the banking and financial sector. They represent far more than a compliance exercise; they constitute an essential mechanism for managing emerging risks, strengthening governance, enhancing transparency and supporting sustainable economic development. As financial institutions increasingly align themselves with global sustainability goals and responsible financing principles, ESG audits will play a central role in ensuring credibility and accountability.

The growing emphasis on sustainable finance, regulatory developments and stakeholder expectations has elevated ESG auditing from a voluntary practice to a strategic necessity. In the years ahead, banks that successfully integrate ESG audits into their governance and risk management frameworks will be better equipped to navigate uncertainties, protect long-term value and contribute meaningfully to a sustainable and inclusive financial ecosystem.

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ESG Assessment

(Loan Sanctioning and Credit Monitoring)

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Abstract

The article examines the growing importance of Environmental, Social, and Governance (ESG) assessment as an integral part of loan sanctioning and credit monitoring in modern banking. It explains how banks are moving beyond conventional financial appraisal by incorporating ESG factors into credit underwriting, sectoral risk analysis, internal credit rating models, and post-sanction monitoring to strengthen credit risk management and portfolio resilience. The article discusses ESG due diligence, sustainability-linked lending, climate risk assessment, early warning signal frameworks, stress testing, and the application of technology and data analytics in monitoring borrowers' sustainability performance. It also highlights evolving global regulatory expectations, including guidance from international banking regulators, while acknowledging challenges such as inconsistent ESG data, varied rating methodologies, and the complexity of quantifying long-term sustainability risks. The article concludes that ESG assessment has become a strategic necessity for enhancing asset quality, improving financial stability, supporting sustainable finance, and promoting responsible and resilient banking practices.

The global banking industry is undergoing a significant transformation in the manner in which credit risk is assessed and managed. Traditional lending decisions that were predominantly based on financial statements, cash flows, collateral security, and repayment capacity are increasingly being supplemented by Environmental, Social, and Governance (ESG) considerations. ESG assessment has emerged as a critical component of prudent banking, reflecting the growing recognition that sustainability-related risks can materially affect the creditworthiness and long-term viability of borrowers.

The integration of ESG factors into loan sanctioning and credit monitoring is no longer viewed merely as a corporate social responsibility initiative. Instead, it has become an essential risk management practice aimed at safeguarding asset quality, enhancing portfolio resilience, and supporting sustainable economic development. Regulatory authorities, international standard-setting bodies, investors, and stakeholders are increasingly emphasizing the incorporation of ESG risks into banking operations and lending decisions.

Understanding ESG in the Banking Context:

ESG refers to a set of non-financial factors that influence the sustainability and risk profile of a business. Environmental factors encompass climate change risks, carbon emissions, energy efficiency, pollution control, waste management, water usage, and biodiversity impacts. Social factors include labour practices, employee welfare, human rights, customer protection, community relations, and supply chain management. Governance factors focus on board effectiveness, ethical business conduct, transparency, regulatory compliance, anti-corruption measures, and internal controls.

For banks, ESG risks can translate into financial risks through multiple channels. Environmental degradation, climate-related disasters, social controversies, labor disputes, or governance failures may adversely affect a borrower's operations, profitability, reputation, and repayment capacity. Consequently, ESG assessment has become an integral part of comprehensive credit risk evaluation.

The Growing Importance of ESG in Lending Decisions:

Several developments have accelerated the adoption of ESG-based lending practices. Climate change has emerged as a significant source of financial risk, affecting industries through physical risks such as floods, droughts, heatwaves, and cyclones, as well as transition risks arising from changing regulations, carbon pricing mechanisms, technological shifts, and evolving consumer preferences.

Global banking regulators have increasingly recognized the need to integrate climate and sustainability risks into prudential supervision. The Basel Committee on Banking Supervision has issued principles for the effective management of climate-related financial risks and, more recently, introduced a framework for climate-related financial risk disclosures, encouraging banks to strengthen transparency and risk management practices.

Similarly, the European Banking Authority has issued comprehensive guidelines requiring banks to identify, measure, manage, and monitor ESG risks as part of their overall risk management framework, emphasizing resilience over short, medium, and long-term horizons.

These developments have reinforced the importance of incorporating ESG considerations into credit appraisal and portfolio monitoring processes.

ESG Assessment During Loan Sanctioning:

The loan sanctioning stage offers the first opportunity for banks to evaluate ESG risks associated with prospective borrowers. Modern credit appraisal frameworks increasingly incorporate ESG due diligence alongside traditional financial analysis.

During the appraisal process, banks assess the borrower's exposure to environmental risks. Industries such as mining, thermal power generation, chemicals, cement, real estate, and transportation often face heightened environmental scrutiny. Banks examine compliance with environmental regulations, pollution control standards, carbon emission levels, waste disposal practices, and climate adaptation measures.

Social assessments focus on labour relations, workplace safety, employee welfare, diversity and inclusion policies, customer protection practices, and community engagement. Borrowers with a history of lab or disputes, safety violations, or social controversies may be viewed as presenting elevated credit risk.

Governance assessment evaluates the quality of corporate leadership and organizational controls. Factors such as board independence, transparency, audit quality, ethical conduct, regulatory compliance, and anti-corruption mechanisms provide valuable insights into management effectiveness and operational stability.

Many banks now utilize ESG scorecards that assign weighted scores to various sustainability parameters. These scores supplement conventional credit ratings and influence lending decisions, loan pricing, exposure limits, and approval authorities.

Sustainability Considerations

To institutionalize ESG integration, many banks are embedding sustainability considerations within their Board-approved credit policies and risk appetite frameworks. These policies establish sector-specific exposure limits, exclusion criteria for environmentally or socially sensitive activities, escalation mechanisms for high ESG-risk proposals, and sustainability-linked lending objectives. Such policy-level integration ensures that ESG assessment is applied consistently across business units and forms an integral part of credit governance rather than a standalone compliance exercise.

ESG Risk Categorization and Sectoral Analysis:

An important aspect of ESG-integrated lending is sector-specific risk assessment. Different industries exhibit varying degrees of exposure to environmental and social risks.

For example, renewable energy projects generally demonstrate favourable environmental profiles and may qualify for preferential financing terms. Conversely, carbon-intensive industries may face increasing transition risks due to evolving climate policies and technological disruption.

Banks often classify sectors into low, medium, and high ESG risk categories. This classification influences credit underwriting standards, monitoring intensity, stress-testing requirements, and capital allocation decisions. High-risk sectors may require enhanced due diligence, additional disclosures, and stronger mitigation measures before credit facilities are sanctioned.

Such sectoral differentiation enables banks to align their lending portfolios with sustainability objectives while maintaining prudent risk management standards.

ESG-Linked Lending and Sustainable Finance:

The evolution of ESG assessment has also given rise to innovative financing structures. Sustainability-linked loans and green loans are increasingly gaining prominence across global financial markets.

Under sustainability-linked lending arrangements, borrowers commit to achieving specific ESG performance targets. These may include reductions in greenhouse gas emissions, improvements in energy efficiency, workplace safety enhancements, or diversity-related objectives. Achievement of agreed targets may result in favourable pricing adjustments, while non-compliance may attract higher borrowing costs.

Green financing supports projects that contribute positively to environmental objectives, including renewable energy, energy-efficient infrastructure, sustainable transportation, water conservation, and waste management initiatives.

These financing models encourage borrowers to improve sustainability performance while enabling banks to contribute to broader environmental and social goals.

Integrating ESG into Credit Risk Rating Models:

A growing number of banks are embedding ESG variables directly into internal credit rating systems. Rather than treating ESG as a separate compliance exercise, institutions are increasingly incorporating sustainability metrics into probability of default (PD), loss given default (LGD), and exposure at default (EAD) assessments.

Environmental vulnerabilities may affect future cash flows and asset values. Social controversies can trigger operational disruptions and reputational damage. Governance deficiencies often correlate with fraud, regulatory violations, and financial misreporting.

Consequently, ESG indicators are becoming valuable predictors of long-term credit quality. Advanced analytical models now combine traditional financial metrics with sustainability indicators to generate more comprehensive borrower risk profiles.

ESG Assessment in Credit Monitoring:

The significance of ESG assessment does not end with loan disbursement. Continuous credit monitoring is essential to ensure that emerging sustainability risks are identified and addressed in a timely manner.

Post-sanction monitoring involves regular review of ESG performance indicators, sustainability disclosures, regulatory compliance status, and evolving industry developments. Banks increasingly seek periodic ESG reports from borrowers and monitor progress against agreed sustainability commitments.

Credit monitoring teams track developments such as environmental violations, workplace accidents, governance failures, legal proceedings, community conflicts, and adverse media coverage. These events may signal deterioration in a borrower's risk profile and warrant enhanced supervision.

> ***ESG Related Indicators***
>
> *Increasingly, banks are incorporating ESG-related indicators into their Early Warning Signal (EWS) frameworks. Environmental penalties, adverse media reports, governance lapses, labour unrest, litigation, workplace accidents, and significant deterioration in sustainability performance may serve as precursors to future financial stress. Integrating such indicators into monitoring systems enables lenders to identify emerging credit concerns at an earlier stage and implement timely corrective actions, thereby reducing the probability of credit deterioration.*

Continuous monitoring enables banks to detect early warning signals and initiate corrective actions before ESG-related concerns translate into financial stress.

Climate Risk Monitoring and Stress Testing:

Climate-related risk assessment has become a central component of modern credit monitoring frameworks. Banks are increasingly conducting climate stress tests to evaluate the resilience of borrowers and portfolios under various environmental scenarios.

Physical risk assessments examine the potential impact of floods, droughts, storms, heatwaves, and other climate events on borrowers' operations and collateral values. Transition risk assessments analyse the effects of regulatory changes, carbon taxes, technological innovations, and changing market preferences.

International supervisory bodies increasingly encourage banks to incorporate scenario analysis and climate stress testing into their risk management frameworks. Recent regulatory developments highlight the growing importance of forward-looking climate risk assessment and disclosure practices.

Through climate stress testing, banks can identify vulnerable sectors, adjust portfolio strategies, and strengthen capital planning processes.

ESG Risks at the Portfolio Level

Beyond individual borrower assessments, banks are increasingly evaluating ESG risks at the portfolio level. Concentration analysis helps identify excessive exposures to carbon-intensive industries, environmentally vulnerable regions, or sectors facing elevated transition risks. Portfolio-level ESG assessment supports strategic asset allocation, risk diversification, capital planning, and sustainable finance objectives while enhancing the overall resilience of the institution's lending portfolio.

Technology and Data Analytics in ESG Monitoring:

The effectiveness of ESG assessment largely depends on the availability of reliable data and analytical capabilities. Advances in technology are enabling banks to strengthen ESG monitoring through artificial intelligence, machine learning, geospatial analytics, satellite imagery, and automated reporting platforms.

Technology-driven ESG platforms facilitate data collection, scoring, benchmarking, and continuous monitoring of borrowers' sustainability performance. Automated systems can identify emerging ESG risks, generate alerts, and support informed credit decisions.

The growing adoption of specialized ESG technology solutions reflects the banking sector's commitment to enhancing the quality, consistency, and transparency of sustainability-related assessments.

Challenges in ESG-Based Credit Assessment:

Despite its growing importance, ESG assessment presents several operational challenges. Data availability remains uneven across sectors, particularly among small and medium enterprises. Inconsistent reporting standards and varying disclosure practices often complicate comparative analysis.

Another challenge is the lack of universally accepted ESG rating methodologies. Different assessment frameworks may produce divergent results for the same borrower, creating difficulties in benchmarking and decision-making.

Banks also face challenges in quantifying the financial impact of long-term ESG risks, particularly climate-related risks that may materialize over extended periods. Developing robust analytical models and obtaining reliable sustainability data require substantial investments in technology, expertise, and governance frameworks.

Regulatory Expectations and the Future Outlook:

The regulatory landscape surrounding ESG risk management continues to evolve rapidly. Supervisory authorities worldwide are increasingly expecting banks to integrate ESG considerations into governance structures, risk management frameworks, stress testing programs, and disclosure practices.

Recent global regulatory developments demonstrate a clear shift toward embedding ESG risks within mainstream prudential supervision and credit risk management. Financial institutions are expected not only to identify ESG risks but also to establish effective monitoring, reporting, and mitigation mechanisms.

Looking ahead, ESG assessment is likely to become a standard component of credit underwriting and portfolio management. The integration of sustainability considerations into lending decisions will enhance the resilience of banking institutions while supporting the transition toward a more sustainable and inclusive economy.

To Sum Up:

ESG assessment has emerged as a transformative element in modern banking, reshaping traditional approaches to loan sanctioning and credit monitoring. By incorporating environmental, social, and governance factors into credit decision-making processes, banks can achieve a more comprehensive understanding of borrower risk profiles and long-term sustainability.

As climate risks intensify, stakeholder expectations evolve, and regulatory requirements become more stringent, ESG integration will increasingly influence lending strategies, portfolio quality, and financial stability. Banks that successfully embed ESG principles into their credit risk frameworks will be better positioned to manage emerging risks, enhance stakeholder confidence, and contribute meaningfully to sustainable economic development.

The future of banking lies not merely in financing growth, but in financing responsible, resilient, and sustainable growth. ESG assessment provides the foundation for achieving this objective.

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Mythos, AI and the Fear Factor: Why Strong Security Fundamentals Matter More Than Any AI Tool

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The emergence of Artificial Intelligence (AI) in cyber security has generated significant excitement as well as apprehension among organizations. AI-powered platforms such as Mythos promise capabilities such as attack path analysis, vulnerability correlation, threat prediction, security posture assessment, behavioral analytics, and AI-assisted threat hunting. As organizations hear about these advanced capabilities, a common concern often arises: "Will Mythos expose all our weaknesses?" or "Should we be worried about what AI may discover?"

The answer is straightforward. Organizations that have implemented fundamental security controls effectively have very little reason to fear Mythos or any other AI- powered cyber security platform. AI is not a magician. It cannot create vulnerabilities where none exist, nor can it manufacture security weaknesses. What AI can do exceptionally well is analyze vast amounts of information, correlate seemingly unrelated events, identify hidden patterns, and uncover weaknesses that already exist but may have escaped human attention.

Cyber security, despite all technological advancements, continues to rely on a set of timeless principles. Every mature cyber security program is built upon core security controls such as Asset Inventory Management, Secure Configuration Management, Patch and Vulnerability Management, Identity and Access Management, Multi-Factor Authentication, Network Segmentation, Security Monitoring and Logging, Backup and Recovery, Incident Response Preparedness, and Third-Party Risk Management. These controls form the foundation of a secure and resilient technology environment. Regardless of how sophisticated cyber-threats become or how advanced AI tools evolve, the effectiveness of an organization's cyber security posture ultimately depends on how consistently these fundamental controls are implemented and maintained.

Organizations that maintain strong cyber hygiene and adhere to these principles are naturally more resilient to cyber threats. Conversely, organizations that neglect these fundamentals often become vulnerable regardless of how many advanced tools they deploy. If privileged accounts remain unmanaged, systems remain unpatched, security configurations are weak, or monitoring mechanisms are ineffective, the resulting risks are not created by AI. They already exist. AI simply provides visibility into these weaknesses more quickly and more accurately than traditional methods.

A useful analogy can be drawn from the medical profession. A modern MRI machine can identify diseases much earlier and with greater precision than conventional diagnostic methods. However, the MRI does not create

the disease; it merely reveals what already exists. Mythos functions in a similar manner. It acts as a sophisticated diagnostic engine for cyber risk. By continuously analyzing infrastructure, applications, identities, vulnerabilities, configurations, user activities, and threat intelligence, it identifies areas that require attention. If Mythos highlights an unpatched server, excessive privileges, insecure configurations, or a potential attack path, it is not generating new risk. It is exposing risk that was already present within the environment.

Unfortunately, many organizations continue to focus excessively on advanced threats while overlooking the importance of basic cyber hygiene. Industry experience consistently shows that most successful cyberattacks exploit known vulnerabilities, weak credentials, excessive privileges, misconfigurations, or inadequate monitoring rather than highly sophisticated zero-day exploits. Even some of the most damaging ransomware incidents have originated from weaknesses that were already known but remained unaddressed. This demonstrates an important reality: the greatest threat to an organization is not Artificial Intelligence but poor security discipline.

No AI platform, regardless of its sophistication, can compensate for weak governance, ineffective processes, or a lack of accountability. Organizations that master the fundamentals of cybersecurity often demonstrate greater resilience than those that invest heavily in advanced technologies while neglecting foundational controls. Strong governance, disciplined execution, and continuous monitoring remain the cornerstones of cyber resilience.

It is also important to recognize that AI is an amplifier, not a replacement. Platforms such as Mythos should be viewed as force multipliers that enhance the effectiveness of security teams. They can help detect threats faster, correlate events more accurately, prioritize vulnerabilities intelligently, identify attack paths, reduce alert fatigue, and improve decision-making. However, AI cannot replace governance, accountability, security architecture, risk management, regulatory compliance, or human judgment. Effective cybersecurity will always depend upon the coordinated interaction of people, processes, and technology.

Rather than fearing AI-driven scrutiny, organizations should actively embrace it. Every vulnerability identified internally is one less vulnerability available to an attacker. Every misconfiguration detected by Mythos is an opportunity to strengthen defenses before an adversary can exploit it. The objective of cybersecurity has never been to prove that systems are perfect. Instead, it is to continuously identify, assess, prioritize, and remediate risks before they lead to incidents. AI significantly accelerates this process and enables organizations to improve their security posture proactively rather than reactively.

In conclusion, organizations should not fear Mythos, AI-powered threat intelligence platforms, or advanced cybersecurity analytics solutions. The real concerns should be weak governance, poor cyber-hygiene, delayed patching, excessive privileges, insecure configurations, and ineffective security controls. Cybersecurity has always been built upon strong fundamentals, and AI does not change this reality. On the contrary, it reinforces it. An organization that has invested in sound security practices, robust governance, and operational discipline has little to fear from Mythos. Instead, It gains a powerful ally that enhances visibility, strengthens resilience, and helps identify cyber risks before they become cyber incidents. Ultimately, in cybersecurity, fundamentals win battles; AI simply helps organizations win them faster and smarter.

Building a Risk-Aware Culture in the Organisation

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[Risk culture refers to Organisational norms, attitudes and behaviours associated with risk awareness, risk taking and risk management and controls that configures the decisions on risks. Risk culture has significant bearing on the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume. In present day fast evolving business terrain, a sound risk culture would enhance organisations' ability to adapt to new risks, including those posed by technological advancements, changing market conditions, and climate change. It is indeed difficult to directly measure and observe Risk culture as much of it is qualitative. Nevertheless, there are some tangible underlying factors and indicators that can be considered collectively to have glimpses into the state of risk culture obtaining in an organisation. Inculcation of a sound risk culture in the organisation is the responsibility of the top management. This article attempts to highlight why a risk-aware culture is important, the key elements of organizational risk culture and how leadership may build a sound risk culture in the organisation to avoid frequent lapses in risk controls.]

Introduction

Risk culture refers to the values, beliefs, knowledge, attitudes and understanding about risk shared by a group of people with a common purpose. A risk-aware culture refers to an organizational environment wherein all employees are proactively involved in identifying, understanding, and managing risk. In dealing with probable challenges a responsive and robust risk culture would be critical because it tends to encourage mitigation of the probability of unanticipated losses or reputational damages. In an organisation when employees appreciate and align with an organization's risk potentials, they would be in greater readiness to identify, communicate, and address risks proactively concomitantly reinforcing the organization's resilience.

Risk culture which weaves a texture of transparcy and accountability across the institution, also inculcate greater trust among stakeholders as they feel assured that the organisation prioritizes sound decision making in lines with its objectives and regulations. An effective risk culture also supports sustainable growth by balancing innovations with responsible risk taking and management. By embedding risk awareness across all levels of the organization, leadership can foster an environment where risks are manged consistently with strategic goals, fostering a sense of ownership among employees. This approach not only enables informed risk-taking but also helps the organization to adapt to evolving challenges, enhancing long-term stability.

Key elements of organizational risk culture

- *Tone at the top:* How leaders talk about and respond to risk strongly influences everyone else. If leaders ignore risks, employees often do the same.

- ***Accountability:*** Whether people are held responsible for managing risks in their roles.
- ***Transparency and communication***: How openly risks are discussed across teams.
- ***Risk awareness:*** How well employees understand the risks related to their work.
- ***Decision-making behaviour:*** Whether decisions balance risk and reward appropriately—or ignore one of them.

Why a risk-aware culture is important

- ***Betterdecision-making***
  When employees understand the risks better, they would not blindly hunt for opportunities. Decisions making would be intended to balance potential rewards with possible downsides, leading to more sustainable outcomes.
- ***Early identification of problems***
  In a risk-aware environment, people speak up without suppression when something found seemingly wrong. This helps organizations in early detection of issues before they grow out of proportion into serious crises.
- ***Reduced losses and failures***
  Organizational failures do occur not due to lack of rules, but for absence of or ignoring early warning signs. A strong risk-aware culture reduces the possibilities of committing costly mistakes, fraud, and operational failures.
- ***Stronger compliance and governance***
  Employees having better appreciation of risks are more likely to show greater adherence to laws, regulations, and internal policies. This lowers the chance of penalties and reputational damage.
- ***Improved accountability***
  People take ownership of risks related to their roles with all earnestness instead of assuming "someone else will handle it." This sets out clearer responsibility metrics across the organization.
- ***Enhanced organizational resilience***
  Organizations with a risk-aware culture will have greater readiness and better adaptability to devolving uncertainties—be it market changes, economic shocks, or internal disruptions.
- ***Builds trust and reputation***
  Stakeholders (customers, investors, regulators) trust organizations that demonstrate responsible risk management and transparency.

How leadership can shape risk culture

Leadership transforms risk culture from theory into reality. A strong risk culture emerges when leaders consistently demonstrate that managing risk is everyone's responsibility—and a priority at every level. Following are important dimensions of leadership role in shaping risk culture in the organisation.

- ***Setting the "tone at the top"***
  Employees watch leaders closely. If leaders openly discuss risks, admit uncertainties, and make balanced decisions, that behaviour spreads. If they ignore or downplay risks, others will too.
- ***Setting out risk appetite***
  Leaders decide how much risk the organization would be willing assume to achieve its goals. Clear guidance helps employees understand when to take calculated risks and when to be cautious.
- ***Leading by example***
  Mere formulation of Policies would not inculcate the culture but consistent behaviour does. When leaders are visibly adherent to risk protocols, escalate issues, and act ethically under pressure, they set a powerful standard inspiring emulation thereof by all staff.
- ***Encouraging open communication***
  A healthy risk culture depends on how conducive is the organisational climate in which people can frankly and fearlessly speak up issues and challenges. Leaders must create an environment wherein employees can raise concerns without fear of penalty, blame or retaliation.
- ***Aligning incentives and accountability***
  If employees are rewarded only for results (e.g., sales targets) and not how those results are achieved, they may ignore risks. Leaders shape culture by linking performance with responsible behaviour with focus on how part of the performance.
- ***Integrating risk into decision-making***
  Leaders must ensure that risk considerations are integrated and embedded in strategic and operational decision-making processes—not as an afterthought left to be handled by a separate department. All major decisions may be subjected to review as to whether risks have been properly assessed and concerns have been addressed.

➤ *Providing resources and training*

Leaders allocate time, tools, and training resources so as to enable employees to understand risks and how to manage them effectively.

➤ *Responding to failures appropriately*

How leaders react and respond when things go wrong are critical. Finger pointing responses encourage suppression and discourage transparency, while constructive responses promote learning and improvement.

Embedding Risk Awareness into Daily Operations

Embedding risk awareness into daily operations means making risk thinking a routine part of how work gets done, not something handled only during audits or by a separate risk team.

How to embed risk awareness effectively

➤ *Risk integration into everyday decision-making*

Risk considerations should be built into the processes of approvals, planning, and problem-solving. Teams may routinely consider: What might go wrong? What may be the possible impacts thereof ? How in the eventuality of risk devolvement the impacts may be mitigated?

➤ *Define clear roles and responsibilities*

Every employee should know the relevant risks which might trigger in discharge of their respective roles and responsibilities and what they are responsible for managing. This would enable avoidance of "someone else will handle it" mindset.

➤ *Use of simple risk tools in daily workflows*

Practical tools like checklists, risk registers, and standard operating procedures help employees assess and manage risks without overcomplicating their work.

➤ *Encouragement for open communication*

Employees should feel at ease in reporting issues, near-misses, or uncertainties. Regular team discussions about risks make awareness part of normal conversations. Communication and transparency are the backbone of a strong risk culture. Even if risks are identified, they're useless to the organization unless they're clearly shared, understood, and acted upon. Without communication and transparency, risk management breaks down. When information is shared openly and honestly, organizations can respond faster, make better decisions, and build a more resilient and trustworthy environment.

➤ *Delivery of ongoing training and awareness*

Short, continuous training sessions (instead of one-time programs) preferably on work site keep risk awareness fresh and relevant to emerging issues and challenges. People are more likely to respond to risks when they know what to do and how to do it. Regular training ensures everyone follows similar standards and approaches to managing risk. Risks evolve (technology, regulations, markets), so continuous learning is essential. Making training effective (not just formal) it need be made role-specific. Generic sessions don't stick. training must be tailored to what employees actually face in their jobs. Case studies, simulations, and past incidents help employees connect theory with reality. Training helps employees recognize real risks relevant to their work—not just theoretical ideas. Engagement and training make risk culture real. When employees understand risks, feel responsible, and are equipped to act, the organization becomes far more resilient and proactive. Builds practical understanding.

- ***Alignment of performance and incentives***
  Dove tail risk management orientation and aptitudes in performance evaluations. Employees must also be recognised on the basis of their effectiveness in identification and management of risks not just on the basis of achievements of targets/ results. Leverage technology and data Dashboards, alerts, and monitoring systems need be used to monitor and highlight emerging risks in real time, helping teams to respond quickly.

- ***Learning from incidents and near-misses***
  Instead of focusing only on failures, organizations should analyse small mistakes or "almost incidents" to prevent larger problems.

- ***Make it part of daily routines***
  Simple habits—like starting meetings with a quick risk check or including risk updates in reports—help normalize risk thinking.

In an organization with embedded risk awareness employees naturally consider risks before acting. Teams regularly discuss potential issues . Problems are identified early and addressed quickly. Risk management becomes a shared responsibility, not a separate function

Embedding risk awareness is about consistency and habit. When risk thinking becomes part of everyday actions, organizations become more proactive, resilient, and better prepared for uncertainty.

Conclusion

A strong **risk-aware culture** is not built through policies alone—it emerges from consistent behaviours, clear communication, and active leadership. It requires organizations to move beyond treating risk management as a compliance exercise and instead make it a **core part of everyday thinking and decision-making.**

Throughout all aspects—leadership influence, employee engagement, training, communication, tools, and measurement—the common thread is integration. Risk awareness must be **embedded into daily operations**, supported by practical systems, and reinforced through accountability and incentives. On the other hand, ignoring risk culture can lead to poor decisions, hidden issues, and potentially serious consequences.

Risk culture is not static—it evolves with the organization. Continuous effort, adaptation, and commitment at all levels are essential. When done well, a strong risk-aware culture becomes a **competitive advantage,** enabling organizations to navigate uncertainty with confidence, resilience, and long-term success.

Measuring risk culture is about **connecting perception with behaviour**. Improving it requires consistent action over time. Organizations that treat risk culture as something to monitor and refine—rather than assume—are far more resilient and effective.

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Doing a Triage

(Who Will Lead the Future?... In the future of banking, technology may drive growth, but trust will remain the true currency)

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India's banking and financial sector is witnessing one of the most significant transitions in its history. For decades, Public Sector Banks (PSBs) dominated the Indian banking landscape with their vast branch networks, government backing, and deep penetration into rural and semi-urban markets. However, the emergence of new-age private sector banks and rapidly-growing-fintech companies has dramatically altered the competitive environment. Technology-driven banking, digital payments, changing customer expectations, and financial innovation are redefining the manner in which banking and financial services are delivered. The competition among these three segments—PSBs, private banks, and fintech companies—is shaping the future of India's financial ecosystem.

Public Sector Banks have historically played a crucial role in India's economic development. Institutions such as State Bank of India, Punjab National Bank, and Bank of Baroda have supported government initiatives, agricultural financing, infrastructure development, and financial inclusion for several decades. Their extensive branch network across rural India and the confidence associated with government ownership continue to provide them with a strong foundation. Depositors still perceive PSBs as safer institutions, particularly during periods of economic uncertainty. Their large customer base and low-cost deposit structure provide them with significant advantages in terms of stability and liquidity.

Despite these strengths, PSBs have faced increasing challenges in recent years. Legacy systems, slower decision-making processes, higher operational costs, and large employee structures have often restricted their ability to adapt quickly to rapidly changing market conditions. In the era of digital banking, customers increasingly expect faster services, instant transactions, user-friendly mobile applications, and minimal paperwork. Traditional banking methods are gradually becoming less attractive, especially to younger generations who prefer technology-driven financial solutions. Consequently, PSBs have been compelled to invest heavily in digitization and modernization to remain competitive.

New-age private sector banks have emerged as strong competitors by successfully combining banking expertise with advanced technology and customer-centric operations. Banks such as HDFC Bank, ICICI Bank, Axis-Bank, and Kotak-Mahindra-Bank have transformed the banking experience in India. Their ability to adopt digital technologies quickly, offer seamless online banking services, and provide faster turnaround times for loans and customer service has enabled them to capture a substantial share of urban and semi-urban markets.

Private sector banks have particularly excelled in retail banking, housing finance, personal loans, wealth management, and digital banking services. Their investment in artificial intelligence, data analytics, and automated credit assessment systems has significantly improved operational efficiency and customer experience. Unlike PSBs, private banks have demonstrated greater flexibility in

responding to market demands and technological changes. Their aggressive expansion strategies and strong focus on profitability have further strengthened their position within the Indian financial system.

However, the most disruptive force in the financial sector has been the rise of fintech companies. Firms such as Paytm, PhonePe, Razorpay, and CRED have fundamentally changed the way financial transactions are conducted. The fintech companies have introduced speed, convenience, and innovation at an unprecedented scale. Their technology-driven business models allow them to offer digital payments, instant lending, investment platforms, insurance aggregation, and financial advisory services with remarkable efficiency.

The rapid growth of Unified Payments Interface (UPI) transactions in India has demonstrated the enormous impact the fintech companies can create. Customers today can transfer money instantly, pay utility bills, shop online, and access credit through mobile applications without visiting bank branches. The fintech companies have successfully attracted younger consumers by offering simplified interfaces, quick on-boarding processes, and personalized financial products. Their ability to leverage customer data and advanced algorithms for credit evaluation has enabled them to provide instant loans and financial solutions to individuals and small businesses that were previously underserved by traditional banking systems.

Nevertheless, the fintech companies also face several limitations. Unlike banks, they generally do not possess a stable deposit base and often depend on external funding or partnerships with financial institutions. Regulatory scrutiny over digital lending practices, data privacy concerns, cybersecurity risks, and profitability challenges continue to pose serious concerns for many fintech firms. As the sector grows, regulatory authorities such as the Reserve Bank of India are increasing oversight to ensure consumer protection and financial stability. Consequently, many fintech companies are increasingly collaborating with banks rather than attempting to replace them entirely.

The competition among PSBs, private banks, and the fintech companies is gradually shifting from direct rivalry to strategic collaboration. Banks today recognize that fintech companies possess technological expertise and innovative capabilities, while banks themselves offer financial strength, regulatory compliance, customer trust, and access to deposits. This has led to the rise of partnerships involving co-lending, digital payment integration, API banking, and embedded financial services. Many private banks are actively investing in fintech platforms, while PSBs are also accelerating their digital transformation initiatives to remain relevant in the evolving financial landscape.

One of the most important aspects of this competition is its impact on customers. The Consumers today are benefiting from faster banking services, greater accessibility, lower transaction costs, and improved financial inclusion. Rural populations that previously lacked access to formal banking are increasingly entering the financial system through mobile banking and digital payment platforms. Small businesses and individuals now have multiple financing options beyond traditional bank loans. Competition has also compelled institutions to improve transparency, customer service, and operational efficiency.

At the same time, the increasing digitization of financial services has created new challenges. Cybersecurity threats, online frauds, data breaches, and technological disruptions have become major concerns for the financial sector. Institutions that fail to invest adequately in cyber resilience and digital infrastructure may face serious operational and reputational risks. Moreover, excessive dependence on technology may create vulnerabilities during system failures or cyberattacks.

In assessing who holds the advantage in this competitive environment, it appears that new-age private sector banks currently occupy the strongest position because they effectively combine banking stability with technological advancement. They possess banking licenses, strong capital bases, regulatory experience, and growing digital capabilities. Public Sector Banks continue to retain immense strength through government support, customer trust, and rural penetration, while fintech companies remain leaders in innovation and digital customer engagement.

The future of India's financial sector is unlikely to be dominated entirely by any single category of institution. Instead, the emerging ecosystem is expected to be characterized by coexistence, collaboration, and continuous innovation. Institutions that successfully integrate technology, customer-centric services, financial discipline, and regulatory compliance will emerge as long-term leaders.

In conclusion, the growing competition among Public Sector Banks, new-age private sector banks, and fintech companies represents a positive development for India's economy and financial system. While each segment possesses distinct strengths and challenges, the overall outcome is greater efficiency, enhanced financial inclusion, improved customer experience, and accelerated technological progress. The ultimate beneficiaries of this evolving competition are the consumers and businesses who now enjoy wider access to faster, smarter, and more accessible financial services. The Indian banking industry is therefore entering a new era where adaptability, innovation, and trust will determine future success.

End Note:

The Indian banking and financial sector is no longer defined solely by traditional banking institutions. It is now an ecosystem driven by technology, innovation, customer expectations, and regulatory evolution. While Public Sector Banks continue to provide stability and nationwide reach, private sector banks are redefining efficiency and customer service, and the fintech companies are accelerating digital transformation at an unprecedented pace. The future will belong not merely to the biggest institutions, but to those capable of adapting quickly, embracing technology responsibly, and maintaining customer trust. In this rapidly changing landscape, competition is not weakening the financial system; rather, it is strengthening India's journey toward a more inclusive, efficient, and digitally empowered economy.

Banking 2030: The Rise of Autonomous AI and Intelligent Financial Ecosystems

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Introduction

The banking sector is experiencing one of the most significant transformations in its history. Artificial Intelligence (AI) is moving beyond traditional automation and becoming a strategic driver of customer experience, operational efficiency, risk management, and innovation. What began with simple chatbots and automated responses has evolved into intelligent systems capable of understanding context, learning from data, and taking actions autonomously. As financial institutions prepare for the next decade, AI-powered ecosystems are expected to become the foundation of modern banking operations.

Customers today expect instant service, personalized recommendations, and secure transactions. To meet these expectations, banks are investing heavily in advanced AI technologies that can process vast amounts of information, identify patterns, and deliver real-time insights. The result is a banking environment that is faster, smarter, and more customer-centric than ever before.

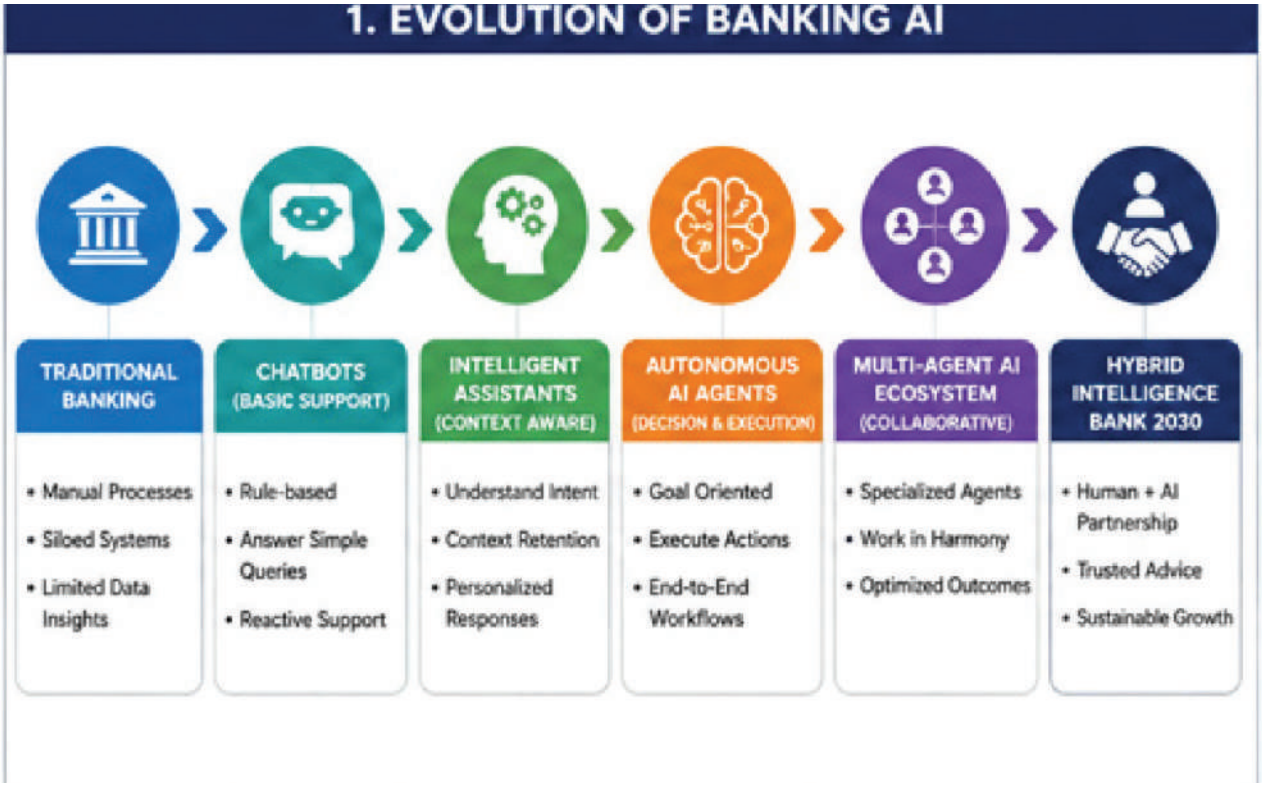
Technologies Driving the Future of Banking

Several breakthrough technologies are enabling this transformation. Large Language Models (LLMs) allow banking systems to understand natural language and engage in meaningful conversations with customers. Agentic AI systems extend these capabilities by enabling autonomous decision-making and workflow execution. Retrieval-Augmented Generation (RAG) ensures that AI systems access current and accurate banking information, reducing the risk of incorrect responses.

In addition, predictive analytics and machine learning help banks forecast customer needs, assess credit risks, and detect unusual transaction patterns. Cloud-native architectures provide the flexibility and scalability required to support these intelligent systems across multiple channels and services.

The Evolution from Chatbots to Autonomous Agents

Traditional chatbots were designed to answer predefined questions and follow scripted workflows. While useful, they often struggled with complex requests and lacked contextual understanding. Modern AI agents are fundamentally different. They can understand customer intent, retain context across interactions, and execute end-to-end processes.



For example, if a customer wants to purchase a home, an AI agent can evaluate affordability, check eligibility criteria, recommend suitable loan products, schedule appointments, and assist throughout the application process. This shift from reactive assistance to proactive engagement marks a major milestone in the evolution of banking technology.

Data Privacy, Security, and Trust

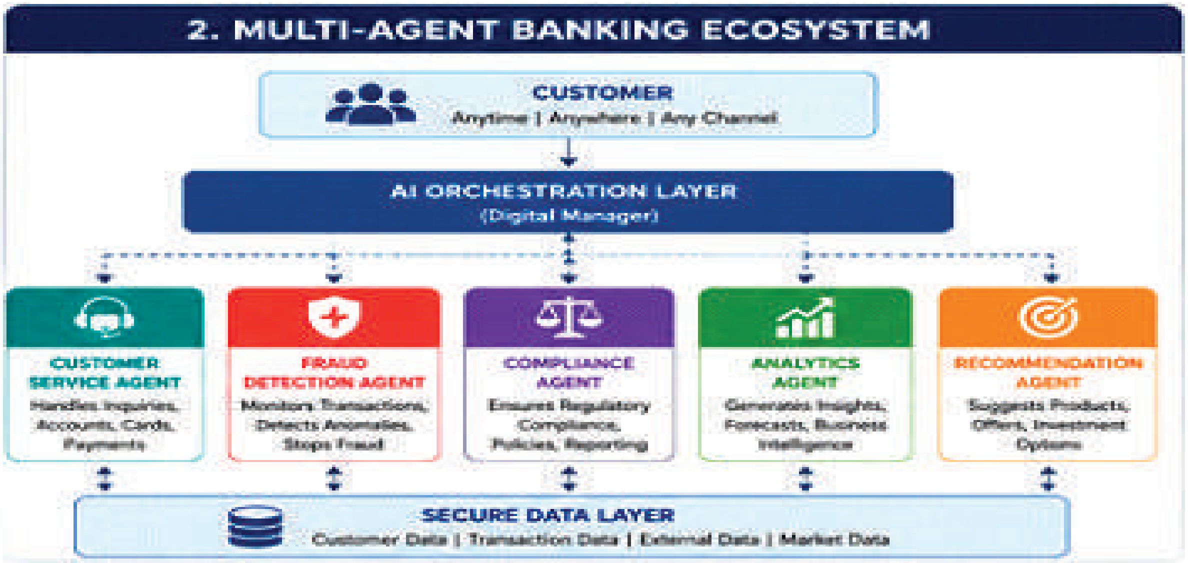
As AI adoption increases, protecting customer data remains a critical priority. Banks employ multiple layers of security, including encryption, access controls, identity verification, and continuous monitoring. Sensitive information is anonymized or tokenized before being processed by AI systems, reducing exposure risks.

Modern institutions also implement zero-trust security frameworks where every access request is authenticated and validated. AI models are trained with safeguards that prevent unauthorized disclosure of information and protect against manipulation attempts. These measures help ensure that innovation does not come at the expense of customer trust.

The Rise of Multi-Agent Banking Ecosystems

The future of banking lies in collaborative AI ecosystems where multiple specialized agents work together to deliver seamless services. Customer service agents handle interactions, fraud agents monitor risks, compliance agents enforce regulations, and recommendation agents identify suitable financial products.

A central orchestration layer coordinates these agents, ensuring that information flows efficiently between systems. This architecture mirrors the structure of a human organization, where specialized teams collaborate to achieve common goals. The result is a highly efficient and responsive banking environment capable of managing complex operations at scale.



Transforming Fraud Detection and Risk Management

Fraud remains one of the most significant challenges facing financial institutions. Traditional rule-based systems often struggle to detect sophisticated attacks. AI-powered fraud detection systems provide a more dynamic approach by analyzing transaction behavior, device information, geolocation data, and customer activity patterns in real time.

Specialized AI agents continuously monitor these signals and collaborate to identify anomalies. When suspicious activity is detected, preventive actions such as additional authentication, transaction blocking, or account protection measures can be triggered instantly. This proactive approach significantly reduces financial losses and enhances customer confidence.

The Intelligent Banking Architecture

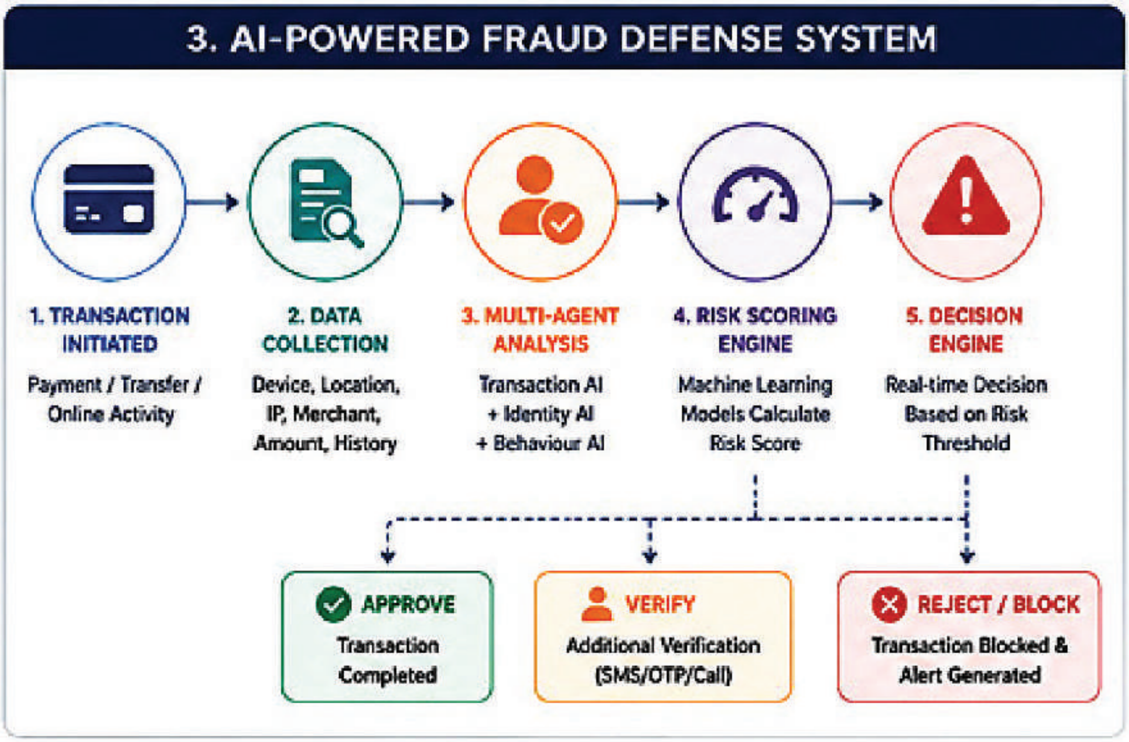
Modern banking platforms are evolving into unified intelligence ecosystems. Rather than operating as isolated systems, customer engagement, analytics, compliance, and security functions are integrated into a single intelligent framework. AI agents share information across departments, enabling faster decision-making and more consistent customer experiences.

Whether a customer interacts through mobile banking, online platforms, call centers, or branch offices, the system maintains context and continuity. This omnichannel approach ensures a seamless experience while improving operational efficiency and service quality.

Human-AI Collaboration: The Hybrid Intelligence Model

Despite the rapid advancement of AI, human expertise remains essential. The future of banking is not about replacing people but empowering them. AI systems excel at processing data, identifying patterns, and automating repetitive tasks. Human professionals contribute empathy, ethical judgment, creativity, and relationship management.

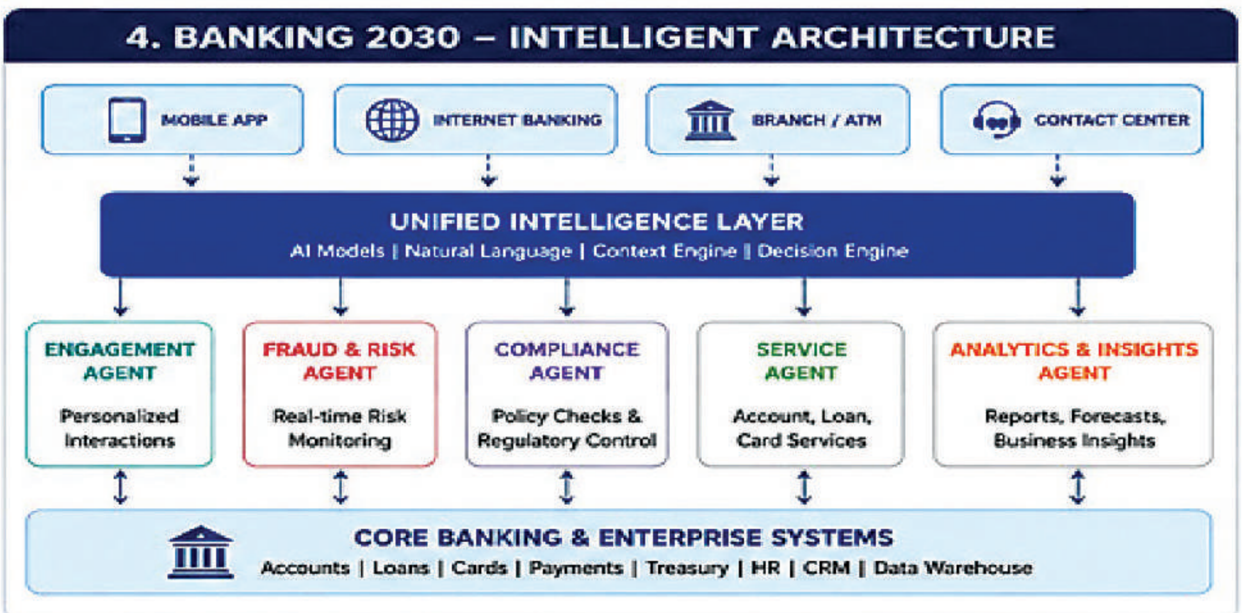
In the hybrid intelligence model, AI acts as a trusted co-pilot. Relationship managers receive real-time insights and recommendations, enabling them to provide more personalized and informed advice. This partnership improves productivity while preserving the trust and accountability that customers expect from financial institutions.

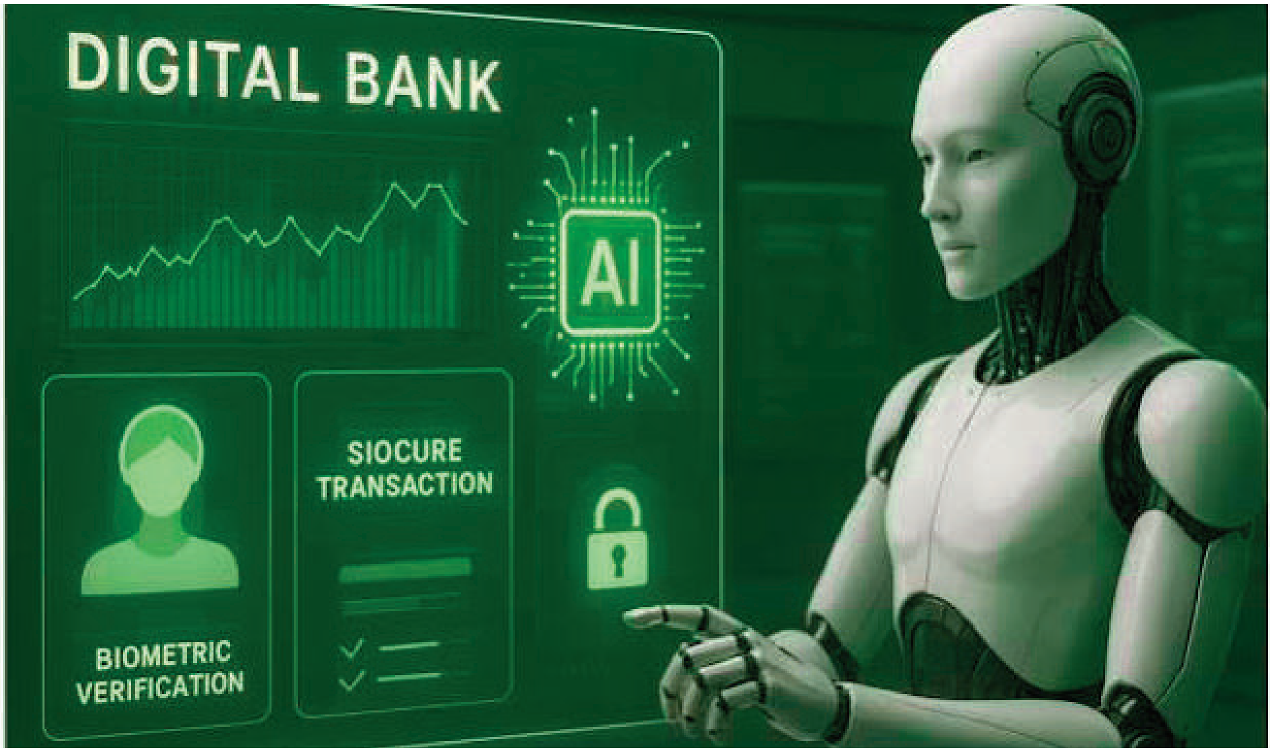


Future Outlook

By 2030, banking services will become increasingly proactive and personalized. AI agents will anticipate customer needs, optimize financial decisions, and prevent risks before they occur. Banking will become more deeply embedded into everyday life, operating seamlessly in the background while delivering value at every stage of the customer journey.

At the same time, governance, transparency, and ethical AI practices will play a central role in ensuring responsible innovation. Financial institutions that successfully balance technology, trust, and human oversight will lead the next generation of banking.





Conclusion

The journey from simple chatbots to autonomous AI ecosystems represents a fundamental transformation in the banking industry. Advanced technologies such as Generative AI, Agentic AI, predictive analytics, and multi-agent systems are redefining customer engagement, fraud prevention, operational efficiency, and decision-making.

As banks move toward 2030, the combination of intelligent automation and human expertise will create a secure, resilient, and customer-focused financial ecosystem. The future of banking is not just digital—it is intelligent, adaptive, and deeply connected to the evolving needs of customers.

Strategic Orientation of Indian Public Sector Banks:
Balancing Developmental Mandates with Institutional Transformation in the Digital Era

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Abstract

Public Sector Banks (PSBs) have historically constituted the cornerstone of India's banking architecture, serving not only as financial intermediaries but also as strategic institutions responsible for advancing national socio-economic objectives. Unlike privately owned commercial banks that predominantly pursue shareholder value maximization, PSBs operate within a unique institutional framework where commercial viability is intertwined with developmental responsibilities, financial inclusion, and public policy implementation. The accelerating pace of digital transformation, regulatory reforms, and environmental sustainability concerns, and growing competition from private banks and financial technology (FinTech) firms have significantly altered the strategic priorities of these institutions. Consequently, Indian PSBs are undergoing a fundamental transition from traditional developmental banking to technology-enabled, customer-centric, and sustainable banking while continuing to fulfil their broader institutional mandate.

This conceptual paper critically examines the strategic orientation of Indian Public Sector Banks by integrating insights from Institutional Theory, Stakeholder Theory, the Resource-Based View (RBV), Dynamic Capability Theory, and Developmental State Theory. Drawing upon secondary evidence from regulatory publications, government reports, annual reports of major public sector banks, and contemporary academic literature, the study explores how PSBs balance developmental obligations with the demands of digital modernization, operational efficiency, governance reforms, and financial sustainability. The paper argues that the strategic orientation of PSBs cannot be understood solely through conventional measures of profitability or efficiency; instead, it should be viewed through the broader lens of institutional legitimacy, public value creation, and inclusive economic development.

The study identifies financial inclusion, priority sector lending, agricultural finance, MSME development, digital transformation, governance reforms, environmental sustainability, and technological innovation as the principal strategic pillars shaping the contemporary evolution of PSBs. Furthermore, it argues that India's Digital Public Infrastructure, advances in artificial intelligence, and emerging sustainability imperatives are gradually redefining the role of PSBs within an increasingly competitive *financial ecosystem. The paper concludes that the future competitiveness of Indian PSBs will depend on their ability to integrate developmental objectives with dynamic organizational capabilities, technological innovation, and customer-centric banking practices. By synthesizing diverse theoretical perspectives, the study contributes to the growing discourse on strategic management in banking and provides practical implications for policymakers, regulators, banking executives, and academic researchers interested in the transformation of public sector banking in emerging economies.*

Keywords:

Public Sector Banks; Strategic Orientation; Financial Inclusion; Developmental Banking; Institutional Theory; Digital Transformation; Sustainable Banking; India.

Outline

The banking sector constitutes one of the most influential institutional pillars supporting economic growth, financial stability, and social development in modern economies. Beyond their conventional function of mobilizing savings and extending credit, banking institutions facilitate capital formation, enhance financial market efficiency, promote entrepreneurial activities, and contribute significantly to macroeconomic stability. In emerging economies such as India, the role of banks extends even further, encompassing financial inclusion, poverty reduction, employment generation, rural development, and implementation of government welfare programmes. Consequently, banking institutions function not merely as commercial enterprises but as developmental partners whose strategic decisions have profound implications for economic transformation and social welfare.

Among the diverse categories of banking institutions operating in India, Public Sector Banks (PSBs) occupy a particularly distinctive position because of their dual responsibility to maintain commercial sustainability while simultaneously fulfilling broader developmental mandates. Majority ownership by the Government of India has historically positioned these institutions as important instruments of public policy implementation, enabling successive governments to direct institutional credit towards agriculture, rural development, infrastructure, micro, small and medium enterprises (MSMEs), education, and other socially desirable sectors. Unlike privately owned banks, whose strategic priorities are primarily shaped by competitive market forces and shareholder expectations, PSBs are required to reconcile commercial objectives with public accountability, social equity, and national development priorities. This dual institutional identity has created a unique strategic orientation that distinguishes Indian public sector banking from many other banking systems worldwide.

During the past decade, digital transformation has emerged as one of the most significant forces reshaping the strategic orientation of Indian banking institutions. Government initiatives such as Digital India, Jan Dhan–Aadhaar–Mobile (JAM) trinity, Unified Payments Interface (UPI), Aadhaar-enabled payment systems, DigiLocker, and the Account Aggregator framework have collectively established one of the world's most advanced Digital Public Infrastructure (DPI) ecosystems. These innovations have fundamentally altered customer expectations, reduced transaction costs, expanded financial accessibility, and accelerated the adoption of technology-enabled banking services across diverse socio-economic groups. Public sector banks have increasingly recognized that digital transformation represents not merely an operational necessity but a strategic opportunity to enhance financial inclusion, improve customer experience, strengthen risk management, and increase organizational efficiency. Consequently, investments in artificial intelligence (AI), machine learning, cloud computing, robotic process automation, cybersecurity, and digital lending platforms have become central components of the modernization strategies pursued by major PSBs such as **State Bank of India, Punjab National Bank, Bank of Baroda, and Canara Bank.**

At the same time, the strategic landscape of public sector banking has become increasingly complex due to the emergence of new regulatory expectations relating to financial resilience, corporate governance, environmental sustainability, and climate-related financial risks. The global financial crisis, rising non-performing assets during the previous decade, and the COVID-19 pandemic collectively demonstrated that long-term banking sustainability depends upon effective governance, prudent risk management, organizational agility, and technological resilience. Recent initiatives including the Insolvency and Bankruptcy Code (IBC), bank recapitalization programmes, consolidation of public sector banks, implementation of Basel III norms, and improvements in governance mechanisms have significantly strengthened the institutional capacity of PSBs to respond to contemporary financial challenges. Simultaneously, growing emphasis on Environmental, Social, and Governance (ESG) principles has encouraged these institutions to integrate sustainable finance, green lending, renewable energy financing, and climate-risk management into their long-term strategic planning processes.

Despite these transformative developments, much of the existing literature continues to evaluate PSBs primarily through financial indicators such as profitability, asset quality, efficiency, or market performance. While these measures provide valuable insights into organizational effectiveness, they do not adequately capture the broader institutional logic underlying the strategic orientation of public sector banks. Unlike purely commercial organizations, PSBs simultaneously pursue economic, social, developmental, and institutional objectives that cannot be fully understood through conventional financial metrics alone. There remains a need for a more holistic conceptual framework that explains how public sector banks balance developmental responsibilities with technological modernization, competitive pressures, and sustainability imperatives within an increasingly dynamic banking ecosystem.

This paper seeks to address this gap by examining the strategic orientation of Indian Public Sector Banks from a multidisciplinary theoretical perspective. Drawing upon Institutional Theory, Stakeholder Theory, the Resource-Based View, Dynamic Capability Theory, and Developmental State Theory, the study explores how government ownership, institutional mandates, technological transformation, and regulatory reforms collectively shape the evolving strategic priorities of PSBs. Rather than treating developmental banking and commercial competitiveness as mutually exclusive objectives, the paper argues that contemporary public sector banks are progressively integrating these dimensions into a unified strategic framework capable of generating both public value and sustainable competitive advantage.

Institutional Theory and the Developmental Role of Indian Public Sector Banks

The strategic orientation of Indian Public Sector Banks (PSBs) cannot be adequately understood through conventional theories of banking that primarily emphasize financial intermediation, profitability, or shareholder value creation. While these perspectives provide valuable insights into the commercial functions of banking institutions, they offer only a partial explanation of the broader developmental responsibilities assumed by PSBs within the Indian financial system. Unlike privately owned commercial banks, whose strategic decisions are largely guided by market incentives and competitive pressures, PSBs operate within a complex institutional environment where economic efficiency is balanced with social equity, public accountability, and national development objectives. Consequently, a comprehensive understanding of their strategic orientation requires theoretical perspectives that acknowledge the influence of institutional arrangements, governmental priorities, regulatory frameworks, and societal expectations on organizational behaviour.

Among the various theoretical approaches available, **Institutional Theory** provides one of the most appropriate frameworks for explaining the strategic evolution of Indian PSBs. Institutional Theory argues that organizations do not function as isolated economic entities; rather, they operate within broader institutional systems composed of formal rules, regulatory structures, cultural norms, political influences, and societal expectations that shape organizational behaviour and strategic decision-making (North, 1990; Scott, 2014). Organizational survival therefore depends not only upon economic performance but also upon achieving institutional legitimacy by conforming to the expectations of governments, regulators, stakeholders, and society. In sectors characterized by extensive public regulation, such as banking, institutional legitimacy frequently becomes as important as financial profitability because organizational credibility directly influences public confidence, regulatory support, and long-term sustainability.

The Indian banking system represents an excellent illustration of institutional influences on organizational strategy. Since the nationalization of major commercial banks in 1969 and 1980, PSBs have functioned as instruments of economic policy rather than purely commercial organizations. Their ownership structure, governance mechanisms, and regulatory obligations have collectively positioned them as vehicles for implementing national development programmes, expanding financial inclusion, supporting priority sectors, and promoting balanced regional growth. Consequently, strategic priorities within PSBs have evolved through continuous interaction between market forces and institutional mandates, producing an organizational model that differs substantially from shareholder-oriented banking systems prevalent in many developed economies.

Institutional Theory further explains that organizations are influenced by three interrelated institutional mechanisms: **coercive, normative, and mimetic pressures** (DiMaggio & Powell, 1983). Each of these mechanisms has significantly influenced the strategic evolution of Indian public sector banks.

Coercive pressures arise from formal laws, government policies, and regulatory requirements that compel organizations to adopt specific structures or behaviours. In the Indian context, the Government of India and the Reserve Bank of India (RBI) exert considerable influence over PSBs through legislation, prudential regulations, capital adequacy requirements, governance reforms, and policy directives. Requirements relating to Priority Sector Lending (PSL), implementation of government-sponsored welfare schemes, financial inclusion targets, and branch expansion in underserved regions illustrate how coercive institutional pressures shape strategic priorities. Unlike private banks, which retain greater discretion in determining business portfolios, PSBs are expected to allocate substantial financial resources toward agriculture, micro, small and medium enterprises (MSMEs), affordable housing, education, renewable energy, and other socially significant sectors. Although these obligations may reduce short-term profitability, they strengthen institutional legitimacy by aligning banking activities with national development objectives.

A practical example of coercive institutional influence is the implementation of the **Pradhan Mantri Jan Dhan Yojana (PMJDY),** launched in 2014 to promote universal financial inclusion. Public sector banks were entrusted with opening millions of basic savings accounts, expanding banking access to rural and economically disadvantaged populations, and integrating beneficiaries into the formal financial system. Institutions such as **State Bank of India (SBI), Punjab National Bank (PNB), and Bank of Baroda (BoB)** played leading roles in achieving the programme's objectives. While the immediate commercial returns from these accounts were limited, the initiative substantially enhanced institutional legitimacy, expanded customer outreach, and strengthened the long-term strategic position of PSBs within India's financial ecosystem. This example demonstrates that strategic decisions within public banking are frequently motivated by institutional responsibilities that extend beyond conventional commercial considerations.

The second mechanism, normative pressure, originates from professional standards, ethical expectations, and shared values within organizational environments. In Indian public banking, normative pressures are reflected in the expectation that PSBs should promote inclusive growth, reduce financial exclusion, support vulnerable communities, and contribute to national socio-economic development. These expectations are reinforced through public discourse, parliamentary oversight, media scrutiny, and professional norms emphasizing responsible banking practices. Consequently, PSBs have historically prioritized social banking initiatives, rural branch expansion, financial literacy programmes, and credit support for marginalized populations, even when such activities generate lower financial returns compared to urban commercial lending. Their legitimacy therefore depends not solely upon financial performance but also upon their ability to fulfil broader societal responsibilities.

An illustration of normative institutional influence can be observed in the extensive rural banking operations of **Canara Bank** and **Union Bank of India**, both of which have consistently maintained significant branch networks across semi-urban and rural regions despite increasing digitalization. These institutions continue to invest in financial literacy programmes, self-help group financing, women's entrepreneurship initiatives, and agricultural credit because these activities align with societal expectations regarding the developmental role of public banking. Such initiatives strengthen trust between financial institutions and local communities while reinforcing the public identity of PSBs as agents of inclusive development.

The third institutional mechanism, **mimetic pressure**, becomes particularly significant during periods of uncertainty or rapid environmental change. Organizations frequently imitate successful competitors to reduce strategic risk and maintain legitimacy within evolving institutional environments. The emergence of technologically sophisticated private sector banks following economic liberalization in 1991 created strong mimetic pressures for PSBs. Institutions such as **HDFC Bank, ICICI Bank**, and **Axis Bank** demonstrated the strategic advantages of digital banking, customer-centric service models, advanced risk management systems, and technology-enabled operational efficiency. Although public sector banks initially lagged behind in technological innovation, increasing competitive pressures encouraged them to adopt similar digital strategies while preserving their developmental mandate.

For example, **State Bank of India** has significantly transformed its technological capabilities through the development of **YONO (You Only Need One)**, an integrated digital banking platform that combines retail banking, investment services, insurance products, shopping, and financial planning within a single digital ecosystem. While inspired partly by innovations introduced within the private banking sector, SBI's digital strategy extends beyond commercial competitiveness by incorporating financial inclusion objectives and expanding access to digital financial services for diverse customer segments. Similarly, **Bank of Baroda's bob World** platform illustrates how mimetic adaptation can coexist with institution-specific developmental priorities. These examples demonstrate that institutional convergence does not eliminate organizational distinctiveness; rather, it enables PSBs to integrate market-based innovations into broader developmental strategies.

Institutional Theory therefore provides a compelling explanation for the strategic transformation currently occurring within Indian public sector banks. Rather than abandoning their developmental identity in response to market competition, PSBs have progressively adapted institutional responsibilities to contemporary technological and regulatory realities. Their strategic priorities increasingly reflect a synthesis of developmental banking, commercial competitiveness, digital innovation, and sustainable finance. This adaptive institutional evolution illustrates that organizational legitimacy depends upon continuous alignment with changing societal expectations rather than static adherence to historical organizational models.

Complementing Institutional Theory, **Developmental State Theory** offers additional insight into the unique role of PSBs within India's economic transformation. Developmental State Theory argues that governments actively shape economic development by directing financial resources toward strategic sectors capable of generating long-term national prosperity (Johnson, 1982; Evans, 1995). Within this framework, financial institutions function as developmental instruments that facilitate industrialization, infrastructure development, agricultural modernization, technological advancement, and employment generation. Public ownership of financial institutions enables governments to influence capital allocation in ways that may not emerge through purely market-driven financial systems.

India's experience provides substantial empirical support for this perspective. Public sector banks have consistently served as the principal institutional mechanism through which governments have implemented programmes promoting rural development, agricultural finance, MSME expansion, educational lending, affordable housing, renewable energy, and infrastructure investment. During periods of economic crisis—including the Global Financial Crisis of 2008 and the COVID-19 pandemic—PSBs played a particularly important countercyclical role by maintaining credit flows, supporting liquidity, implementing emergency lending schemes, and facilitating government relief programmes. Their willingness to continue lending during periods of heightened uncertainty reflected developmental objectives that extended beyond short-term commercial profitability.

The developmental orientation of PSBs is also evident in their contribution to India's broader financial inclusion agenda. Through extensive branch expansion, business correspondent networks, digital banking initiatives, and implementation of government-sponsored financial programmes, public sector banks have significantly expanded access to formal financial services among historically underserved populations. These activities illustrate that banking strategy within the public sector encompasses broader institutional objectives related to nation-building, social equity, and sustainable development.

Viewed together, Institutional Theory and Developmental State Theory provide a powerful conceptual foundation for understanding the strategic orientation of Indian Public Sector Banks. Institutional Theory explains how regulatory frameworks, governmental expectations, and societal norms shape organizational behaviour, while Developmental State Theory clarifies why governments continue to rely upon public banking institutions as instruments of long-term economic transformation. Together, these perspectives suggest that the strategic orientation of PSBs should not be evaluated exclusively through conventional financial metrics but rather through their capacity to simultaneously create economic value, social welfare, institutional legitimacy, and national developmental outcomes. As the subsequent sections demonstrate, this multidimensional strategic orientation continues to influence how public sector banks approach financial inclusion, technological modernization, governance reforms, and sustainable banking in the digital era.

Stakeholder Theory and the Resource-Based View: Understanding Value Creation and Strategic Capabilities in Indian Public Sector Banks

While Institutional Theory explains how regulatory mandates, governmental ownership, and socio-political expectations shape the strategic behaviour of Indian Public Sector Banks (PSBs), it does not fully explain how these institutions create value for diverse constituencies while simultaneously maintaining organizational competitiveness. Public sector banks are embedded within a complex network of stakeholders whose expectations frequently extend beyond financial performance and encompass broader developmental, social, and institutional outcomes. Consequently, the strategic orientation of PSBs must be understood not only as a response to institutional pressures but also as a process of balancing multiple stakeholder interests while leveraging organizational resources and capabilities to sustain long-term value creation. In this regard, **Stakeholder Theory** and the **Resource-Based View (RBV)** provide complementary theoretical perspectives that explain why PSBs continue to occupy a central position within India's financial system despite increasing competition from private banks and financial technology (FinTech) firms.

Stakeholder Theory: Expanding the Purpose of Public Sector Banking

Stakeholder Theory, first articulated by **Freeman (1984),** challenged the traditional shareholder-centric view of organizations by arguing that long-term organizational success depends upon creating value for all stakeholders who influence or are influenced by organizational activities. Rather than maximizing profits exclusively for shareholders, organizations are expected to balance the interests of customers, employees, governments, regulators, suppliers, communities, investors, and society. Within the banking sector, this perspective is particularly relevant because financial institutions occupy a position of public trust and perform functions that directly influence economic development, financial stability, and social welfare.

For Indian PSBs, the relevance of Stakeholder Theory is amplified by their ownership structure and institutional mandate. Unlike private sector banks, whose primary accountability lies with shareholders and capital markets, PSBs operate under majority government ownership and are therefore responsible to a broader constellation of stakeholders. These include the Government of India, the Reserve Bank of India (RBI), depositors, borrowers, employees, farmers, MSMEs, self-help groups, rural communities, state-owned enterprises, and the wider public. Each stakeholder group possesses distinct and, at times, competing expectations regarding the role of public banking. Consequently, strategic decision-making within PSBs extends beyond financial optimization to encompass public accountability, equitable resource allocation, financial inclusion, and socio-economic development.

The multidimensional stakeholder orientation of PSBs is particularly evident in their commitment to **financial inclusion,** which represents one of the most significant strategic priorities within the Indian banking system. Financial inclusion initiatives frequently generate limited short-term profitability because they involve expanding banking services into geographically dispersed rural regions, maintaining branches in economically less attractive markets, and providing low-cost financial products to underserved populations. From a purely shareholder-oriented perspective, such activities may appear commercially inefficient. However, Stakeholder Theory suggests that these initiatives generate substantial long-term value by enhancing institutional legitimacy, expanding customer relationships, strengthening public trust, and contributing to inclusive economic development. In this sense, financial inclusion should be understood not as a regulatory obligation alone but as a strategic investment in social capital and institutional sustainability.

The implementation of the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** illustrates this stakeholder-oriented approach. Since its launch in 2014, public sector banks have played a pivotal role in opening hundreds of millions of basic savings accounts, particularly for previously unbanked individuals in rural and economically marginalized communities. Institutions such as State Bank of India, Punjab National Bank, and Bank of Baroda have consistently accounted for a substantial share of account openings under the programme. While many of these accounts initially exhibited low transaction volumes, they became foundational instruments for the delivery of Direct Benefit Transfers (DBTs), social security payments, insurance schemes, and digital financial services. Consequently, the strategic value of PMJDY extends far beyond immediate financial returns by strengthening public confidence, expanding formal financial participation, and enhancing the legitimacy of PSBs as institutions serving national development objectives.

Stakeholder Theory also provides a useful framework for understanding the strategic emphasis placed by PSBs on **Priority Sector Lending (PSL)**. RBI guidelines require scheduled commercial banks to allocate a specified proportion of their adjusted net bank credit toward sectors such as agriculture, MSMEs, education, affordable housing, renewable energy, and weaker sections of society. While compliance with PSL targets is mandatory, PSBs have historically exceeded minimum requirements by positioning themselves as key financial partners in rural transformation and entrepreneurship development. Lending to farmers, women entrepreneurs, self-help groups, and small enterprises frequently involves higher monitoring costs, greater credit risk, and lower profit margins than corporate lending. Nevertheless, these activities contribute to broader socio-economic objectives, including employment generation, poverty alleviation, and regional development. From a stakeholder perspective, the strategic significance of PSL lies not merely in regulatory compliance but in fostering long-term economic resilience and inclusive growth.

The stakeholder orientation of PSBs extends beyond customers and borrowers to encompass employees, local communities, and the broader financial ecosystem. Public sector banks remain among the largest employers in the Indian financial services industry, providing stable employment opportunities across urban and rural regions. Furthermore, many PSBs invest substantially in financial literacy programmes, digital awareness campaigns, entrepreneurship development initiatives, and community engagement activities through their corporate social responsibility (CSR) programmes. These initiatives strengthen

relationships with local communities, reinforce institutional trust, and contribute to the development of human and social capital. Consequently, organizational success within PSBs is increasingly evaluated through a multidimensional performance framework that incorporates social impact, financial sustainability, customer welfare, and institutional legitimacy alongside conventional profitability indicators.

The Resource-Based View: Strategic Resources as Sources of Sustainable Advantage

While Stakeholder Theory explains why PSBs pursue broad developmental objectives, it provides only limited insight into how these institutions sustain competitive advantage within an increasingly dynamic banking environment. To address this question, the **Resource-Based View (RBV)** offers an important complementary perspective. Developed principally by **Barney (1991)**, RBV argues that organizations achieve sustained competitive advantage through the possession and effective utilization of valuable, rare, inimitable, and organizationally embedded (VRIO) resources. Competitive success therefore depends not only upon external market conditions but also upon internal organizational capabilities that competitors cannot easily replicate.

Traditionally, discussions of competitive advantage in banking have emphasized financial capital, branch networks, and market share. However, the strategic resources available to Indian PSBs extend far beyond these tangible assets. One of their most significant resources is institutional trust. Decades of government ownership, extensive public engagement, and nationwide service delivery have enabled PSBs to establish exceptionally high levels of credibility among diverse customer groups. For millions of Indian households, particularly in rural areas, PSBs continue to represent the most trusted providers of financial services. This accumulated trust constitutes a valuable intangible asset that facilitates customer acquisition, deposit mobilization, and long-term relationship banking.

A second distinctive strategic resource is the **extensive branch and service network** maintained by PSBs. Institutions such as State Bank of India and Canara Bank possess one of the largest banking networks globally, extending across metropolitan centres, semi-urban regions, remote villages, and difficult-to-access geographical areas. Although digital banking has reduced dependence on physical branches, widespread branch infrastructure continues to provide important competitive advantages by facilitating customer engagement, supporting government programme implementation, and enhancing financial accessibility among populations with limited digital literacy. In resource-based terms, these geographically dispersed service networks represent valuable organizational assets that remain difficult for competitors to replicate quickly.

Human capital constitutes another critical strategic resource underpinning the long-term competitiveness of PSBs. Public sector banks employ large numbers of experienced professionals with extensive knowledge of agricultural finance, infrastructure lending, project appraisal, risk management, and public policy implementation. While workforce modernization and digital skill enhancement remain ongoing challenges, continuous investments in training, leadership development, and technological capability building have significantly strengthened organizational competencies. Institutions such as Bank of Baroda have expanded digital learning platforms and professional development programmes to prepare employees for emerging technologies, cybersecurity challenges, and AI-enabled banking operations. These initiatives illustrate how human capital is increasingly viewed as a strategic resource supporting organizational transformation.

The strategic importance of **digital capabilities** has become particularly evident in recent years. Historically, private sector banks enjoyed substantial technological advantages over PSBs because of greater organizational flexibility and higher investments in innovation. However, contemporary public sector banks have accelerated digital transformation by investing in mobile banking, artificial intelligence, cloud computing, data analytics, robotic process automation, and cybersecurity infrastructure. The success of **YONO** developed by State Bank of India illustrates how digital innovation can enhance customer experience while simultaneously supporting financial inclusion. Similarly, **bob World** introduced by Bank of Baroda integrates retail banking, payments, investment services, and customer engagement within a unified digital ecosystem. These digital platforms represent organizational capabilities that complement rather than replace the traditional strengths of PSBs, enabling them to compete more effectively within an increasingly technology-driven financial marketplace.

From an RBV perspective, the competitive advantage of PSBs therefore arises from the **synergistic combination of tangible and intangible resources** rather than from any single organizational asset. Institutional trust, extensive branch infrastructure, government support, customer relationships, human capital, digital capabilities, regulatory expertise, and organizational reputation collectively form a resource portfolio that remains difficult for competitors to imitate. Importantly, the value of these resources depends upon their effective integration and continuous renewal. As technological disruption accelerates, static resource ownership is insufficient to sustain long-term competitiveness. Instead, PSBs must continually enhance digital capabilities, organizational learning, and innovation to maintain strategic relevance within an evolving banking ecosystem.

Integrating Stakeholder Theory and the Resource-Based View

Viewed together, Stakeholder Theory and the Resource-Based View provide a more comprehensive explanation of the strategic orientation of Indian Public Sector Banks than either theory alone. Stakeholder Theory clarifies why PSBs pursue financial inclusion, rural development, priority sector lending, and social banking despite relatively modest short-term financial returns. RBV, in contrast, explains how these institutions mobilize unique organizational resources—such as institutional trust, nationwide branch networks, technological infrastructure, and experienced human capital—to sustain competitive advantage while fulfilling developmental responsibilities.

The integration of these theoretical perspectives suggests that the future competitiveness of Indian PSBs will depend not on abandoning their developmental identity but on transforming it into a strategic asset. By leveraging trusted customer relationships, digital public infrastructure, organizational capabilities, and technological innovation, PSBs can continue to create value simultaneously for governments, regulators, customers, communities, employees, and the broader economy. This integrated theoretical perspective therefore provides a robust conceptual foundation for analysing the subsequent strategic pillars of financial inclusion, digital transformation, governance reforms, and sustainable banking that define the contemporary evolution of India's public banking system.

Conclusion

In conclusion, the integration of **Stakeholder Theory** and the **Resource-Based View** offers a comprehensive theoretical lens for understanding the strategic orientation of Indian Public Sector Banks in an increasingly complex and dynamic financial environment. While Stakeholder Theory underscores the multidimensional responsibilities of PSBs toward governments, regulators, customers, employees, rural communities, and society, the Resource-Based View explains how these institutions leverage distinctive organizational resources—including institutional trust, extensive branch networks, human capital, technological infrastructure, regulatory expertise, and long-standing customer relationships—to create sustained value and maintain strategic relevance. Rather than perceiving developmental obligations as constraints on commercial performance, the combined theoretical perspective suggests that social responsibility, financial inclusion, and nation-building constitute valuable strategic assets that strengthen institutional legitimacy, enhance stakeholder confidence, and foster long-term competitive advantage. As India's banking ecosystem undergoes rapid transformation driven by digital public infrastructure, artificial intelligence, financial technology, sustainability imperatives, and evolving customer expectations, the future success of Public Sector Banks will depend on their ability to continuously reconfigure these unique resources while remaining responsive to the diverse interests of their stakeholders. Consequently, the strategic competitiveness of PSBs lies not in replicating the business models of private sector banks but in transforming their developmental mandate into a source of innovation, resilience, and sustainable value creation. This integrated theoretical foundation therefore provides a robust platform for examining the subsequent strategic priorities of Indian Public Sector Banks, including financial inclusion, digital transformation, governance reforms, sustainable banking, and institutional modernization, thereby reinforcing their pivotal role in advancing India's inclusive and sustainable economic development

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Loan Against Mutual Fund (LAMF)

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When it comes to investment, more and more people in India prefer to invest in mutual funds compared to traditional investment options such as bank fds, postal certificates , ppf and insurance policies. Middle class households are now the market's backbone .Most preferred way in mutual fund investment is Systematic Investment Plan (SIP) and approximately Rs.30000 crore are invested monthly in various mutual funds through SIP.

The middle class households have different financial needs at different points of time mainly related to hospitalizations, kids education or some emergency situations, when they need to raise immediate funds.This requirement of funds is of short term nature and needs to be satisfied at the earliest possible. Banks or NBFCs are reluctant to give unsecured high value personal loans however they are ready to give loans against liquid securities such as gold , shares , mutual fund and insurance policies having surrender value.Gold loans are quite popular and since banks and NBFCs are quite liberal to offer such loans . However In case of youngsters whatever gold they are having is mainly through marriage and which they find difficult to pledge. In such a situation, a loan against the security of shares or mutual funds is an easy option to raise funds immediately. Since most of the people invest regularly in mutual funds they prefer to have loans against mutual fund units. From this perspective let us understand what a loan against mutual funds is and how it works.

A Loan Against Mutual Funds (LAMF) is a secured borrowing facility that allows you to pledge your existing mutual fund units as collateral to get instant liquidity. This eliminates the need to sell or liquidate your investments, ensuring your money continues to compound in the market.

How It Works

Loan against mutual funds is available in the form of lump-sum disbursement, and in the form of Overdraft (OD) or digital credit line.

For this you need to offer your mutual units as security to the lender , the lender places a lien on mutual fund units offered by you as security through registrars like CAMS, or K Fintech .

Once the lender's lien is placed on your mutual units it is called as pledged security and you cannot sell or redeem these pledged units till the loan is fully repaid along with interest thereof. However you continue to receive any dividends and the benefit of capital appreciation.(Mutual Fund Units of ELSS funds are having lock in period of three years from the date of investment hence cannot be redeemed during this period as such are not accepted as security for loan till the completion of lock in period.)

If the loan is of lump-sum nature you need to pay agreed EMI or to pay the quarterly interest and bullet payment at the end of the term, which is normally up to three years. If the loan is of overdraft type you pay the quarterly interest on the exact utilised portion of the limit from time to time and not on the total overdraft limit.

How much loan you can get under LAMF

The Loan-to-Value (LTV) ratio decides the loan amount and LTV depends on the type of mutual fund and individual bank /NBFC's policies , which are generally as following

Mutual Fund Type	Maximum Borrowing Limit (LTV)	Typical Interest Rates (p.a.)
Equity Mutual Funds	Up to 60% – 75% of NAV	9.75% to 12.5%
Debt Mutual Funds	Up to 7 5% – 85% of NAV	9.0% to 11.0%

Commercial banks are allowing LAMF up to Rs.20 lakhs in case of equity and hybrid mutual funds whereas against debit funds up to Rs.5 crore. NBFCs consider loans of higher amounts.

How to apply for Loan Against Mutual Funds(LAMF)

Both online and offline mode of loan application is available with most of the leading public sector banks and all pvt sector banks, so also with all NBFCs .The online application process is paperless and very quick .(within hour or two)

- Login to bank or NBFC's official portal and select Loan Against Securities Check Eligibility:Then Login to an approved platform or bank portal and fetch your mutual fund portfolio using your PAN and mobile number via an OTP.
- Select & Pledge: Choose the specific mutual fund schemes and the number of units required as per your required loan amount .
- Lien Marking authentication is done online and OTP to that effect is sent by the registrar(CAMS/K Fintech).
- The Loan amount or overdraft limit(credit line) is instantly set up in your linked bank account.

Major advantages of LAMF

- Reasonably cheaper than other unsecured personal loans since rate of interest is between 10 to 12% only as against unsecured loan interest rates are between 18 to 20%
- Loan is instantly sanctioned and disbursed in case of online application.
- You keep the ownership of the units and continue to earn dividends or capital appreciation
- LAMF is tax efficient than redemption since capital gain does not trigger.
- No guarantor is required for this loan. .
- Repayment is quite flexible, you can pay EMI or just pay the quarterly interest and pay the principal amount either in lump sum or in parts within the tenure of the loan , in case of overdraft facility you can liquidate or continue the facility as per your requirement.

Things to be noted in case of LAMF

- Margin Calls: If the market drops and your fund value fails, the lender demands additional pledge or partial payment to keep the loan amount within drawing power(DP). For eg. if outstanding loan amount is Rs.19 lakh , fund value comes to Rs.28 Lakh due to sudden fall in market and margin is 60% then DP comes to Rs.28*60%=Rs.16.80 lakh in such a situation the borrower has to pay immediately Rs.2.20 lakh or to give additional mutual units market value of Rs.4 lakh .
- If you fail to meet the margin call, the lender can sell your mutual fund to recover the money.
- Since the lender's lien is on your mutual units you cannot redeem your units to book the profit until the lien is revoked.
- In short we can say if you are having investment in a mutual fund LAMF is the best option for your immediate financial needs such as medical emergency, business cash flow, margin funding or down payment where you do not want to disturb your long term investments.

Generative AI for Insurers

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Introduction

Generative Artificial Intelligence (AI) has emerged as a transformative force across industries, and the insurance sector is no exception. As insurers increasingly explore innovative technologies, AI is poised to reshape how organizations evaluate risk, design products, engage customers, and manage operations. Much like the digital revolution transformed business processes decades ago, generative AI represents a new wave of change with far-reaching implications for the insurance ecosystem.

Key Insights

- ***Accelerating AI Adoption***
  The rapid integration of AI across the insurance sector is creating a competitive imperative. Organizations that embrace AI early can unlock strategic advantages, while those that delay adoption may struggle to maintain their market position.

Transformation Across the Insurance Value Chain

AI technologies can enhance every stage of the insurance lifecycle, from product development and distribution to underwriting, claims processing, and customer engagement. At the same time, organizations must proactively address emerging risks associated with AI deployment.

New Opportunities in an Evolving Risk Environment

As AI reshapes economies and societies, it is also creating new categories of risk and opportunities for growth. Insurers that leverage data-driven AI strategies can foster innovation while strengthening resilience in a rapidly changing marketplace.

Emerging Trends Shaping Insurance

A range of powerful global trends is redefining the future risk landscape and opening significant growth opportunities for insurers. Industry estimates suggest that predictive analytics alone could generate approximately $100 billion in additional premium revenue by 2030. To capitalize on these opportunities, insurers and reinsurers must understand evolving market dynamics and adapt their business models accordingly.

Generative AI further amplifies these opportunities by introducing new ways to automate processes, generate insights, improve decision-making, and enhance customer experiences.

The insurance industry is approaching a period of transformation comparable to the widespread adoption of personal computers and digital infrastructure. While some organizations still view AI as an emerging technology with distant implications, market leaders have already established innovation teams, launched pilot programs, and begun integrating AI into strategic initiatives.

As adoption accelerates, companies that move quickly will strengthen their competitive position, while others may find themselves racing to catch up.

Insurance Industry's Readiness for Technological Change

Historically, insurance has not always been viewed as a technology-first industry. Nevertheless, insurers have consistently adapted to technological advancements when those innovations demonstrated clear business value.

Over the past decade, the pace of technological adoption has increased dramatically:

- Telematics took nearly two decades to evolve from an emerging concept into a key differentiator in automobile insurance.
- Application Programming Interfaces (APIs) became

foundational components of insurance infrastructure within roughly ten years.

- Direct-to-consumer distribution models, embedded insurance solutions, and digital customer experiences gained prominence much faster than anticipated.

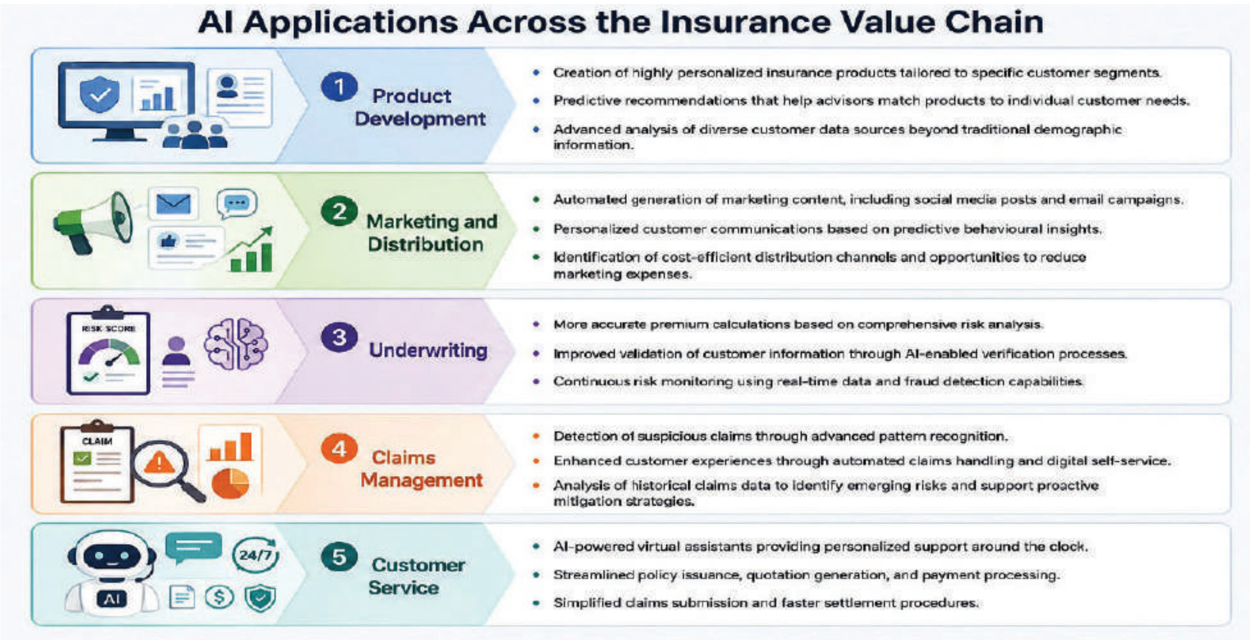
These shortened innovation cycles demonstrate that the industry has already developed the technological foundations and organizational mindset necessary to embrace AI-driven transformation.

AI as a Strategic Business Enabler

Insurance organizations should approach AI as a business enabler rather than viewing it solely as a technological solution or potential threat. AI's true value lies in its ability to support strategic objectives, improve efficiency, and enhance decision-making.

The insurance business will continue to rely heavily on human expertise and professional judgment. AI should complement, rather than replace, the knowledge and experience of insurance professionals.

AI Applications Across the Insurance Value Chain



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Product Development

- Creation of highly personalized insurance products tailored to specific customer segments.
- Predictive recommendations that help advisors match products to individual customer needs.
- Advanced analysis of diverse customer data sources beyond traditional demographic information.

Marketing and Distribution

- Automated generation of marketing content, including social media posts and email campaigns.
- Personalized customer communications based on predictive behavioural insights.
- Identification of cost-efficient distribution channels and opportunities to reduce marketing expenses.

Underwriting

- More accurate premium calculations based on comprehensive risk analysis.
- Improved validation of customer information through AI-enabled verification processes.
- Continuous risk monitoring using real-time data and fraud detection capabilities.

Claims Management

- Detection of suspicious claims through advanced pattern recognition.
- Enhanced customer experiences through automated claims handling and digital self-service.
- Analysis of historical claims data to identify emerging risks and support proactive mitigation strategies.

Customer Service

- AI-powered virtual assistants providing personalized support around the clock.
- Streamlined policy issuance, quotation generation, and payment processing.
- Simplified claims submission and faster settlement procedures.

Organizations that embrace emerging technologies early are often best positioned to generate value, establish scalable capabilities, and create sustainable competitive advantages.

Integrating AI into Risk Management

Despite ongoing uncertainty regarding the full implications of AI and the complexities of how generative models function, the technology's potential benefits are too significant to ignore.

AI offers numerous advantages, including:

- Personalized customer experiences
- Improved collaboration
- Greater operational efficiency
- Advanced simulations and scenario analysis
- Enhanced analytical capabilities

However, these benefits must be balanced against a range of emerging risks.

Key AI-Related Risks

- Spread of misinformation and inaccurate content
- Algorithmic bias and fairness concerns
- Privacy and data protection challenges
- Lack of transparency and accountability
- Excessive dependence on automated systems

To manage these risks effectively, organizations can leverage established frameworks such as the **COSO Enterprise Risk Management Framework** and the **NIST Cybersecurity Framework.**

COSO Enterprise Risk Management Framework

The COSO ERM Framework provides a globally recognized methodology for integrating risk management into organizational strategy, performance management, and value creation activities.

NIST Cybersecurity Framework

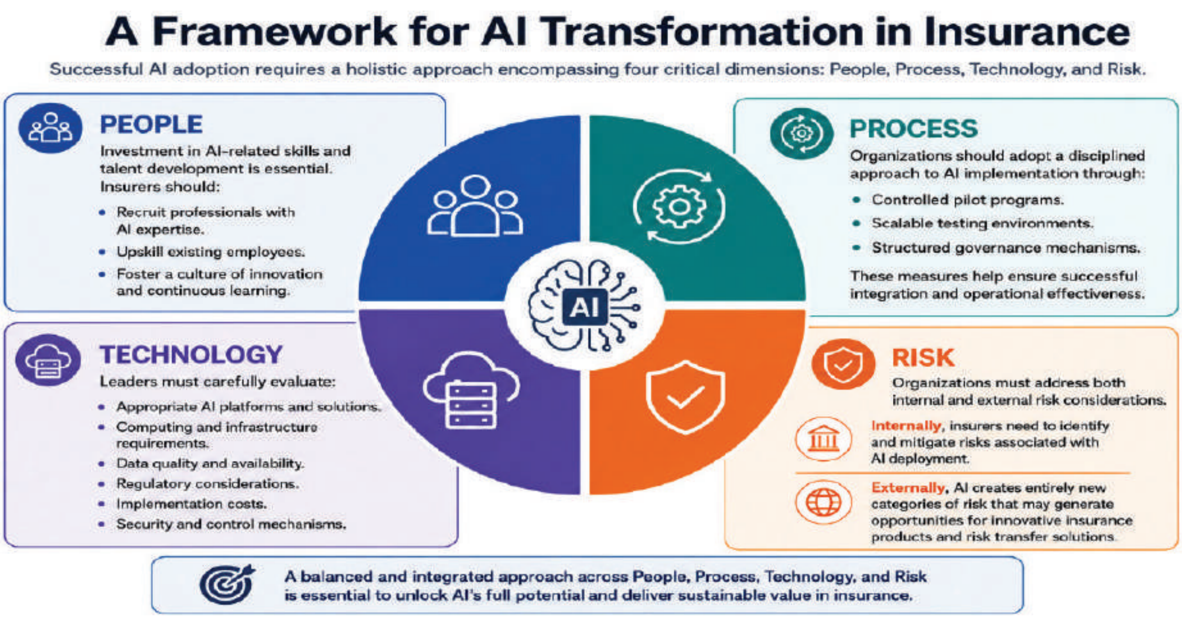
The NIST Cybersecurity Framework offers practical guidance, standards, and best practices that help organizations identify, assess, and mitigate cybersecurity risks.

Considerations at the Application Level

When implementing AI solutions, insurers should pay close attention to:

- Reputational risks arising from regulatory or legal non-compliance.
- Operational risks that may affect customer outcomes and service quality.
- Security risks associated with applications, infrastructure, and information systems.

A Framework for AI Transformation in Insurance



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Successful AI adoption requires a holistic approach encompassing four critical dimensions: People, Process, Technology, and Risk.

People

Investment in AI-related skills and talent development is essential. Insurers should:

- Recruit professionals with AI expertise.
- Upskill existing employees.
- Foster a culture of innovation and continuous learning.

Process

Organizations should adopt a disciplined approach to AI implementation through:

- Controlled pilot programs.
- Scalable testing environments.
- Structured governance mechanisms.

These measures help ensure successful integration and operational effectiveness.

Technology

Leaders must carefully evaluate:

- Appropriate AI platforms and solutions.
- Computing and infrastructure requirements.
- Data quality and availability.
- Regulatory considerations.
- Implementation costs.
- Security and control mechanisms.

Risk

Organizations must address both internal and external risk considerations.

Internally, insurers need to identify and mitigate risks associated with AI deployment. Externally, AI creates entirely new categories of risk that may generate opportunities for innovative insurance products and risk transfer solutions.

Conclusion

Artificial Intelligence has evolved from an emerging concept into a transformative force that is reshaping industries, societies, and risk landscapes worldwide. Its rapid development presents both substantial opportunities and complex challenges.

For insurers, AI has the potential to become a powerful strategic asset capable of improving efficiency, enhancing customer experiences, driving innovation, and creating new sources of value.

The extent to which organizations succeed will depend largely on how effectively they address the interconnected dimensions of People, Process, Technology, and Risk.

The insurance industry stands at a pivotal moment. By embracing AI and responding proactively to broader global trends, insurers can expand into new markets, strengthen their relevance, and build more resilient businesses. Organizations that combine informed decision-making, robust data strategies, and responsible AI adoption will be best positioned to thrive in the evolving insurance landscape.

Healthy and Sustainable Capital Market Growth

(A Strategic Imperative for Realising Viksit Bharat 2047)

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Abstract:

The vision of Viksit Bharat 2047 envisages transforming India into a fully developed, globally competitive, self-reliant, and inclusive economy by the centenary year of its independence. Achieving this ambitious national objective requires a strong and sustainable financial ecosystem, with the capital market serving as a vital engine for mobilising long-term saving s into productive investments.

This article examines the strategic role of India's capital market in accelerating economic growth, promoting industrial expansion, financing infrastructure development, supporting innovation, and enhancing financial inclusion. It highlights the policy measures that the Government of India should adopt to ensure healthy and sustainable capital market growth, including strengthening the regulatory framework, improving corporate governance, deepening the corporate bond market, encouraging institutional and retail investor participation, fostering financial transparency, promoting ESG investments, leveraging digital technologies, strengthening cybersecurity, facilitating capital formation for MSMEs and start-ups, and enhancing investor protection. The article further emphasises the importance of innovation in financial products, international integration, infrastructure financing, and human capital development in building a resilient and globally competitive capital market. It concludes that a transparent, efficient, technology-driven, and well-regulated capital market will play a pivotal role in mobilising the enormous financial resources required for India's long-term economic transformation and in successfully realising the national vision of Viksit Bharat 2047.

Viksit Bharat 2047 represents the Government of India's transformational vision of building a developed, prosperous, resilient, inclusive, and globally competitive nation by the centenary year of India's independence. The vision extends far beyond achieving higher Gross Domestic Product (GDP) growth and encompasses improvements in the quality of life, technological leadership, industrial competitiveness, social equity, environmental sustainability, and robust financial systems. Among the various pillars supporting this ambitious national objective, the capital market occupies a central position. A healthy and sustainable capital market serves as the financial backbone of economic development by efficiently mobilising household savings into productive investments, facilitating corporate growth, supporting infrastructure development, encouraging innovation, and attracting both domestic and international investors. As India aspires to become a USD 30–35 trillion economy by 2047, developing a transparent, resilient, inclusive, and globally competitive capital market will be indispensable.

Capital Market as the Growth Engine of Viksit Bharat:

A vibrant capital market plays an indispensable role in accelerating economic growth by providing long-term finance to businesses, infrastructure projects, start-ups, and emerging industries. Unlike traditional bank financing, capital markets enable enterprises to raise equity and debt directly from investors, thereby reducing dependence on bank credit and improving financial stability. Efficient capital markets facilitate optimal allocation of scarce financial resources towards productive sectors, encourage entrepreneurship, improve corporate governance, and promote wealth creation among citizens. As India progresses towards Viksit Bharat 2047, the capital market must evolve from merely serving as a financing platform into becoming a catalyst for innovation, sustainable development, technological advancement, and global competitiveness.

Strengthening the Regulatory Framework:

The foundation of a healthy capital market lies in a robust regulatory ecosystem that inspires investor confidence while ensuring market integrity. The Government of India must continue strengthening regulatory institutions through continuous policy reforms, simplification of compliance procedures, adoption of technology-driven supervision, and coordinated oversight among financial regulators. Regulatory certainty, policy consistency, and timely enforcement of securities laws are essential for maintaining investor confidence. A balanced regulatory approach that protects investors without stifling innovation will encourage greater participation from domestic and foreign investors alike.

Enhancing Corporate Governance Standards:

Corporate governance remains one of the most significant determinants of investor confidence. Companies accessing public capital must demonstrate the highest standards of transparency, accountability, ethical leadership, and financial discipline. Independent boards, effective audit committees, strong internal controls, comprehensive risk management frameworks, timely disclosures, and protection of minority shareholders contribute significantly to market credibility. Strengthening governance standards reduces corporate frauds, financial irregularities, and accounting manipulations while enhancing investor trust. Continuous improvement in governance practices will strengthen India's reputation as a reliable investment destination.

Promoting Financial Transparency and Quality Reporting:

Transparent financial reporting enables investors to make informed investment decisions. High-quality financial statements, supported by robust auditing standards and timely disclosures, form the foundation of an efficient capital market. The Government should continue promoting adoption of internationally accepted accounting standards, strengthen audit quality oversight, encourage integrated reporting, and improve disclosure requirements relating to environmental, social, governance, cybersecurity, and climate-related risks. Digital reporting platforms and real-time disclosure mechanisms can significantly improve market transparency while reducing information asymmetry.

Deepening Retail Investor Participation:

India possesses one of the world's largest pools of household savings. However, a significant portion continues to remain invested in traditional physical assets such as gold and real estate. The Government should promote financial literacy, investor education, and awareness regarding long-term wealth creation through regulated financial markets. Expanding systematic investment plans, encouraging equity culture among younger generations, simplifying investment procedures, and enhancing investor protection mechanisms can significantly broaden retail participation. A diversified investor base contributes to market resilience and reduces excessive dependence on institutional investors.

Encouraging Long-Term Institutional Investment:

Long-term institutional investors such as pension funds, insurance companies, sovereign wealth funds, mutual funds, and retirement savings institutions provide stability to capital markets. Policy measures encouraging greater participation of domestic institutional investors will reduce market volatility and support long-term capital formation. Developing pension reforms, expanding retirement savings products, and incentivising long-term investment vehicles can significantly strengthen domestic capital availability while reducing vulnerability to short-term foreign capital movements.

Developing a Robust Corporate Bond Market:

An efficient corporate bond market complements the banking system by providing long-term financing to infrastructure, manufacturing, renewable energy, urban development, and large industrial projects. India's corporate bond market remains relatively underdeveloped compared to advanced economies. Strengthening credit enhancement mechanisms, improving secondary market liquidity, encouraging market-making institutions, simplifying issuance procedures, and broadening the investor base will deepen the bond market. A mature bond market reduces concentration risk within the banking sector and provides diversified financing options to businesses.

Facilitating Capital Formation for MSMEs and Start-ups:

Micro, Small and Medium Enterprises (MSMEs) and start-ups constitute the backbone of India's economic growth and employment generation. The Government should continue expanding access to equity capital for these enterprises through dedicated SME exchanges, venture capital ecosystems, angel investment networks, crowdfunding regulations, and simplified listing procedures. Innovative financing mechanisms will enable emerging enterprises to scale rapidly while reducing excessive dependence on debt financing. Capital market access for MSMEs contributes significantly to employment generation, innovation, exports, and regional economic development.

Strengthening Market Infrastructure through Technology:

Technology has transformed global capital markets by improving efficiency, transparency, accessibility, and operational resilience. India should continue investing in advanced market infrastructure supported by artificial intelligence, blockchain technology, distributed ledger systems, cloud computing, cybersecurity frameworks, and digital identity systems. Real-time settlement systems, automated compliance monitoring, algorithmic surveillance, and secure digital trading platforms will enhance operational efficiency while reducing systemic risks. Continuous technological innovation will position India's capital market among the world's most advanced financial ecosystems.

Strengthening Cybersecurity and Operational Resilience:

As financial markets become increasingly digital, cybersecurity has emerged as a critical component of market stability. Exchanges, depositories, intermediaries, clearing corporations, and financial institutions must maintain comprehensive cybersecurity frameworks capable of preventing cyberattacks, ransomware incidents, data breaches, and operational disruptions. Investment in cyber resilience, disaster recovery systems, business continuity planning, and continuous monitoring of cyber threats is essential for maintaining uninterrupted market operations and protecting investor assets.

Promoting Sustainable Finance and ESG Investments:

Global investment trends increasingly favour environmentally sustainable and socially responsible businesses. India's capital market must actively promote Environmental, Social, and Governance (ESG) investing through green bonds, sustainability-linked bonds, climate finance instruments, social impact funds, and responsible investment frameworks. Encouraging companies to integrate sustainability into their business models will attract global institutional investors while supporting India's commitments towards climate resilience and sustainable development. Sustainable finance will play an increasingly important role in funding renewable energy, green infrastructure, circular economy initiatives, and climate adaptation projects.

Improving Ease of Doing Business for Listed Companies:

Simplification of regulatory procedures, rationalisation of compliance requirements, faster approvals, digital governance, and reduced litigation will encourage more companies to access capital markets. The Government should continuously review outdated regulations, eliminate procedural bottlenecks, and introduce technology-enabled regulatory interfaces. Faster public issue approvals, simplified rights issues, efficient corporate action processing, and streamlined listing procedures will improve market efficiency while reducing compliance costs for businesses.

Encouraging Innovation in Financial Products:

A diversified capital market offers investors multiple investment opportunities while improving risk distribution. The Government should encourage development of innovative financial instruments including Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs), municipal bonds, green bonds, catastrophe bonds, securitised instruments, exchange-traded funds, commodity derivatives, and digital investment products. Product innovation broadens investment opportunities and supports financing requirements across diverse sectors of the economy.

Strengthening Investor Protection Framework:

Investor confidence remains the cornerstone of sustainable capital market development. Strong grievance redressal systems, efficient dispute resolution mechanisms, effective market surveillance, strict action against insider trading and market manipulation, and transparent enforcement of securities regulations are essential for protecting investor interests. Financial literacy initiatives, investor awareness campaigns, digital complaint management systems, and prompt regulatory intervention will encourage greater participation while strengthening overall market confidence.

Expanding International Integration:

India's capital market should progressively integrate with global financial markets while maintaining macroeconomic stability. Liberalised investment policies, harmonisation with international financial standards, improved cross-border settlement systems, bilateral investment agreements, and greater participation of foreign institutional investors will enhance global capital inflows. Simultaneously, Indian companies should be encouraged to access international capital markets, enabling them to compete globally and diversify funding sources.

Supporting Infrastructure Financing:

Infrastructure development remains one of the most significant requirements for achieving Viksit Bharat 2047. Roads, railways, ports, airports, renewable energy, digital infrastructure, logistics, urban development, and smart cities require enormous long-term investments. Capital markets can mobilise these resources through infrastructure bonds, InvITs, municipal bonds, public-private partnership financing structures, and specialised infrastructure funds. Mobilising long-term domestic savings towards infrastructure development will significantly contribute to sustained economic growth.

Enhancing Financial Inclusion through Capital Markets:

Inclusive economic growth requires wider participation of citizens in wealth creation. Capital market reforms should extend investment opportunities to rural households, women investors, small savers, youth, and financially underserved regions. Digital investment platforms, simplified Know Your Customer (KYC) procedures, investor education in regional languages, and affordable investment products can democratise access to financial markets. Inclusive participation strengthens both economic resilience and social equity.

Role of Artificial Intelligence and Digital Transformation:

Artificial Intelligence, machine learning, predictive analytics, and big data technologies are redefining capital market operations globally. Regulatory technology, automated compliance, fraud detection, risk analytics, investor behaviour analysis, and algorithmic supervision can significantly improve market efficiency. Government support for fintech innovation, regulatory sandboxes, digital public infrastructure, and responsible AI governance will enhance competitiveness while maintaining financial stability.

Building Human Capital for Capital Market Development:

The long-term sustainability of India's capital market depends upon a highly skilled financial workforce. Continuous professional education for regulators, financial analysts, auditors, investment bankers, company secretaries, cost accountants, chartered accountants, legal professionals, and compliance officers is essential. Academic institutions should strengthen financial market education, while industry certification programmes should continuously update professional competencies in emerging areas such as fintech, ESG investing, data analytics, cybersecurity, and sustainable finance.

To Sum Up:

The vision of Viksit Bharat 2047 cannot be realised without a healthy, resilient, transparent, inclusive, and globally competitive capital market capable of mobilising vast financial resources for national development. A sustainable capital market must inspire investor confidence through sound regulation, strong corporate governance, financial transparency, technological innovation, effective risk management, and ethical business conduct. Simultaneously, it must expand access to capital for businesses of all sizes, promote financial inclusion, encourage sustainable investments, deepen institutional participation, and integrate efficiently with global financial systems. Through coordinated efforts by the Government of India, regulators, financial institutions, corporate entities, market intermediaries, professional bodies, investors, and academic institutions, India's capital market can emerge as one of the strongest pillars supporting the nation's journey towards becoming a fully developed economy by 2047. A robust and sustainable capital market will not only finance India's economic transformation but will also foster innovation, employment, infrastructure development, social prosperity, and global financial leadership, thereby translating the vision of Viksit Bharat 2047 into a lasting national reality.

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From Homemaker to Entrepreneur:

How Financial Freedom Can Transform the Life of an Ordinary Indian Woman

Ms. Kumkum Mohapatra
Homemaker & Freelancer

In India, millions of women silently shoulder the responsibility of managing households, raising children, caring for elders and maintaining family stability. Though they are often called "housewives," their contribution to the economy and society is enormous. Yet, despite handling day-to-day financial management within the home, many women remain financially dependent on others for their personal needs and future security.

Today, however, the changing economic landscape, digital banking revolution and growing support systems are opening new doors for women. An ordinary woman, even with limited resources, can gradually attain financial independence, become an entrepreneur and contribute significantly to her family and society. What she requires is opportunity, guidance, confidence and a supportive ecosystem.

Need for Financial Liberty:

Financial liberty is not merely about earning money. It is deeply connected with dignity, confidence, security and identity. A woman who is financially aware and economically active develops the confidence to participate in family decisions, supports her children's future, handle emergencies and build assets in her own name. Financial freedom gives her not only purchasing power but also emotional strength and social recognition.

In many Indian homes, women efficiently manage household budgets, control unnecessary expenditure, plan family savings and ensure that limited income is utilized wisely. Ironically, despite playing such a crucial role in financial management within the family, many women remain excluded from formal financial decision-making. They are often not consulted regarding investments, property matters, banking transactions or business decisions.

One of the most unfortunate realities of Indian society is the tendency to describe a homemaker as "non-working" or "unemployed." In reality, the role of a housewife is a form of *invisible-economic-labour* that keeps families and society functioning. Cooking, childcare, elderly care, household administration, emotional support and financial management within the home are responsibilities that require discipline, intelligence and constant effort.

Therefore, the term "housewife" has unfortunately become a form of pseudo-employment in society—where enormous work is performed without economic recognition, social status or financial independence. This *social-stigma* needs urgent correction. Society must begin to recognize homemaking as meaningful and productive work rather than as dependence or inactivity.

In fact, women collectively create what may be called an "Invisible Economy." If the household work performed daily by women were monetized and calculated economically,

its contribution to the nation would be enormous. A homemaker performs multiple functions simultaneously—as a caregiver, cook, planner, teacher, nurse, financial manager and emotional anchor for the family—without salary, leave benefits or formal recognition.

The services rendered by women within households save families substantial expenditure every month. Society benefits immensely from this unpaid-labour, yet it is rarely acknowledged economically or socially. This lack of recognition often creates the false impression that homemakers are financially unproductive, whereas the reality is exactly the opposite.

A woman who has spent years managing a household already possesses many qualities required for entrepreneurship, such as multitasking ability, budgeting skills, crisis management, patience and organizational capability. What she often lacks is not talent, but opportunity, exposure and encouragement.

Even small steps toward financial awareness can create life-changing results. When women are encouraged to open bank accounts, learn digital banking, understand savings and participate in income-generating activities, they gradually begin to see themselves not merely as dependents, but as contributors and decision-makers.

Rise of Women Entrepreneurship:

Across India, women are increasingly entering entrepreneurship through:

Embroidery/Home-based food businesses/Boutique and tailoring units/Beauty and wellness services/Online handicraft sales/Tuition and coaching services/Digital content creation/ Small retail ventures/Agriculture and dairy activities/Self-help group enterprises

Technology has made entrepreneurship easier than ever before. A woman can now market products through social media, receive payments through UPI and sell goods online from her own home.Many successful women entrepreneurs started with very small investments and limited exposure. What distinguished them was courage, persistence and support from the right people.

Challenges Faced by Ordinary Women:

Despite increasing opportunities, many women continue to face practical, financial and emotional barriers in their journey toward independence. A major challenge is the lack of financial awareness. Many homemakers remain unfamiliar with banking procedures, loan facilities, insurance products, digital payments and government schemes. Because of this limited exposure, they often hesitate to take independent financial decisions or start small businesses.

Financial dependence on family members further restricts confidence. In many households, all financial matters are handled exclusively by male members, leaving women with little access to banking operations, investment decisions or property-related information. Even educated women sometimes hesitate to operate online banking systems or discuss financial planning openly.

Social attitudes also continue to discourage women from pursuing entrepreneurship. Many still hear statements such as “business is not for women” or “family responsibilities should be her only priority.” Such attitudes silently suppress ambition and reduce self-confidence. Fear of criticism, failure and social judgment prevents many capable women from stepping forward.

Another important difficulty is the lack of access to capital. Women frequently do not own property in their own names and therefore cannot provide collateral security for loans. Absence of credit history and lack of professional guidance make the process even more difficult.

Most importantly, years of social conditioning often create self-doubt. Many women underestimate their own abilities despite possessing enormous practical intelligence and management skills developed through years of handling households and family responsibilities. Even capable women struggle to start businesses because they lack:Collateral security/Credit history/Financial guidance/Access to affordable loans.Many women underestimate their own abilities. Lack of encouragement creates hesitation and self-doubt.

Importance of a Support System:2.5

No woman can rise confidently without support. A strong support system can transform an ordinary homemaker into a successful entrepreneur. This support can come from:

Women bankers/Chartered accountants/Financial advisors/Self-help groups/NGOs/Successful women entrepreneurs/Family members/Government institutions

When experienced professionals guide women with patience and empathy, remarkable transformation becomes possible.

Support nerves>>>Role of Women Bankers:

Women bankers can play a revolutionary role in empowering other women.A female banker often understands the hesitation, insecurity and practical difficulties faced by homemakers better than anyone else. She can encourage women to:

Open and operate bank accounts independently/Learn digital banking/Build savings habits/Understand credit discipline/Access government loan schemes/Apply for Mudra and small business loans/Develop financial confidence

A supportive banker who treats a woman entrepreneur with dignity rather than suspicion can completely change her outlook.Banks can also establish:

Dedicated women-help desks/Financial literacy camps/Rural awareness programs/Entrepreneurship guidance cells/Simplified documentation assistance

Such initiatives can create thousands of financially independent women across India.

Crucial Role of Chartered Accountants and Financial Professionals:

Chartered accountants and financial consultants can become mentors for aspiring women entrepreneurs.Many women possess talent and business ideas but lack knowledge about:

Accounting/GST registration/Income tax compliance/Costing and pricing/Budgeting/Business planning/Loan documentation

A CA who guides women honestly and patiently can help them convert small activities into organized businesses. Professional guidance helps women:

Maintain proper accounts/Improve creditworthiness/Access institutional finance/Avoid legal and tax complications/Expand business systematically.......More importantly, such guidance builds confidence.

The Power within(SHGs):

Self-help groups (SHGs) have transformed the lives of rural women in India.Through collective savings and mutual support, women learn:

Financial discipline/Teamwork/Entrepreneurship/Credit management/Leadership skills

Many women who once lacked confidence now run successful micro-enterprises because of SHG support.These groups also reduce social isolation and create emotional strength among women.

Digital support:

The digital revolution has created unprecedented opportunities for women. Today, even a homemaker can:

Sell products through WhatsApp and social media/Accept UPI payments/Market homemade products online/Learn business skills through YouTube and online platforms/Attend free training programs/Access online banking services

Digital inclusion can become a powerful equalizer for women, especially in semi-urban and rural India.However, awareness regarding cyber frauds and safe digital practices is equally important.

Family Support:

True women empowerment cannot happen without family support.Husbands, parents and children should encourage women to:

Learn financial management/Participate in business decisions/Pursue entrepreneurship/Continue education and skill development/Operate independently with confidence.

When families support women, the entire household benefits economically and emotionally.

Transformation:

Financially independent women gradually change society's mindset.When a woman contributes economically:

Her opinions gain respect/Children learn gender equality/Families become financially stronger/Communities become more progressive/Other women feel inspired

A woman entrepreneur not only earns income but also creates employment, confidence and social change.India's economic progress depends significantly on increasing women's participation in business and finance.

Strategy:

To create a stronger and more inclusive society, India must:

Promote financial literacy among women/Simplify banking access/Encourage women entrepreneurship/Strengthen self-help groups/Provide mentorship support/Expand skill-development programs/Improve access to affordable finance/Encourage women-friendly banking systems

Most importantly, society must stop viewing women merely as dependents and start recognizing them as creators, leaders and economic contributors.

Inference:

An ordinary Indian woman possesses extraordinary strength, resilience and capability. Given proper support, financial awareness and encouragement, a homemaker can become a successful entrepreneur and an inspiration to others.

Women bankers, chartered accountants, professionals and socially conscious institutions have a vital responsibility in this transformation. By guiding and supporting women with empathy and respect, they can help build financially independent families and a more balanced society.

Financial freedom gives a woman not only economic power but also dignity, confidence and identity. When women rise financially, families prosper, communities evolve and the nation grows stronger.

Empowering one woman does not change only one life—it changes generations.

Empowering a woman financially is not charity; it is an investment in the strength of the family, the dignity of society and the future of the nation.

WEBINARS ORGANIZED BY THE BFSIB

Webinar on "Fintech Disruption in India: Opportunities for CMAs"

16th April 2026

Ms. Jaya Devdas Pai, Former Deputy General Manager (IT), State Bank of India

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

*The webinar on **"Fintech Disruption in India: Opportunities for CMAs"** was organised by the BFSI Board of the Institute of Cost Accountants of India with the objective of examining how digital transformation is reshaping the financial sector and expanding new professional avenues for Cost and Management Accountants. The session was welcomed by **CMA Rup Biswas,** and the inaugural address by **CMA Chittaranjan Chattopadhyay,** Chairman, BFSI Board, positioned fintech as a structural shift in banking, payments, lending, insurance and wealth management rather than a passing technology trend. He noted India's extraordinary digital scale, including **15 billion digital transactions in a year, over 14,000 fintech firms,** and UPI's dominant role in real-time payments, while also emphasising the need for responsible innovation, data governance and AI-led risk control.*

*The keynote speaker, **Ms. Jaya Devdas Pai,** brought nearly four decades of experience in banking technology and digital transformation at SBI. She traced the evolution of Indian banking from ledger-based operations to full-scale digital platforms and explained that fintech is no longer a support layer but a core enabler of financial access, efficiency and scale. Her address covered the fintech landscape in India, the RBI's enabling role through sandbox initiatives and innovation support, and the rapid expansion of digital payments, especially UPI, which has transformed the customer experience and widened financial inclusion.*

*A major part of the session focused on key disruption areas – **payments, lending, wealthtech, Insuretech, RegTech and embedded finance**. The speaker explained how digital lending, alternate credit scoring, robo-advisory, automated claims processing, and AI-enabled compliance are creating new business models while also introducing risks related to fraud, model dependence and cyber vulnerability. She also highlighted the rise of neo-banks and embedded finance solutions that integrate instant credit into non-financial platforms, making finance more seamless and customer centric.*

*The session strongly underlined the **value-adding role of CMAs** in the fintech ecosystem. CMAs were identified as professionals who can contribute through **financial modelling, risk assessment, compliance, strategic pricing, performance analytics and control design.** With fintech careers increasingly demanding cross-functional capability, data literacy and digital fluency, the webinar urged CMAs to build skills in **Python, data analytics, RegTech, blockchain, AI and cybersecurity.** The discussion concluded with the message that CMAs can emerge as fintech CFOs, compliance leaders and digital transformation advisors, provided they continuously upskill and adapt to the evolving technology-driven financial environment.*

Webinar on "Climate Finance: Indian Perspective"

18th April 2026

CMA Siddhartha Pal, Practising Cost Accountant

*The webinar on **"Climate Finance: Indian Perspective"** was introduced with the ICMAI anthem and a formal welcome to CMA Siddhartha Pal, a sustainability-focused practitioner with wide experience in ESG, cost audit, enterprise risk management and corporate training. The opening remarks by the BFSI Board Chairman placed the discussion in the context of India's acute climate vulnerability despite its relatively small share of historical global emissions and emphasised the scale of capital required to meet national climate commitments, including **50% non-fossil energy capacity by 2030 and net zero by 2070**. The Chairman also highlighted that climate finance has already become central to India's financial architecture through the Green Finance Framework, SEBI's green bond framework, and the growing mobilisation of capital for climate-smart projects.*

*CMA Siddhartha Pal presented a broad and practical overview of climate finance as an interdisciplinary domain where finance, governance, risk, technology and sustainability converge. He explained the conceptual hierarchy of **sustainability, green finance and climate finance**, and distinguished climate finance as funding for mitigation and adaptation, while green finance represents environmental capital allocation and sustainable finance integrates environmental, social and governance considerations in financial decision-making. He also highlighted the growing policy and market momentum in 2025–26, including stricter ESG disclosure regimes, green bonds, climate-tech investments, circular economy practices, and stronger expectations of verifiable, audit-backed sustainability reporting.*

*The session further examined the practical architecture of climate finance in India, including typical project areas such as renewable energy, climate-smart agriculture, water treatment, pollution control, biodiversity conservation and social infrastructure. Special emphasis was placed on **MSMEs,** which must build internal ESG capability, strengthen data and disclosure systems, and align business models with sustainability goals to access green finance effectively. CMA Pal noted that organizations with credible climate risk management can lower their cost of capital, while banks and insurers must integrate climate risk into credit, underwriting and valuation decisions through scenario analysis, stress testing and forward-looking assessment.*

*A significant part of the discussion focused on climate finance instruments such as **green bonds, sustainability-linked bonds and loans, social bonds, blue bonds and green loans,** along with the importance of preventing **greenwashing** through transparent reporting and external verification. The speaker also drew attention to carbon emission scopes, international climate frameworks such as UNFCCC and NDCs, and the rising role of AI-enabled ESG analytics, while reiterating that human judgment, professional ethics and accountability remain indispensable. For CMAs, the webinar underlined a clear value-add role in **project appraisal, life-cycle costing, feasibility analysis, internal control, performance monitoring, ESG disclosure and risk pricing,** positioning the profession as a critical enabler of credible climate finance in India.*

The webinar concluded with the message that climate finance is no longer a specialised niche but a major economic and governance priority for India's BFSI ecosystem. The session reinforced that long-term sustainability would depend on disciplined capital allocation, robust reporting, multi-disciplinary collaboration and professional assurance. In this context, CMAs were recognised as vital partners in translating climate intent into bankable, transparent and measurable financial outcomes.

Webinar on "RBI's ECL Regime: A Paradigm Shift in Asset Classification & Provisioning of Indian Banks"

11th May 2026

CMA (Dr.) K. Balu, former CGM, Reserve Bank of India

CMA (Dr.) P. Siva Rama Prasad, Former AGM, State Bank of India

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

*The webinar opened with a focused discussion on the Reserve Bank of India's **Expected Credit Loss (ECL) regime,** described as a major shift in how Indian banks classify assets and provide for expected losses. The session was introduced as a forward-looking capacity-building exercise for BFSI professionals, with emphasis on the regulatory, operational and strategic implications of the transition from the incurred loss approach to a more prudent and anticipatory provisioning model.*

***CMA Dr. K. Balu** traced the historical evolution of provisioning in Indian banking, noting that pre-1992 practices lacked objective classification and often reflected discretionary or tax-driven provisioning. He explained how the **IRAC norms** introduced in 1992 brought discipline through objective asset classification, but also how the incurred loss model proved inadequate after the global financial crisis, as losses were recognised too late. He then outlined the RBI's ECL framework, aligned with **IFRS 9,** which requires forward-looking provisioning across **Stage 1, Stage 2 and Stage 3** assets, using the core formula **PD × LGD × EAD.** He also highlighted the phased transition period up to **April 2027,** with incremental provisions to be absorbed over time.*

***CMA Dr. P. Siva Rama Prasad** elaborated on the Indian banking business model, stressing that banks operate on depositor confidence and must therefore manage credit, market and liquidity risks with prudence. He explained that the ECL approach strengthens financial stability by enabling earlier recognition of stress, more transparent financial statements, and better capital protection. He also underlined the implementation challenges – data granularity, technology upgrades, model risk, and cross-functional coordination – which require banks to develop robust governance, internal controls and staff capability before full-scale adoption.*

*A significant part of the discussion focused on the **role of CMAs** in the ECL transition. CMAs were positioned as key professionals **for data analytics, borrower segmentation, risk modelling, validation of PD/LGD/EAD estimates, scenario analysis, loan pricing, stress testing and transition management.** The session noted that CMAs can add material value by supporting governance, internal controls, MIS reporting and profitability analysis, thereby helping banks move from legacy IRAC practices to a modern, risk-sensitive ECL framework.*

*The webinar concluded with the view that ECL is not merely an accounting change but a **structural reform in banking risk management.** While the transition may initially affect profitability, it is expected to improve asset quality, transparency, resilience and investor confidence over time. The session ended by reaffirming the need for sustained training, technology adoption and cross-disciplinary collaboration, with CMAs expected to play an increasingly important advisory and implementation role in the new provisioning environment.*

Webinar on "FATCA CRS – Role of Professionals in BFSI Sector"

28th May 2026


CMA Sangeeta Basu Halabi, Finance Expert

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

*The webinar was held on the **67th Foundation Day of ICMAI**, with the BFSI leadership underlining the wider significance of **FATCA** and **CRS** in strengthening financial transparency and compliance across the BFSI sector. In his inaugural remarks, the Chairman of the BFSI Board stressed that growth without accountability is leakage and positioned ICMAI as the financial conscience-keeper of the nation, linking the Institute's legacy of statutory cost accounting to the global responsibility of accurate financial reporting and transparency.*

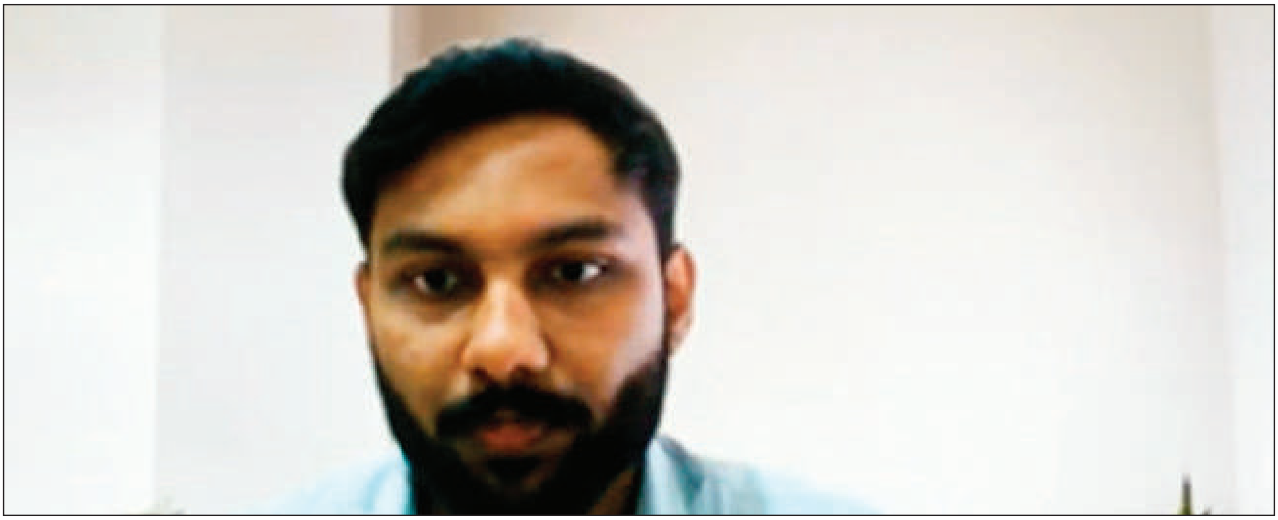
*The keynote speaker, **Ms. Sangeeta Basu Halabi,** an accomplished compliance and risk professional, explained the conceptual and operational framework of FATCA and CRS. She outlined **FATCA** as a US law aimed at preventing tax evasion by US persons holding assets abroad, with Foreign Financial Institutions required to identify and report such accounts through local tax authorities under intergovernmental agreements; non-compliance can attract a **30% withholding tax** on US-source income. She further described **CRS** as the OECD-led global standard for automatic exchange of financial account information, with India participating through the Model **1 IGA** and the **MCAA**, and reporting obligations implemented under Indian tax law through **Form 66**.*

*A significant part of the session focused on the practical compliance workflow. Ms. Halabi explained the classification of reportable institutions, including banks, custodial institutions, investment entities and certain insurance companies, as well as the distinction between active and passive **non-financial entities**. She emphasised the importance of entity **classification, due diligence, self-certification, KYC integration, GIIN registration, and annual reporting**, and clarified that FATCA and CRS are distinct frameworks with different reporting triggers, thresholds and documentation requirements. The discussion also covered pre-existing and new account cut-off dates, exemptions, and the need to verify self-certifications against supporting documents rather than merely collecting forms.*

*The webinar strongly highlighted the **value-adding role of CMAs** in FATCA/CRS implementation. CMAs were positioned as professionals best suited for **entity classification, transaction tracing, documentation review, reporting support, and compliance assurance**, particularly for smaller banks, NBFCs and cooperative institutions that may not have dedicated FATCA/CRS teams. The session also proposed capacity-building measures such as specialised certificate courses, guidance notes, compliance-cost frameworks, and technology-enabled tools for reporting and due diligence. The programme concluded with a vote of thanks, reaffirming that FATCA/CRS compliance is not merely a legal requirement but a high-demand professional domain where CMAs can contribute materially to India's credibility as a transparent financial jurisdiction.*

Webinar on "Recent RBI Changes with Respect to Gold Loan in NBFC"

28th June 2026



CMA Krishnadas MB, Senior Manager – Audit, Manappuram Finance Limited

*The webinar on recent **RBI changes with respect to gold loans in NBFC** provided a comprehensive and practical understanding of the evolving regulatory framework governing lending against gold and silver collateral. The session, delivered by **CMA Krishnadas MB**, focused on the RBI's 2025 directions as a **paradigm shift from a collateral-only approach to a governance-led, customer-centric and control-driven framework** for banks and NBFCs. The speaker emphasised that the new regime is not driven by the riskiness of gold loans alone, but by the need to harmonise practices, strengthen supervision, and ensure consistent borrower protection across institutions.*

*The address highlighted that the RBI's new directions reflect a broader regulatory intention to improve **governance, transparency, operational discipline and customer outcomes**. The speaker explained that traditional gold lending risks such as valuation errors, weak documentation, auction lapses, and custody failures can cascade into operational, compliance, conduct, technology and reputational risks if controls are not effective. A strong point made during the session was that **internal control weakness, rather than counterfeit gold alone, is often the real source of loss,** reinforcing the need for sound policies, maker-checker discipline, exception monitoring and supervisory accountability.*

*A major part of the webinar dealt with the **tiered Loan-to-Value (LTV) framework**, continuous LTV monitoring, standardised valuation, purity verification, and the mandatory **Key Fact Statement (KFS).** The speaker explained that RBI's directions require banks and NBFCs to move from sanction-time checks to **lifecycle-based risk monitoring**, where changes in market value, documentation gaps, valuation errors and auction procedures are tracked continuously. He also detailed the documentation framework – loan application, KYC, assay certificate, valuation sheet, photos, KFS and acknowledgements – stressing that **"no evidence means no assurance"** in regulatory review.*

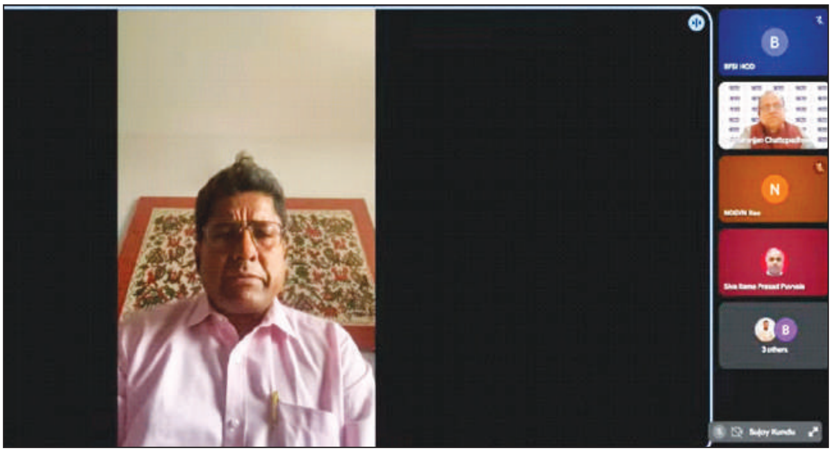
*The session further examined the **auditor's role** in gold loan operations, framing internal audit as an assurance function that must test the effectiveness of controls rather than merely verify the existence of policies. The speaker presented the **three lines of defence model,** the control ecosystem layers, and RBI inspection readiness as essential to sustainable compliance. He also explained custody controls, auction governance, technology controls, and cyber safeguards, noting that digitalisation has improved efficiency but also created fresh monitoring obligations. Overall, the webinar underscored that RBI's revised gold loan framework demands robust **governance, transparent customer communication, independent valuation, continuous monitoring and disciplined internal audit**, with CMAs playing a critical role in strengthening assurance across the gold lending lifecycle.*

Key Takeaway:** The RBI's gold loan framework is no longer only about lending against collateral; it is about e**nd-to-end control, customer protection and auditable governance, where CMAs add value through risk-based internal audit, compliance assurance and operational discipline.

Webinar on Nationalisation of Banks in India (1969-2026): (From Branch Banking to Virtual Banking - Advancing Financial Inclusion, Digital Literacy and Last-Mile Banking Towards Viksit Bharat 2047)

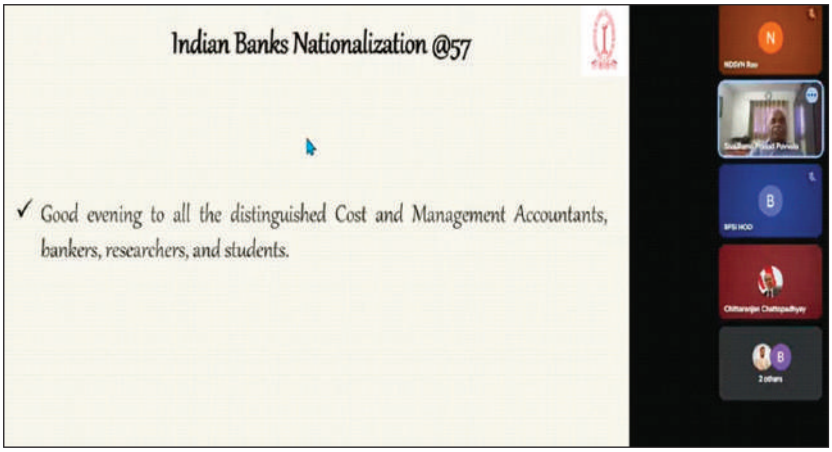
19th July 2026

Shri NDSV Nageswara Rao,
Chief General Manager,
State Bank of India



CMA Uday Sankar Majumder,
Chief Risk Officer & CGM,
Canara Bank

CMA Balbir Singh,
General Manager,
Punjab National Bank



CMA (Dr.) P. Siva Rama Prasad,
Forme AGM,
State Bank of India

CMA Chittaranjan Chattopadhyay,
Chairman,
BFSI Board, ICMAI

*The webinar on **"Nationalisation of Banks in India (1969–2026)"** was organised by the BFSIB of ICMAI on **Bank Nationalisation Day**, reflecting on the historic transformation of Indian banking from an urban-centric, branch-led system into a digitally enabled and socially inclusive public utility. The programme, held under the broad theme of "**From Branch Banking to Virtual Banking – Advancing Financial Inclusion, Digital Literacy and Last-Mile Banking Towards Viksit Bharat 2047,"** brought together senior bankers, BFSI professionals and academicians to deliberate on the evolution of Indian banks, the achievements of nationalisation, and the future priorities required to support India's development vision.*

*The session opened with the **Institute Anthem,** followed by the welcome address of **CMA Chittaranjan Chattopadhyay, Chairman, BFSIB,** who placed the occasion in historical context by recalling the 1969 nationalisation of 14 major commercial banks and the 1980 nationalisation of six more banks. He emphasised that nationalisation converted banking from a commercial activity into a public utility service and a major instrument of inclusive development. He also welcomed the distinguished panellists & speaker **Shri NDSV Nageswara Rao, Chief General Manager, SBI, CMA Uday Sankar Majumder, Chief Risk Officer & CGM, Canara Bank, CMA Balbir Singh, General Manager, Punjab National Bank, CMA (Dr.) P. Siva Rama Prasad,** Former Assistant General Manager, State Bank of India and acknowledged **CMA P. N. Murty, Board Member, BFSIB**, and highlighted the release of the **25th issue of BFSI Chronicle**, which included articles from the banking and financial services sector, with a special focus on ESG audits.*

*The Chairman structured the panel discussion around 3 themes and posed specific questions to each panellist. **Theme I** focused on **technology improvements in Indian banking after nationalisation** and was addressed to **Shri NDSV Nageswara Rao, Chief General Manager, SBI.***

*In response to the question on **the five most significant technological milestones,** Shri Rao outlined the evolution from **branch computerisation,** to **Core Banking Solutions**, to **digital channels** such as ATMs, internet banking, mobile* *banking and payment systems like NEFT and RTGS, then to* ***digital public infrastructure*** *including Aadhaar e-KYC, DigiLocker, account aggregators and UPI, and finally to the emerging phase of* ***AI-driven intelligent banking****. He explained that these milestones made banking faster, safer, more customer-centric and more inclusive, while also strengthening trust and regulatory compliance.*

On the second question, concerning ***customer experience, operational efficiency and business growth****, Shri Rao stated that digital transformation had shifted customer expectations from branch visits and manual forms to instant,* ***seamless, secure and 24×7 banking*** *through mobile and digital channels. He emphasised that digitisation had reduced paperwork, shortened turnaround time, improved productivity and enabled banks to serve millions of customers without proportionate branch expansion, while reinforcing that* ***technology must strengthen, not replace, relationship banking.***

On the third question, regarding the future impact of ***AI, machine learning, big data analytics and cloud computing****, Shri Rao said these technologies would define the next decade of banking through* ***personalised advice, fraud detection, credit-risk assessment, behavioural analytics and scalable infrastructure****. He stressed that AI will not replace human judgment, and that the future banker must combine* ***technology with empathy, ethics and customer-centricity****.*

On the fourth question, concerning ***cybersecurity, operational resilience and customer confidence****, Shri Rao said cyber security must now be viewed as a* ***business strategy and governance responsibility****, not merely an IT issue. He recommended a s****ecurity-by-design approach****, strong authentication, encryption, continuous monitoring, disaster recovery, business continuity planning, cyber drills and ongoing customer education. He also linked this to the* ***DPDP Act*** *and stressed that data privacy and ethical governance are essential to protect customer trust in the digital era.*

Theme II *addressed the e****xpansion of the banking network and last-mile financial inclusion after nationalisation*** *and was directed to* ***CMA Uday Sankar Majumder, Chief Risk Officer & CGM, Canara Bank****. In response to the first question, he stated that nationalisation was not merely an ownership change but a* ***policy reset*** *that moved banking beyond urban centres and aligned credit with national development priorities. He noted the expansion of branches from about* ***7,000 at nationalisation to around 90,000 today****, supported by ATMs and digital channels, and observed that access to banking has become a necessity rather than a luxury.*

On the second question, concerning the contribution of ***PM Jan Dhan Yojana, Aadhaar, DBT, Business Correspondents and Digital India,*** *he explained that these initiatives were transformative because they brought millions into the formal system, deepened deposit mobilisation, widened access to credit and insurance, and shifted beneficiaries away from informal finance. He cited the growth in* ***Jan Dhan accounts, direct transfers, digital banking usage and business correspondent outreach*** *as evidence of successful institutional delivery.*

On the third question, about ***meaningful financial inclusion for rural India****, he stressed that inclusion now goes beyond opening accounts and must include* ***digital literacy, financial awareness, safe usage of mobile banking, UPI and fraud-prevention practices****. He observed that customers must understand not only how to access accounts but also how to save, borrow, invest and protect themselves from cyber fraud, and that banks must therefore intensify financial literacy outreach.*

On the fourth question, regarding the ***future strategy for last-mile banking towards Viksit Bharat 2047****, he emphasised the importance of continuing digital banking expansion, fintech partnerships and innovative delivery channels,* ***particularly business correspondents, micro-ATMs and digital payments,*** *while ensuring that the rural customer is not merely banked but financially empowered.*

Theme III *focused on the* ***reduction in credit gaps after nationalisation*** *and was addressed to* ***CMA Balbir Singh, General Manager, Punjab National Bank.*** *He explained that* ***Priority Sector Lending (PSL)****, supported by the RBI's 40% lending norm, has been one of the strongest pillars of inclusive banking, driving credit to agriculture, MSMEs, education, housing, weaker sections, renewable energy and export credit. He noted that PSL has helped reduce dependence on moneylenders, supported rural development, employment generation and entrepreneurship, and enabled banking to serve the "last mile."*

On the question of remaining credit gaps in ***MSMEs, startups, agri-value chains and small service enterprises,*** *he said that banks should move toward* ***cash flow-based lending, digital credit assessment, alternative data use, simplified documentation and stronger credit guarantee structures****. He recommended a public digital lending platform, co-lending models, and guarantee support for agriculture and weaker sections so that small borrowers can gain access without excessive collateral burden.*

*When asked about common question to all 3 panellists regarding the t****op strategic priorities for Indian banks towards Viksit Bharat 2047****, the three panellists gave complementary responses.* ***Shri Rao*** *identified trust,* ***transformation and talent*** *as the three priorities:* ***trust through cybersecurity and governance; transformation through AI, analytics and digital infrastructure****; and talent through continuous learning while preserving ethics and empathy.*

CMA Uday Sankar Majumder** emphasised **meaningful financial inclusion, financial and digital literacy, and strong partnerships with fintechs, regulators and government agencies. CMA Balbir Singh identified closing residual credit gaps, promoting sustainable and responsible banking, and strengthening risk management and asset quality.

*The technical webinar by **CMA (Dr.) P. Siva Rama Prasad, Former Assistant General Manager, State Bank of India,** provided a wide-ranging synthesis of the banking sector's evolution from 1969 to 2026. He described nationalisation as the beginning of a **financial revolution** that transformed banking into a national instrument of economic and social development. He recalled that the 1969 nationalisation of 14 banks and the 1980 nationalisation of six more banks changed the philosophy of Indian banking by making it a public utility service. He also emphasised that banks are the **backbone of agriculture,** industry and services, and that without banking support, these sectors cannot grow sustainably.*

***CMA (Dr.) P Siva Rama Prasad** recapped the banking journey from **urban branch banking to nationwide digital banking**, noting that financial inclusion has evolved from opening branches, to opening accounts, and now to delivering a full range of services including **credit, insurance, pensions, remittances and investments**. He highlighted the role of **Lead Bank Scheme, Priority Sector Lending, DBT, Business Correspondents, UPI, micro-ATMs and digital literacy programmes** in taking banking to the last mile. He also warned that financial literacy alone is insufficient in the digital age; customers must also be d**igitally literate and cyber-aware**, particularly regarding OTP safety, fraudulent links and impersonation scams.*

*He further stated that the future of Indian banking must rest on **trust, transformation and talent**, and that banks must finance the next wave of national development, including **infrastructure, advanced manufacturing and green energy**, while remaining intelligent, secure, sustainable and inclusive. His concluding vision was that Indian banking should combine **innovation with inclusion, efficiency with empathy, and technology with trust** to become the most respected banking system globally.*

*The programme concluded with a Vote of Thanks by **CMA Rup Biswas, Young Professional, BFSIB, ICMAI**, who thanked the Chairman, the three panellists & the technical speaker, the organising team and all participants. He expressed gratitude for the insightful deliberations and noted that the session had significantly enriched the understanding of nationalisation, digital transformation, financial inclusion and the future roadmap of Indian banking.*

*Overall, the webinar presented a comprehensive and forward-looking narrative of Indian banking's journey over 57 years. It showed how nationalisation created the foundation for inclusive banking, how digital transformation has expanded access and efficiency, and how the next phase must focus on **trust, technology, financial inclusion, cybersecurity, credit expansion and talent development** to realise the vision of **Viksit Bharat 2047.***

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Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
Behind every successful business decision, there is always a CMA

Advance Certificate Course on FinTech | The Institute of Cost Accountants of India

About The Institute

The Institute of Cost Accountants of India (ICMAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

International Affiliation

The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

Institute's Network

Institute's headquarters is situated at New Delhi with another office at Kolkata. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 113 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 61 CMA Support Centres and 401 Recognized Oral Coaching Centres.

Institute's Strength

The Institute is the largest Cost & Management Accounting body in the World, having a large base of about 1,00,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **"Advance Certificate Course on FinTech".** It is pertinent to mention that there is a significant demand for FinTech-qualified individuals in GIFT City, Gandhinagar, and Ahmedabad. India's inaugural International Financial Services Centre (IFSC) at GIFT City offers Indian corporates expanded access to Global Financial Markets. Entities Established within the IFSC also enjoy numerous Tax Benefits. IFSCs play a Crucial Role in Fostering the development of "Fintech Hubs". Given the substantial number of Indian Professionals Working in "FinTech Abroad", India has the Potential to Emerge as a Prominent "Fintech Hub".

This Advanced Certificate Course on **FinTech** covers the following Learning Objectives:

- Foundations of Fintech.
- Deep Dive into Blockchain.
- Fintech Innovation in Banking.
- Fintech Transforming Wealth Management.
- Fintech Revolutionising Insurance.
- Exploring New Frontiers of Fintech.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

CMAs, Bankers (including Payment Banks, Small Finance Banks, Regional Rural Banks, Co-operative Banks, NBFCs., Scheduled Commercial Banks (Private Sectors, Public Sector and Foreign Banks), CMA Final Students, Graduates, IT Professionals.

Course Duration

a. Classroom Learning of 2 hours per day in the Weekend through online mode
b. 50 hours online Coaching
c. 3 months' course
d. Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 10,000/- plus GST of 18%

Examination

Rs. 750 plus GST per attempt

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Advance Certificate Course on FinTech | The Institute of Cost Accountants of India

Detailed Course Content

1: Introduction to Fintech

- Cloud Computing and APIs.
- Opensource Architecture.
- Blockchain Technology and DApps.
- Business Intelligence: AI & ML.
- Cyber Security.
- Generative AI.

2: Technology Innovation & Fintech Evolution

- Understanding Financial Crisis.
- The building blocks of Blockchain.
- Public versus private blockchain.
- Understanding Smart Contracts.
- Web 2.0 versus Web.
- Decentralized finance.

3: Blockchain

- Fintech and Disruption in Banking.
- Banking as a Service Model.
- Loan Apps and P-2-P lending.
- Open Banking Architecture.
- Case Study.

4: Fintech and Banking

- Robo-advising: The Digital Financial advisor
- Goal Based Investing
- Disintermediation of Asset Management
- Digital transformation of Wealth Management
- Case Study

5: Fintech and Asset Management

- Usage based Insurance and Microinsurance
- Machine Underwriting and Smart Contracts
- Probabilistic to Deterministic Models
- Insuring the uninsured
- Case Study

6: Fintech and Insurance

- Global Payment Ecosystem
- Payment and Digital Wallets
- Programmable Payments
- B2B and B2C Payment services
- Case Study

7: Fintech and Payments

- iCOs, Bitcoin, and beyond
- Cyrpto as an asset class
- Crypto Trading Strategies
- Non-Fungible Tokens
- Case Study

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Certificate Course on Credit Management in Banks

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Course Objective

The world is increasingly getting inter-connected and complex. Bank Credit mechanism has also undergone phenomenal changes in recent years. Few years ago, Credit meant only Cash Credit, Overdraft and Term Loan. Today quasi credit facilities like Letters of Credit, Bank Guarantees, Co-acceptances, Buyer's Credit and Supplier's Credit etc. are gaining predominance. Keeping in view of importance of Credit Management by banks, The Institute of Cost Accountants of India offers the **Certificate Course** on **Credit Management (CCCM).**

Professionals dealing with Finance or Financial Institutions in one way or other need to possess knowledge of 'Credit Management' guidelines of Financial Institutions like Banks, so that they can provide Value Additive Services to their clients like recommending to the banks the business proposals of entrepreneurs, performing preliminary credit appraisal on behalf of the banks and collate additional supporting information required by the banks/credit institutions etc.

In addition to the above, this course is also useful to the professionals who are dealing with:

- ✓ Various assignments like Forensic Audit, Stock and Book Debts Auditor (As recognized by IBA)
- ✓ Issuance of Compliance Certificate for Banks by practicing professionals in areas like Consortium and Multiple Lending by Banks (RBI Guidelines)
- ✓ Acting as Agencies for Specialized Monitoring (As recognized by IBA)
- ✓ Assignments like 'Concurrent Audit' of Banks and 'Credit Audit' of the Banks.

The Course provides a holistic insight into the various dimensions in Bank Credit Management.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CPE Credit: 10 hours
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Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

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Certificate Course on Credit Management in Banks

Detailed Course Content (Syllabus-2024)

1. Introduction & Overview of Credit (Module 1)

a. **Principles of Lending:** Safety, Liquidity, Profitability, Purpose of the Loan, Diversification Risk.
b. **Credit. Policy:** Importance, Contents, Exposure Norms.
c. **Types of Borrowers:** Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited
Liability Partnerships (LLP).
d. **Types of Credit Facilities:** Various Types of Credit Facilities-Cash Credit, Overdrafts, Demand Loan, Term Loans,
Bills Discounting.
e. **Credit Delivery:** Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication.
f. Environmental Appraisal:
Physical Risks: Flood Risk – Drought / Water Scarcity Risk – Storms Risk – Extreme Heat Risk – Wildfires Risk – Other Risks.
Transition Risks: Emissions / Intensity Risk (Scope 1 & 2) - Emission / Intensity Risk (Scope 3) – ESG – Indicators / Rating (Third Party).
g. **Credit Appraisal:** Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals, Guidelines on CERSAI.
h. **Project / Term Loan Appraisal:** Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic Appraisal, Project Cost & Means of Finance, Cost of Production & Profitability, Sensitivity Analysis, Break-even Analysis, Capital Budgeting-Pay Back Period Method, Time Value Money, Net Present Value, Internal Rate of Return, Life of the Project.
i. **Credit Rating:** Objective of Rating, Internal & External Rating, Model Credit Rating, Measurement of Risk, Methodology of Rating, Internal & External Comparison, Model Rating Formats.
j. **Documentation:** Meaning, Importance, Types of documents, Requisites of documentation, stamping of different documents, Mode and time of Stamping, Remedy for un-stamped / under stamped documents, Documents of which registration is compulsory, Time limit of registration, Consequence of non-registration, Execution, Mode of Execution by different executants, Period of Limitation, Law of Limitation to Guarantor, Extension of period of limitation.
k. **Types of Charges:** Purpose, Various types of charges, Types of Security, Mode of charge, Lien, Negative Lien, Set Off, Assignment, Pledge, Right of Banker as a Pledgee, Duties as a Pledgee, Mode of Charges, Hypothecation, Mortgage - different types of mortgages, Difference between Simple and Equitable Mortgage.

2. Analysis of Financial Statements (Module 2)

a. **Analysis of Financial Statements:** Classification of Assets & Liabilities, Current Assets, Fixed Assets, Non-current Assets, Intangible & Fictitious Assets, Liabilities-Current Liabilities, Medium & Term Liabilities, Capital & Reserve.
b. Analysis of Profit & Loss Account, Auditor's Note.
c. **Ratio Analysis:** Classification of Ratios, Liquidity Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios, Interpretation of important Financial Ratios, Fund Flow Statements and Cash Flow Statements.

Certificate Course on Credit Management in Banks

3. Working Capital Management (Module 3)

a. **Working Capital Assessment:** Concept of Working Capital, Gross Working Capital, Net Working Capital, Working Capital Gap, Components of Working Capital, Source of Working Capital, Operating / Working Cycle, Various Methods of Assessment of Working Capital, Computation of Working Capital - Turnover Method, MPBF Method, Cash Budget System, Analysis of CMA Data.
b. **Quasi Credit Facilities:** Advantages of Non-Fund Facilities, Various types of NFB Facilities, Various types Letter of Credits, Assessment of LC limits, Bills Purchase / Discounting under LC.
c. **Various types of Bank Guarantees:** Performance Guarantee, Financial Guarantees, Deferred Payment Guarantees, Types of Performance and Financial Guarantees, Assessment of Bank Guarantees Limit, Period of Claim under Guarantee.

4. Other Credits (Module 4)

a. **Export Finance:** Pre-Shipment Finance-Export Packing Credit in Rupees, Pre-Shipment Credit in Foreign Currency (PCFC), Post Shipment Rupee Export Finance, Purchase / Discount of Export Bills, Negotiation of Export Bills, ECGC Coverage in Export / Import Finance.

5. Monitoring, Supervision, Follow-up & Management of Impaired Assets (Module 5)

a. **Credit Monitoring, Supervision, Follow-Up:** Credit Monitoring-Check-list, Monitoring by using Various Statements, QIS Formats / Guidelines, Supervision & Follow Up Loans.
b. **Expected Credit Loss (ECL):** Introduction & Evolution of Provisioning of Banks in India- Incurred Loss Approach Vs. Expected Credit Loss Approach- "Loan Loss Provisioning based on ECL -IFRS 9-Calculation of ECL on Retail / Commercial Advances Examples.
c. **Management of Impaired Assets:** Income Recognition and Assets Classification, Guidelines, Provisioning Norms for NPA, Wilful Defaulters, Compromise, Legal Action, Lok Adalat, Debt Recovery Tribunal, SARFAESI Act, 2002, IBC-2016, Loans Write-Off.

Contact for further queries

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CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

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Vision Statement

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Mission Statement

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Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **Certificate Course** on **"Concurrent Audit of Banks"** to enable participants to understand the intricacies of Concurrent Audit of Banks.

This course aims to impart in-depth knowledge on concurrent audit of banks and to help the participants to acquire with the knowledge/skills to undertake related assignments/Special Audits of the Banks like:

- Income Leakage Audit
- KYC/AML Audit
- Treasury Department Audit
- Staff Accountability Exercise in respect of Failed/NPA Advances at incipient Stage
- To supplement the effort of the Banks in carrying out Internal Audit of the Transactions and other Verifications and Compliance with the Systems and Procedures laid down by the Banks and RBI

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Bank Officer or Ex-Bank Officer.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 30 Hours on-line Coaching
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 5,000/- plus GST of 18 %.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

2 Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Concurrent Audit of Banks

Detailed Course Content (Syllabus-2024)

1. **Types of Audits in Banks Sector.**
   - 1.1 Risk Focused Internal Audit (RFIA).
   - 1.2 Credit Audit / Stock & Book Debts Audit /Statutory Audit.
   - 1.3 Concurrent Audit / e-Concurrent Audit etc.
2. **Role of Concurrent Auditor.**
   - 2.1 Verification of Deposit, Advance Accounts.
   - 2.2 Verification of Locker System, Cash Department Procedures, Alternative Delivery Channels etc.
   - 2.3 Unit Inspection, End-use of Funds, Staff Accounts etc.
3. **Credit, Market and Operational Risks.**
   - 3.1 Credit Risk Areas.
   - 3.2 Market Risk Areas.
   - 3.3 Operational Risk Areas.
4. **Loans and Advances.**
   - 4.1 Demand Loans.
   - 4.2 Term Loans.
   - 4.3 Overdrafts, Working Capital Loans and Working Capital Term Loans.
   - 4.4 Home Loans, Car Loans, Personal Loans, Mortgage Loans, Education Loans etc.
5. **Credit Process: Pre-sanction, Sanction & Post-sanction.**
   - 5.1 KYC, Verification of Application / Project Report, CIBIL, CIC Reports.
   - 5.2 Appraisal, Projections etc.
   - 5.3 Verification of Proposal, Sanction and Submission of Control Forms.
   - 5.4 Documentation, Types of Charges, Equitable Mortgage, Disbursement, etc.
6. **Pre-shipment and Post-shipment Finance.**
   - 6.1 UCPDC Guidelines – FEDAI Guidelines – FEMA Guidelines.
   - 6.2 Pre-shipment packing credit Advance.
   - 6.3 Discounting of Export Bills / Import Bills payment etc.
7. **Common Serious Lapses in Sanction, Follow-up & Documentation.**
   - 7.1 Delegation of Powers.
   - 7.2 Take-over Norms.
   - 7.3 Wrong Documentation.
   - 7.4 Stock Statements, Insurance for both Primary and Collateral Security, Monitoring of SMA-0 to SMA-2 Accounts.
8. **Legal and Regulatory Frame.**
   - 8.1 RBI Act and Banking Regulation Act.
   - 8.2 Limitation Act.
   - 8.3 Registration Act.
   - 8.4 Indian Stamp Act.
   - 8.5 Limitation Act.
   - 8.6 SARFEASI Act and CERSAI etc.
   - 8.7 KYC/AML Guidelines.
9. **IRAC Provisioning Norms.**
   - 9.1 Classification of Advances.
   - 9.2 Provision requirements.
10. **Non-fund-based Business**
    - 10.1 Types of Bank Guarantees.
    - 10.2 Types of Letters of Credits.
    - 10.3 Margins, Collateral Security, Standard formats of BGs / LCs, Commission on BGs / LCs.
11. **Operational Risk Management – ORM-I**
    - 11.1 Job Rotation–Staff Attendance-Branch Documents–Security Forms.
    - 11.2 Security Systems (Fir-Extinguisher, Smoke Detectors, Gun Licences etc.), Currency Chest Fitness Certificate–Disaster Recovery Management– Business Continuity Plan etc.
    - 11.3 Safe Deposit Lockers, Safe Deposit Articles, Deceased Claims Settlement etc.
12. **Operational Risk Management – ORM-II**
    - 12.1 Complaints–Banking Ombudsman–Customer Forums.
    - 12.2 Branch Duplicate Keys–Reconciliation of Office Accounts–Parking Accounts–Recovery of Service Charges–Income Leakages etc.
    - 12.3 Display of Import Notice Boards–Cheque Truncation System–Complaints and Suggestion Box–Police Beat–ATM Cash Replenishment Outsourcing Agencies (Service Level Agreements).
13. **Forex Transactions.**
    - 13.1 Opening of NRE / NRO / FCNR / RFC accounts.
    - 13.2 Purchase & Sale of Foreign Currency Cheques / Currency / Export & Import Bills–Forex Rates.
    - 13.3 Submission of R-Returns to RBI.
    - 13.4 Verification of SWIFT Message Inward / Outward Remittances.
    - 13.5 Nostro, Vostro and Loro Accounts etc.
14. **Detection, Classification & Reporting of Frauds**
    - 14.1 Classification of Frauds–Internal & External Frauds.
    - 14.2 Provisions / Recovery Efforts of Frauds.
    - 14.3 Disciplinary action initiation / Reporting of Frauds to RBI through On-line.
15. **Tools for Concurrent Audit of Banks**
    - 15.1 Bank Systems and Procedures / Standard Operating Procedures.
    - 15.2 Current Chest Guidelines of RBI.
    - 15.3 Delegation of Financial Powers.
    - 15.4 Service Charges etc.
16. **Audit in CBS Environment.**
    - 16.1 Core Banking System-Major functionalities.
    - 16.2 Reports Generated by CBS like Exceptional Reports, Suspicious Transactions Reports etc.
    - 16.3 Treasury Management Solutions-Front, Mid and Back-office Reports etc.
17. **ESG Lending Audit.**
    - 17.1 Overview of Sustainability-linked Loans.
    - 17.2 Principles of Sustainability-linked Loans.
    - 17.3 Value Statements of Social and Environment Audit.
18. **Expected Credit Loss Provisions.**
    - 18.1 Expected Credit Loss (ECL) Framework.
    - 18.2 Verification of Stage-1, Stage-2 and Stage-3 Loan Portfolio by Auditors.
    - 18.3 Implementation of Regulatory Guidelines on ECL.

Behind Every Successful Business Decision, there is always a CMA 3

Certificate Course on Concurrent Audit of Banks

Contact for further queries

CMA Dibbendu Roy, Additional Director & HoD at bfsi.hod@icmai.in, bfsi@icmai.in

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Behind Every Successful Business Decision, there is always a CMA

Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON

TREASURY, FOREIGN EXCHANGE AND INTERNATIONAL BANKING

BROCHURE

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Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Treasury, Foreign Exchange and International Banking

About The Institute

The Institute of Cost Accountants of India was first established in **1944** as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On **28th May, 1959,** the Institute was established by a special **Act of Parliament,** namely, the **Cost and Works Accountants Act, 1959** as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of **Ministry of Corporate Affairs, Government of India.**

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the largest Cost & Management Accounting body in the World, having a large base of about 1,00,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at New Delhi with another office at Kolkata. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 113 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 61 CMA Support Centres and 401 Recognized Oral Coaching Centres.

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Mission Statement

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Course Objectives

Treasury Management is an essential function of a Bank or any Entity dealing with Large volume of funds. With the increased Globalization of Markets, it has become essential to have an in-depth knowledge of the functioning of the Domestic Money and Debt Markets as also the Foreign Exchange Markets for effective management of funds.
On account of several Policy measures undertaken by Reserve Bank of India (RBI) and other Regulatory Authorities, different segment of financial markets (Money, Securities, Foreign Exchange and Derivatives Markets) have witnessed significant growth and development in terms of new financial instruments, number of players, volume of business, etc.
In the light of such developments, treasury functions in Banks, FIs and Corporates have grown manifold and therefore have become challenging to manage. Therefore, it has become indispensable for Banks, Financial Institutions and Corporates to make their newly inducted treasury officers well versed with various segment of the financial market, different products and operations, so that they not only serve their clients better, but also manage the risks inherent in Treasury.
Practicing CMAs who dealing with their Clients are in one way or other linked to Finance and Financial related Issues. Hence, they should possess Good knowledge of 'Treasury Operations', so that they can provide Value Addition Services to their Clients.
Treasury Operations of Banks and Commercial Organizations are more are less with difference of Regulatory Compliance. Even in small business entities, Treasury Operations helps a lot to minimize the Cost of Borrowings and Maximize the Yield on Investments etc.
In addition to the above, this course is also useful to CMAs who are: -

- Empanelled with Banks for Treasury Audit and Forex Audit.
- For Forensic Audit of Treasury Operations / Forex Operations in Banking Industry
- In Credit Audit, if the Bank Sanctions Loans to Clients like Pre-shipment and Post Shipment Packing Credit Advance, this course is also useful.
- And also, useful to take up the Assignments like 'Concurrent Audit in Treasury Department' of Banks, Commercial entities etc.

The Course provides a holistic insight into the various dimensions in Bank Treasury and Forex Operations.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

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Certificate Course on Treasury, Foreign Exchange and International Banking

Syllabus

SECTION - 1

a. Introduction to the Money Market:

- ✓ Economic Function-Definition-Classification of Intermediaries
- ✓ Types of Markets-Participants-Nature of Domestic Market
- ✓ Repurchase Agreements

b. Capital Markets:

- ✓ Economic Function
- ✓ Classification of Instruments-by Issuer and Types
- ✓ Principles of Valuation

c. Foreign Exchange Markets:

- ✓ Introduction-Definitions-Direct and Indirect Quotations: Cross Rates, Factors affecting Exchange Rates
- ✓ Relationship with Market Operations-Financing Spot Operations Interest Arbitrage-Forward-Forward Business
- ✓ Forward Transactions-Factors affecting / influencing forward rates
- ✓ Premiums: Discounts, Forward Cross Rates
- ✓ Swap Transactions
- ✓ Outright Deals

d. External Markets:

- ✓ External Commercial Borrowings
- ✓ GDRs / ADRs

e. Derivatives Markets:

- ✓ Introduction – Definition and Characteristics of FUTURES, SWAPS and OPTIONS
- ✓ Elementary Hedge Applications

SECTION - 2

a. Scope and Function of Treasury Management:

- ✓ Objectives of Treasury
- ✓ Structure and Organisation
- ✓ Responsibilities of Treasury Manager

b. Cost Centre / Profit Centre:

- ✓ Financial Planning and Control
- ✓ Capital Budgeting
- ✓ Risk Analysis

c. Liquidity Management:

- ✓ Objectives
- ✓ Sources of Liquidity
- ✓ Maturity Concerns: Projected Cash Flow and Core Sources Contingency Plans
- ✓ Short term and Long-term Liquidity
- ✓ Maturity Ladder Limits
- ✓ Internal Control – The Need and Importance – Financial and Operational risks – Internal vs External Control Segregation of Duties among Front and Back Offices – Management Information – Netting

d. Treasury's Role in International Banking:

- ✓ Changing Global Scenario and Treasury Functions
- ✓ Treasury Structure- Front and Back Office
- ✓ Control of Dealing Operations – Trading Limits – Trading and Operational Policy – Moral and Ethical aspects
- ✓ Confirmations

e. Revaluation Mark to Market and Profit Calculations:

- ✓ Supervision and Exchange Control Departments
- ✓ RBI requirements
- ✓ Recent Developments in the Central Bank's Policy Framework

f. ESG Investments Trading:

- ✓ What is ESG Investing?
- ✓ How does ESG investing work?
- ✓ Why it is important to consider the environment while investing?
- ✓ How important it is to consider socially aware companies while investing?
- ✓ How important role does a company's corporate governance place for investors?
- ✓ Issuance requirements of Green Bonds.

SECTION - 3

a. Introduction:

- ✓ Meaning of Risk in Banking Operations-Financial and Non-Financial Risks
- ✓ Risk Process
- ✓ Key Risks in Relation to Treasury Management – Interest Rate Risk, Currency Risk, Liquidity Risk, Credit Risk and Operational Risk

Behind Every Successful Business Decision, there is always a CMA 3

Certificate Course on Treasury, Foreign Exchange and International Banking

Syllabus

b. Measurement and Control of Risk:

- Identifying Measures and Controlling Risk – Statistical Methods
- Risk Exposure Analysis
- Risk Management Policies
- Fixation and Delegation of Limits
- Different Limits- Open Position / Asset Position Limits/ Deal Size/Individual Dealers/Stop Loss Limits

c. Assets Liability Management:

- Components of Assets and Liabilities – History of AL Management
- Organisational and Functions of ALCO
- Management and Interest rate Exposure / Liquidity
- Risk Adjusted Return on Capital
- Capital Adequacy Concerns

d. Hedging the Risk:

- Forward, Futures and Options Market
- Mechanics of Futures
- Foreign Currency Futures Market
- Options Market- Options Strategies
- Hedging Strategies and Arbitrage
- Call Options and Put Options

Contact for further queries

CMA Dibbendu Roy, Additional Director & HoD at bfsi.hod@icmai.in, bfsi@icmai.in

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Brochure

Certificate Course on
Project Financing

Banking, Financial Services and Insurance Board

Behind every successful business decision, there is always a *CMA*

About The Institute

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing toward the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as ***"The Institute of Cost Accountants of India"*** from ***"The Institute of Cost and Works Accountants of India"***. This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of transnational Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as ***"Cost and Management Accountants (CMAs)"***. The Institute is the largest Cost & Management Accounting body in the world, having approximately 5,00,000 students and 1,00,000 members all over the globe. The Institution headquartered at New Delhi operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 113 Chapters situated at important cities in the country as well as 11 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

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CPE Credit: 10 hours

for members of The Institute of Cost Accountants of India

Course Objective:

The Banking, Financial Services and Insurance Board of ICMAI offers the ***Certificate Course on Project Financing*** in recognition of the increasing scale, complexity and strategic importance of infrastructure and project-led development in India. Project financing today extends well beyond conventional lending, encompassing specialised appraisal techniques, risk allocation structures, legal and regulatory frameworks, and long-gestation funding models unique to infrastructure sectors.

This course provides a focused and practical understanding of project finance, with emphasis on

- *infrastructure projects,*
- *covering credit appraisal,*
- *risk assessment,*
- *funding mechanisms,*
- *contractual structures and project management principles.*

Designed by experienced practitioners, it integrates conceptual foundations with real-life case studies and interactive learning to ensure strong application orientation.

With infrastructure development central to national priorities, the programme equips professionals with the skills required to evaluate, structure and manage large-scale projects effectively. Through this initiative, ICMAI continues its commitment to strengthening sector-specific capabilities and enabling professionals to contribute meaningfully to sustainable economic growth.

Course Eligibility:

CMAs, Bankers (all categories), NBFCs, AIFIs, CMA Final Students, Graduates, Infrastructure professionals, Developers and all other stakeholders.

Course Duration:

a. Classroom Learning of 2 hours per day in the Weekend through online mode
b. 30 hours online Coaching
c. 2 months course
d. Online Examination for 100 marks

Course Fees:

Course Fees (including learning kit) of Rs. 5,000/- plus GST of 18%

Examination Fees:

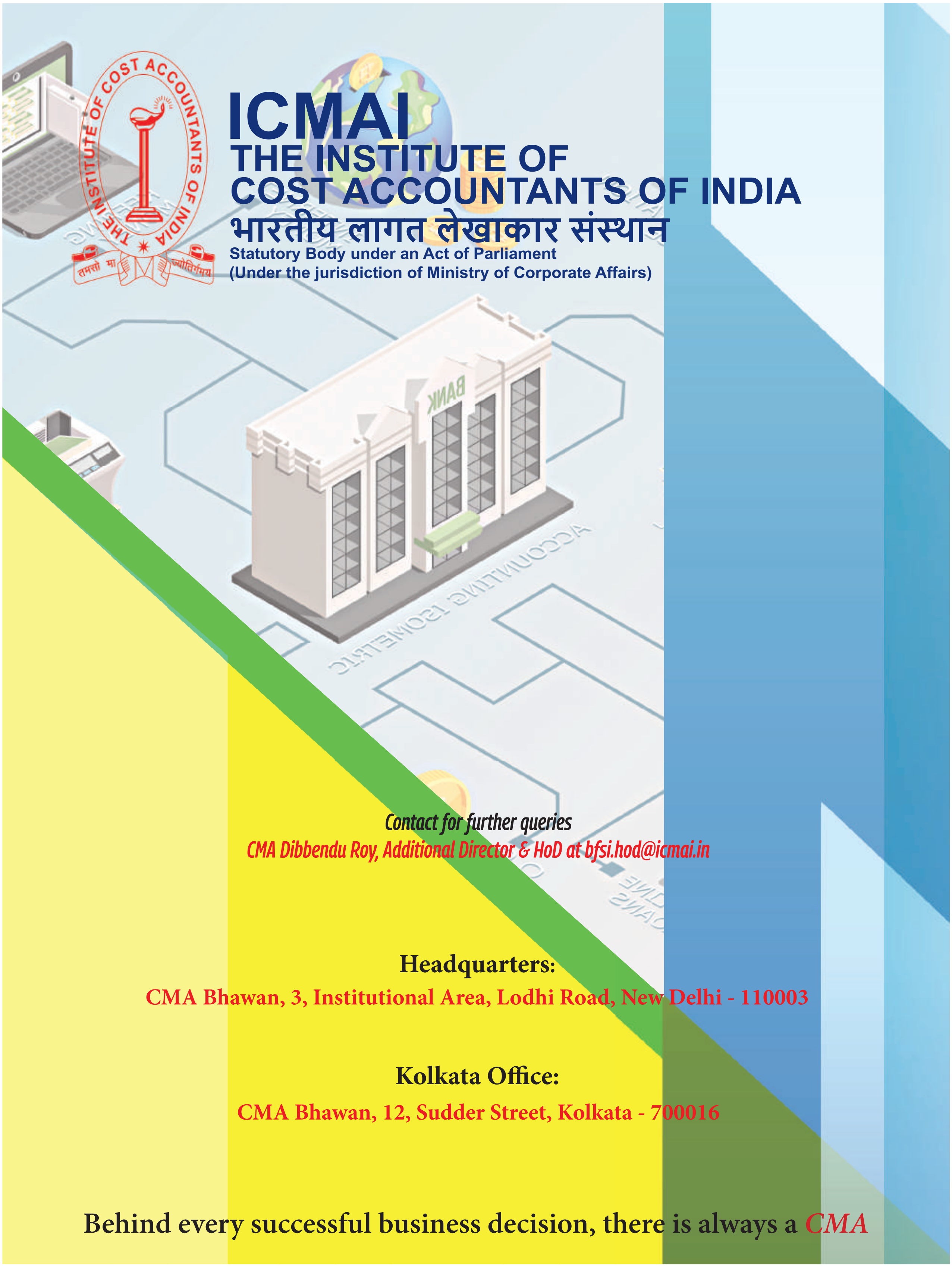
Rs. 750/- plus GST per attempt

Online Admission Link:

https://eicmai.in/advscc/DelegatesApplicationForm.aspx

Detailed Course Content:

- Fundamentals of Infrastructure Financing
- Infrastructure Project Models
- Credit Appraisal Process and Feasibility Studies
- Financial Appraisal
- Key Performance Indicators
- Risk Management Framework in Infrastructure Financing
- Regulatory norms and various regulations that govern Infrastructure Financing
- Documentation, Monitoring and Performance audit of infra projects
- Case Studies on various sub-Sectors
- Alternate sources of Finance
- ESG and Sustainable Finance
- Professional opportunities and interlinkages with other areas viability, project planning and implementation
- Financial Closure, Preventive Vigilance and Documentation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Brochure

Certificate Course on Cost Control Strategies in the Banking Sector

Banking, Financial Services and Insurance Board

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Course Objective:

The Banking, Financial Services and Insurance Board is pleased to offer ***"Certificate Course on Cost Control Strategies in the Banking Sector"***. The BFSI Board has developed a structured 30 hours Certificate Course covering major cost drivers, cost allocation, activity-based costing, transfer pricing, digital vs. branch cost comparison, regulatory cost (CRR/SLR/PSL/ECL), branch profitability, workforce optimisation, and RBI-aligned cost transformation strategies. The Course is designed for CMAs with the objective of strengthening analytical capability, cost diagnostics, and profitability enhancement across the banking sector.

This Certificate Course on Cost Control Strategies in the Banking Sector covers the following Learning Objectives:

- Understand major Cost Drivers in Commercial Banks.
- Develop Analytical Tools for measuring and Controlling Costs.
- Implement Cost Allocation, ABC, Marginal Costing, Transfer Pricing.
- RBI-Aligned Cost Analysis for Banking Operations.
- Build Strategies to Improve Profitability, Reduce Inefficiencies, and Optimise Resources / Productivity.

Course Eligibility:

CMAs

Course Duration:

Classroom Learning of 2 hours per day in the Weekend through online mode

30 hours online Coaching

2 months course

Online Examination for 100 marks

Course Fees:

Course Fees (including learning kit) of Rs. 3,000/- plus GST of 18%

Examination Fees:

Rs. 750/- plus GST per attempt

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

Detailed Course Content:

Day-1 :

- Overview of Indian Commercial Banking System (PSBs, Private Banks, SFBs).
- Introduction & Cost Structure of Indian Banks.
- Major Cost Heads: Interest Cost, Personnel, Operating Expenses, Credit Cost.
- Distinction: Controllable vs Non-controllable Costs.

Day-2 :

- Understanding Bank Financial Statements from a Cost Lens.
- Cost Elements in P&L, Balance Sheet Analytics.
- Cost of Funds, Operating Cost, Credit Provisioning
- Understanding CIR (Cost-to-Income Ratio), NIM, ROA, ROE

Day-3 :

- RBI Compliance Cost: CRR, SLR, Priority Sector Lending, Regulatory Reporting.
- Cost of NPA/ Stressed Asset Management.
- Impact of Compliance with ECL, IRACP Norms.
- Competitive Cost Challenges for PSBs vs Private Banks

Day-4 :

- Direct / Indirect Costs in Banks.
- Fixed vs Variable Costs.
- Treasury-related Costs, Branch Operation Costs, Technology Cost (Including Alternate Delivery Channels Cost).
- Overhead Absorption in Banking Context.

Day-5 :

- Activity Based Costing (ABC) Principles Applied to Banking Operations.
- Identifying Activities: Cash, ATM, NEFT/RTGS/IMPS, Loan Processing, CASA, Digital channels.
- Cost Drivers & Cost Pools.
- Case Study: ABC Model for Loan Processing

Day-6 :

- Multilevel Cost Allocation.
- Branch-level Profitability.
- Transfer Pricing (FTP) Basics.
- Shared Service Centre Costing.
- Allocate Overhead to Branches using Templates.

Day-7 :

- Costing of Products: Term Loans, Working Capital, CASA, Debit / Credit Cards, Digital Products.
- Return on Risk-Adjusted Capital (RAROC) vs Traditional Profitability
- Customer Lifetime Value (CLV)
- Case Study: Profitability Analysis of a Hypothetical Branch.

Day-8 :

- Digital Transactions vs Branch Transactions: Comparative Cost.
- ATM vs Branch vs Digital Delivery Cost.
- FinTech Partnerships.
- Enterprise IT Cost Control Strategies.
- Practical: Compute Cost Savings through Migration to Digital Channels.

Day-9 :

- Staff Cost Optimization.
- Productivity Metrics: Business Per Employee, Profit Per Employee / Branch.
- Workforce Planning & Automation.
- Performance-Linked Cost Management.

Day-10 :

- Marginal Costing in Credit Pricing.
- Break-even Analysis for Branches / Products.
- Pricing of Loans / Retail Products on Marginal Cost Basis.
- Exercise: Compute Break-Even for a Small Branch.

Day-11 :

- Internal Pricing of Funds; Liquidity Premium.
- FTP impact on NIM, Profitability of Branches.
- FTP in PSBs vs Private Banks.
- Practice: FTP-Based Profitability Computation.

Day-12 :

- ECL vs Incurred Loss: Cost Impact.
- Credit Risk Cost Modelling.
- Pricing Loans Considering PD/LGD/EAD.
- Case study: Credit Risk Cost on SME Lending.

Day-13 :

- ALM Implications for Cost Control.
- Fraud-related Cost Exposures.
- Audit Findings impacting Cost Efficiency.
- Cost Leakages in Procurement, Outsourcing, Branch Ops.

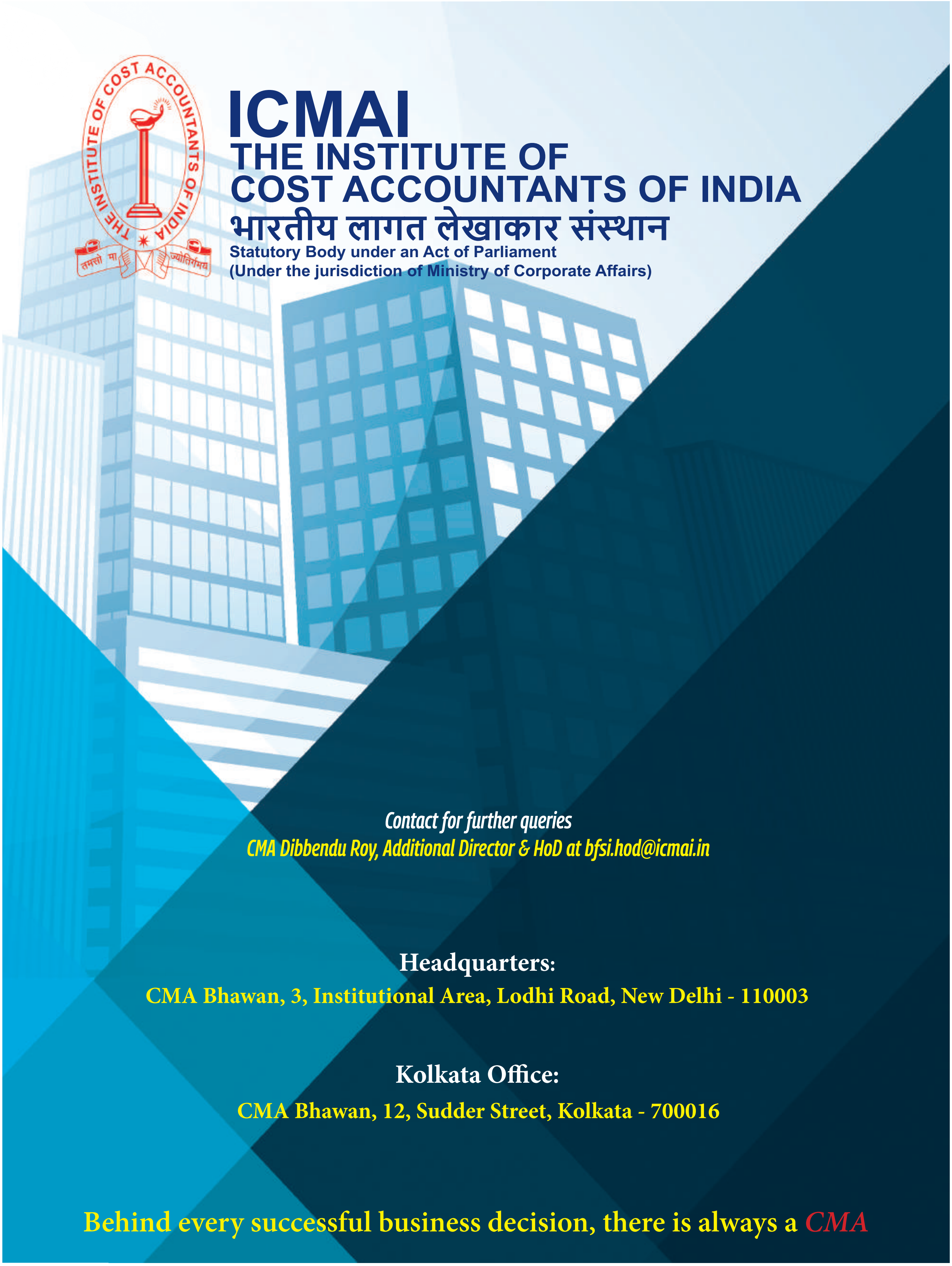
Day-14 :

- Vendor Evaluation.
- Outsourcing: Cost Analysis, Risk, RBI Outsourcing Guidelines.
- Technology Procurement Lifecycle
- Branch Rationalisation.
- CASA Enhancement for Cost Reduction.

Day-15 :

- Capital Productivity & ROA Improvement.
- Digital-First Cost Transformation Strategy
- Branch Budgeting.
- Efficiency Metrics: Cost Per Account, Cost Per Transaction.
- Cost Control SOPs.
- Energy & Resource Cost Management
- Predictive Analytics for Cost Forecasting.
- KPI Design.

3


ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
भारतीय लागत लेखाकार संस्थान
Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
Contact for further queries
CMA Dibbendu Roy, Additional Director & HoD at bfsi.hod@icmai.in
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CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110003
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CMA Bhawan, 12, Sudder Street, Kolkata - 700016
Behind every successful business decision, there is always a CMA

Snapshots

Certificate Course on Project Financing (1st Batch) Inauguration with Shri Rohit Rishi, Managing Director, India Infrastructure Finance Company Limited on 2nd May, 2026

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI (2nd from left) felicitating Shri Ajay Seth, Chairman, IRDAI (extreme right) along with CMA (Dr.) Kenchappa Balu, Former CGM, RBI and BFSIB Member (extreme left), CMA (Dr.) Ashok Jain, BFSIB Member (3rd from left) and CMA (Dr.) P. Siva Rama Prasad, Former AGM, SBI (4th from left) on 7th May 2026.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI felicitating Shri Atanu Kumar Das, Director, IIRM on 7th May, 2026. (L to R)

Shri Rajay Kumar Sinha, Member Finance and Investment, IRDAI (centre) is felicitated by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI (extreme left) and (Dr.) K Ch AVSN Murthy, Council Member, ICMAI (extreme right) at Hyderabad on 8th May, 2026

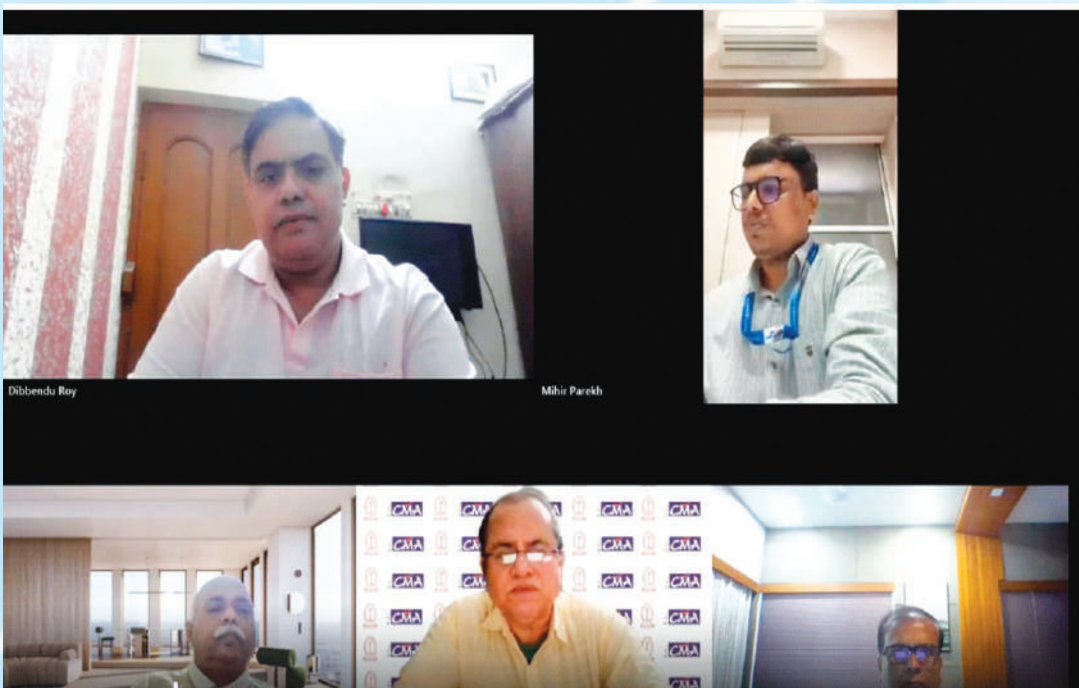
CMA Punit Jain, Director, NIBSCOM (3rd from right) on the occasion of MoU signing ceremony with NIBSCOM on 19th May 2026 in the presence of CMA TCA Srinivasa Prasad, President, ICMAI (centre), CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI (2nd from right), CMA Manoj Kumar Anand, Council Member, ICMAI (extreme right), CMA (Dr.) D. P. Nandy, Secretary (Officiating) of ICMAI (3rd from left) and others.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI felicitating Shri Rohit Rishi, Managing Director, India Infrastructure Finance Company Limited on 19th May, 2026. (R to L).

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI in discussion Shri Amarjeet Singh, WTM, SEBI on 23rd May, 2026. (L to R).

Certificate Course on Project Financing (1st Batch) Inauguration with CMA Renu Ajwani, General Manager, Reserve Bank of India on 13th June, 2026.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI (extreme left) addressing in the technical session-I of the Seminar on "Scope and Opportunities of CSR Funding" at Vidyasagar University, Midnapore on 19th June 2026.



Certificate Course on Concurrent Audit of Banks (14th Batch) Inauguration with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI on 20th June, 2026.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI felicitating CMA Balbir Singh, General Manager, Punjab National Bank on 1st July, 2026. (L to R).

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI (centre) felicitating CMA Punit Jain, Director, NIBSCOM (extreme right) along with CMA Balbir Singh, General Manager, Punjab National Bank (extreme left) on 1st July, 2026.

Shri Rajeev Ratna Srivastava, General Manager & Director, State Bank Institute of Leadership, Kolkata (centre) is felicitated by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and ACMB of ICMAI on 7th July, 2026 at Rajarhat, Kolkata.

CMA Chittaranjan Chattopadhyay in discussion with Mr.Venkat N. Chalaseni, Chief Executive, AMFI at Kolkata on May 23, 2026. (R to L)

CMA Parmod Kumar Arora, Former Member Actuary, IRDAI (centre) is being felicitated at Hyderabad on 7th May, 2026 at the 20th BFSIB Meeting. CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI (extreme right) along with CMA Dr. K Ch AVSN Murthy, Council Member, ICMAI (extreme left).

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI in discussion with Shri Niraj Kumar Panda, CGM, SBI Kolkata Circle on 21.04.2026 at Kolkata. (L to R)

21st Meeting of the Banking, Financial Services & Insurance Board, ICMAI on 17th July, 2026 at ICMAI Kolkata Office.

ACTIVITIES OF THE BFSI BOARD

1. Webinars

i. Fintech Disruption in India: Opportunities for CMAs

The Board organized a Webinar on 16th March 2026.Ms. Jaya Devdas Pai, Former Deputy General Manager (IT), State Bank of India was the Speaker.

ii. Climate Finance-Indian Perspective

The Board organized a Webinar on 18th March 2026. CMA Siddhartha Pal, Practicing Cost Accountant and Sustainability Consultant was the Speaker.

iii. Recent RBI changes with respect to Gold Loan in NBFC

The Board organized a Webinar on 28th June, 2026. CMA Krishnadas MB, Senior Manager- Audit, Manappuram Finance Limited was the speaker.

iv. Infrastructure Financing in Downstream Oil Sector

The Board in association with the Baroda Chapter, ICMAI organized a Webinar held on 7th July , 2026. CMA Kazi Mohammed Riyazuddin, Practising Cost Accountant was the speaker.

2. Opportunities for CMAs

i. On representation from the BFSIB, ICMAI the SBI-SG Global Securities Services Private Limited has included CMA Firms for applying in the Request for Proposal of Concurrent Audit Verification for Mutual Funds Clients of SBI-SG Global Securities Services Private Limited.

ii. CMAs are eligible to apply for various vacancies in Cosmos Cooperative Bank Limited.

iii. CMAs are eligible to apply for the recruitment of Senior Manager Financial Analyst & Manager Financial Analyst in Indian Bank.

iv. CMAs are eligible to apply for the recruitment of Associate Manager – Finance & Accounting in Small Industries Development Bank of India (SIDBI).

v. CMAs are eligible to apply as professionals on fixed term engagement on a contractual basis for

Corporate and Institutional Credit (C & IC Department) in Bank of Baroda.

3. Certificate Courses

i. Certificate Course on Concurrent Audit of Banks

a. The 13th batch of the course started from 18th April, 2026. CMA Reeny Ajith, Regional Director, Chattisgarh, Reserve Bank of India was the Chief Guest for the inauguration.

b. The 14th batch started from 20th June, 2026. Shri Nirav Ashokbhai Patel, Sr. Manager, Specialized Audit , The Kalupur Commercial Co-operative Bank Ltd. was the Chief Guest. The course has 14 nominations from The Kalupur Commercial Co-operative Bank Ltd.

ii. Certificate Course on Project Financing

The 1st batch started from 2nd May, 2026. Shri Rohit Rishi, MD, IIFCL was the Chief Guest for the inauguration.

iii. Certificate Course on Treasury, Foreign Exchange and International Banking

The 11th batch started from 13th June, 2026. CMA Renu Ajwani, General Manager, Reserve Bank of India was the Chief Guest for the inaugural session.

The link for the admission for the courses is as follows-

https://eicmai.in/OCMAC/BFSI/BFSI.aspx/

4. ICMAI and NIBSCOM Sign Memorandum of Understanding to Strengthen Capacity Building and Professional Development in BFSI Sector

The Institute of Cost Accountants of India (ICMAI) and the National Institute of Banking Studies and Corporate Management (NIBSCOM) signed a Memorandum of Understanding (MoU) to foster collaboration in the areas of professional education, training, research, capacity building, and knowledge sharing for the Banking, Financial Services and Insurance (BFSI) sector.

NIBSCOM, the training institute for bankers across India is Nurturing Nation-builders. NIBSCOM shapes banking professionals who don't just process transactions but build trust in India's financial ecosystem from metros to rural branches. NIBSCOM's Innovative Learning from AI in banking to ESG risk frameworks, NIBSCOM ensures bankers stay ahead of the curve with contemporary, tech-driven pedagogy. NIBSCOM is Building Competence. With domain expertise in credit, forex, treasury, and compliance, NIBSCOM converts knowledge into on-ground banking competence that protects public money. NIBSCOM is a Strategic Skill Hub. It aligns training with RBI priorities, national missions like Financial Inclusion & Digital India, making every banker a strategic asset for the country. NIBSCOM is a Centre of Excellence. Through case studies, simulations, and faculty from industry, NIBSCOM sets benchmarks for quality that other training institutes emulate. NIBSCOM is Opportunity Creator. By upskilling thousands of officers across PSBs, RRBs, and Co-op Banks, NIBSCOM creates career growth opportunities while strengthening the sector. NIBSCOM is Mentoring with Integrity. Beyond classrooms, NIBSCOM instils ethics, customer-centricity, and risk prudence — the real capital of Indian banking. In short NIBSCOM is Nation's Institute for Building Skilled, Committed, Outstanding Managers for banking excellence.

The MoU signing ceremony was heldn0n 19th May, 2026 at NIBSCOM Office, Noida in the august presence of CMA TCA Srinivasa Prasad, President of ICMAI along with CMA Manoj Kumar

Anand, Chairman, Professional Development Committee and Council Member, ICMAI along with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI and Council Member. CMA (Dr.) Debaprosanna Nandy, Secretary (Officiating) signed on behalf of ICMAI along with CMA Punit Jain, Director, NIBSCOM on senior leadership from both Institutions. The Office bearers of Noida and Ghaziabad Chapters were also present in the meeting. The initiative marks a significant step toward strengthening professional competencies, promoting industry-oriented learning, and enhancing the role of Cost and Management Accountants in the evolving financial ecosystem.

Speaking on the occasion, CMA TCA Srinivasa Prasad, President of ICMAI emphasized the growing importance of interdisciplinary collaboration in addressing emerging challenges in the BFSI sector. He highlighted that the partnership with NIBSCOM would create meaningful opportunities for knowledge exchange, executive development programmes, certificate courses, research initiatives, and specialized training for professionals and students.

CMA M.K. Anand, Chairman, Professional Development Committee (PD Committee), ICMAI, stated that the collaboration would facilitate advanced learning platforms and practical exposure for members of the profession. He noted that the BFSI sector is undergoing rapid transformation driven by technology, sustainability, risk management, and regulatory reforms, thereby creating new opportunities for Cost Accountants.

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI, observed that the MoU would support focused initiatives in areas such as banking operations, risk management, governance, compliance, operational efficiency, costing, and financial analytics. He further stated that the partnership would help in enhancing the professional capabilities of CMAs working across banks, NBFCs, insurance companies, and financial institutions. He iterated that enhancing the capacity-building ecosystem for members of the profession through joint seminars, executive development programmes, knowledge sessions, research initiatives and industry interactions. He stressed that research work on contemporary areas on risk management, sustainability and ESG reporting, digital finance, governance frameworks, regulatory compliance. He harped that costing in financial institutions and strategic financial management will enable bridging the gap between academia, industry and the profession by promoting practical insights, technical expertise and leadership capabilities. He emphasized that they will be the prime mover in hosting the infrastructure conclave by associating industry, government and the BFSI sector. The Industry readiness in Expected Credit Loss mechanism and how the BFSIB can help the banking community along with the handholding of the courses especially in the Cost Control Strategies in the Banking Sector will be very much useful with such collaboration.

CMA Punit Jain expressed their appreciation for the collaboration and reaffirmed their commitment to jointly organize seminars, workshops, certification programmes, management development programmes, research studies, and industry interaction sessions for the benefit of professionals and stakeholders.

The MoU is expected to pave the way for collaborative initiatives aimed at strengthening institutional cooperation, advancing professional excellence, and contributing to the development of a robust and future-ready BFSI ecosystem in India.

5. Printed copies of the publications of the BFSIB

The printed copies of the BFSIB publications can be purchased from the following link-

https://eicmai.in/booksale_bfsi/Home.aspx

Financial Snippets

Rank	Top news item
1	Govt meets FY26 fiscal deficit target at 4.4% of GDP, with revenue deficit narrowing to 1.55% of GDP.
2	India's retail inflation rose to a 16-month high of 3.93% in May.
3	Core sector growth slowed to a seven-month low of 0.5% in May.
4	India's industrial production rose 4.9% in April under the new 2022-23 base series.
5	GST collections rose 3.2% to Rs 1.94 lakh crore in May 2026.
6	Services PMI rose to 59.8 in May, the highest since November.
7	RBI bulletin warned that a weak monsoon could hurt growth and inflation.
8	India's private investment share rose to 71.3% of project announcements post-COVID.
9	India's external debt rose to $762.8 billion and debt-to-GDP ratio increased to 20.8%.
10	India-UK free trade pact will take effect on July 15 after the steel quota breakthrough.

Banking

Rank	Top news item
1	RBI withdrew the interest-rate ceiling on fresh three- and five-year FCNR-B deposits until September 30, 2026.
2	RBI asked banks to report FCNR(B), ECB and overseas foreign currency borrowing data daily.
3	SBI launched a 9x leverage play on FCNR(B) deposits under the RBI scheme.
4	Banks raised FCNR(B) deposit rates again, with some touching 7.13%.
5	Banks sought RBI clarity on leveraged NRI FCNR structures.
6	RBI reviewed FCNR(B) swap scheme and rupee internationalisation with bank MDs.
7	RBI released final KCC guidelines and deferred implementation to January 1, 2027.
8	RBI imposed restrictions on Mogaveera Co-operative Bank for six months.
9	HDFC Bank appointed Rajiv Kumar as part-time chairman, subject to RBI approval.
10	SBI raised $300 million via a three-year bond after RBI's ECB push.

Financial Service

Rank	Top news item
1	SEBI cleared SBI Funds Management's IPO, with RHP likely in early July.
2	SEBI proposed opening Direct Market Access to retail investors.
3	SEBI revived open-market buybacks and formalised a new code of conduct.
4	SEBI proposed consolidating technology and cybersecurity norms across market institutions.
5	SEBI proposed easing deep disclosures for FPIs.
6	IFSCA proposed a unique KYC ID for use across GIFT City entities.
7	Dhan launched US stocks and ETFs investing via the GIFT City route.

Rank	Top news item
8	Recordent rolled out a credit registry for Section 8 microfinance institutions.
9	RBI allowed NBFCs to distribute insurance products without prior RBI approval, subject to IRDAI authorisation.
10	India launched UPI acceptance at QR-code merchants in Cambodia.

Insurance

Rank	Top news item
1	Government's 5% OFS in GIC Re was fully subscribed.
2	IRDAI proposed a framework for regulation-making and public consultations.
3	Supreme Court's Rs.30,000 homemaker benchmark may raise motor accident compensation payouts.
4	SBI General Insurance is expected to be taken public after SBI AMC's IPO.
5	IRDAI said it has granted two new general insurance licences since 100% FDI was opened.
6	PFRDA will launch NPS Swasthya with top-up health insurance through insurer tie-ups.
7	RBI allowed NBFCs to distribute insurance products without seeking RBI approval, subject to IRDAI authorisation.
8	TCS's challenge in a life-insurance software trade-secrets case was rejected by the US Supreme Court.

New Arivals

GUIDANCE NOTE ON COST CONTROL STRATEGIES IN THE BANKING SECTOR

This handbook offers a focused, practitioner-ready exposition on cost control and efficiency enhancement in the Indian banking sector. Drawing on authoritative datasets from the Indian Banks' Association (IBA), bank annual reports and expert consultations, it distils core cost structures, prevailing inefficiencies and contemporary cost-management approaches. The volume combines analytical clarity with actionable guidance to help banks, NBFCs and financial institutions strengthen profitability, optimise resource deployment and align operations with emerging regulatory expectations.

It concisely maps controllable and non-controllable cost drivers, benchmarks trends across public and private banks, and underscores the need for dedicated costing functions. With targeted emphasis on digital enablement, automation, energy efficiency, branch-rationalisation strategies and advanced costing tools, the handbook provides a coherent blueprint for improving cost competitiveness and informed strategic decision-making across the banking ecosystem.

Salient Features

- **Authoritative synthesis** of Indian and international practices in bank cost management.
- **Practical tools and analytical models,** including CBA frameworks, EOQ for cash, CIR improvement strategies, ALM-based cost optimisation and treasury efficiency levers.
- **Case-based insights** drawn from field visits, interactions with bank officials and real-world examples from PSBs, private banks and global institutions.
- **Comprehensive sector-wide analysis** of cost structures across branches, ATMs, lockers, call centres, training units, and outsourcing channels.
- **Forward-looking guidance** on digital transformation, energy optimisation and emerging models like centralised lockers, digital branches and automated audit systems.

Scope & Coverage (Selected Themes)

The book's comprehensive structure spans 28 chapters, covering—among others—the following core themes:

- **Role of Banks and Sector-wide Performance Trends:** Contribution of banks to India's economic architecture; comparative performance of public and private sector banks across FY 2021–2025.
- **Costing Frameworks and Policies:** Need for a formal costing policy; importance of cost-to-income ratio (CIR); budgeting discipline; role of CMAs in institutionalising cost culture.
- **Cost Audit & Transparency:** Rationale for cost audit, departmental costing structures, and frameworks for strengthening pricing transparency.
- **Operational Cost Drivers:**
  - Rent, taxes, lighting ("third cost").
  - Cash handling costs at branches and ATMs, EOQ models and logistics optimisation.
  - Electricity, branch infrastructure and digital branch models.
  - Safe-deposit locker operations and technology-driven optimisation.
  - ATM cost effectiveness, rural deployment strategies, and emerging "robo-advisory" concepts.
- **Income & Audit-Related Controls:** Audit cost rationalisation, automation of income-leakage controls, CBS-driven daily exception reporting.
- **Cost of Third-Party Product Sales:** Commission analysis, cost-benefit evaluation, and strategic focus on core banking services.
- **Outsourcing & Training Costs:** Governance of outsourced functions, creation of specialised subsidiaries, TNA-based training strategies.
- **Productivity Enhancement:** Use of RPA, BREs, job family structuring, inter/intra-firm productivity comparisons, and gold-loan processing efficiency.
- **NPA Resolution & Recovery Costs:** Cost-benefit comparison of SARFAESI, DRT, IBC, use of BCs and DRAs, and optimised recovery-unit functioning.
- **ALM & Treasury Cost Control:** FTP models, derivative tools, refinance options (NABARD, SIDBI, NHB), and reducing cost of capital in line with Basel III norms.
- **Mergers & Structural Efficiency:** Synergies from branch consolidation, IT integration, and economies of scale.
- **Role of Cost Accountants:** Activity-based costing (ABC), cost-control departments, and the growing need for Chief Cost Controllers in banks.

Why This Handbook is Essential

- Addresses the sector's urgent need to contain controllable costs amid rising compliance expenditure, digital infrastructure costs and heightened competition.
- Provides bank-ready frameworks to strengthen CIR performance, conduct cost-benefit analysis, optimise cash, branch, ATM and energy usage, and streamline audit processes.
- Equips banks to make data-driven decisions on rental, outsourcing, locker operations, training expenditure and NPA recovery models.
- Offers empirical insights using verified banking data (FY 2023–2025) to benchmark efficiency and guide strategic cost restructuring.
- Supports capacity-building for banking professionals—particularly CMAs—in integrating costing methodologies with risk management and profitability improvement.

Target Readers / Beneficiaries

- Senior bankers, cost controllers, treasury and ALM professionals, operational heads, auditors, risk managers, CMAs, consultants, NBFC/SFB executives, academic institutions and students of banking, finance and costing.
- This handbook serves as a strategic reference for integrating cost management with operational efficiency, profitability enhancement and long-term competitiveness across India's banking ecosystem.

Book purchase link
https://eicmai.in/booksale_bfsi/Home.aspx

Warm Regards,
CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services and Insurance Board

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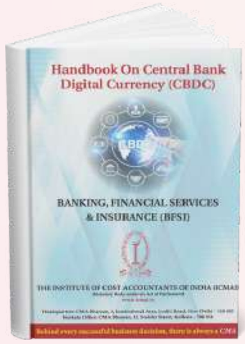
HANDBOOK ON CENTRAL BANK DIGITAL CURRENCY (CBDC)



This authoritative handbook presents a concise, practice-oriented exposition of Central Bank Digital Currency (CBDC), addressing its design, technology, policy and operational implications with particular reference to banking systems and financial reporting. Bridging international precedents and India-specific regulatory considerations, the volume equips practitioners, regulators and policy-makers with actionable guidance for CBDC design choices, implementation architectures, risk management, legal and accounting treatment, and the broader macro-financial impacts.

Salient Features

- Comparative analyses of global CBDC models and country case studies.
- Technology decision framework (scalability, security, interoperability).
- Practical policy notes on liquidity, balance-sheet and governance implications.
- Accounting treatment, tax considerations and illustrative ledger approaches.
- Role-specific guidance for central banks, commercial banks, custodians and cost accountants.
- Annotated bibliography and statutory annexures for reference.

Scope & Coverage

- Principles of public trust and currency integrity amid digital-asset proliferation.
- CBDC design considerations: types (retail/wholesale), direct/indirect/hybrid models, interest-bearing options and international design features (Bahamas, Sweden, Canada, ECCU, Uruguay).
- Technology architecture: platform selection, DLT vs non-DLT trade-offs, scalability, security, interoperability (domestic and cross-border) and analytics.
- Operational resilience: continuity planning, resource usage, consumer protection and grievance redressal.
- Policy implications: effects on monetary policy, liquidity management, financial stability, legal and balance-sheet ramifications,
- AML/CFT, privacy and data-protection.
- Institutional roles and liabilities: distribution models, custodial arrangements, and accountability of central banks, intermediaries and commercial banks.
- Accounting and reporting: classification under IFRS, triple-entry accounting, taxation, and practical guidance for financial records.
- Sectoral perspectives: cost-of-credit implications and the role of Cost Accountants in managing CBDC-related financial stability concerns.
- Annexures: relevant statutes (e.g., Digital Personal Data Protection Act, 2023) and comprehensive references.

Target Readers

Central bankers, senior bankers, treasury & payments heads, risk and compliance officers, policy makers, auditors, CMAs, financial accountants, fintech architects, legal counsel, regulators, academic researchers and postgraduate students in finance and financial technology.

To serve as a succinct, operational compendium that enables informed decision-making, rigorous risk management and compliant implementation of CBDC initiatives, thereby preserving monetary integrity while fostering innovation in the payments ecosystem.

Book purchase link
https://eicmai.in/booksale_bfsi/Home.aspx

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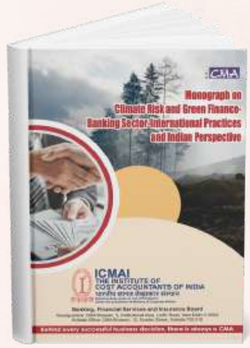
Behind every successful business decision, there is always a CMA.

MONOGRAPH ON CLIMATE RISK & GREEN FINANCE



This authoritative monograph presents a comprehensive, practice-oriented treatment of climate risk and green finance with special reference to the banking sector. Drawing together international best practices, global taxonomies and India-specific regulatory developments, the volume examines physical and transition risks, net-zero strategies, financing instruments, disclosure frameworks and practical implementation pathways for banks, NBFCs and financial intermediaries.

Salient Features

- Authoritative synthesis of international best practices and Indian regulatory updates.
- Practical chapters on financing instruments, transition pathways, and business-impact analysis.
- Templates for ESG disclosures, green deposit verification and sustainability reporting.
- Illustrative case studies and sectoral exposure snapshots.
- Bibliography and references for further research.

Scope & Coverage

The book comprises a substantive Table of Contents of 54 chapters, covering — inter alia — the following themes:

- Sustainability & UN SDG linkages; Five Pillars of Sustainability.
- Global environmental risk scenarios and climate-risk fundamentals.
- Climate change as a physical risk for the BFSI sector and practical climate-risk assessment frameworks.
- Net-Zero strategy: identification of risks & opportunities; pathway development; current landscape and leading transition examples.
- Net-zero financing & investment — international best practices, EBA guidelines and principles.
- Mitigation and adaptation areas; blended finance and transition financing models for India.
- RBI, SEBI and other Indian regulatory interventions — disclosure frameworks, taxonomy, green deposit verification and third-party certification requirements.
- Role of Banks, NBFCs and Small Finance Banks; green deposit policies; green bonds, carbon markets and biodiversity credits.
- Practical templates for qualitative disclosures on E, S and G; sustainability KRIs and ESG reporting pack for banks.
- Case studies: sustainability reports and ESG highlights of leading Indian banks (FY 2023–24) and exposure snapshots.

Why this Monograph is Essential

- Integrates international frameworks with RBI's evolving regulatory architecture, including the Disclosure Framework on
- Climate-related Financial Risks and Green Deposit Verification norms.
- Enables CMAs to lead climate-project appraisal, transition-finance structuring, cost–impact analysis and taxonomy-aligned reporting across the BFSI sector.
- Equips banks and financial institutions to design bankable climate projects, stress testing and credible ESG disclosures demanded by regulators and investors.
- Offers practical templates, checklists and KRI frameworks to accelerate operationalisation of green finance practices.

Target Readers

Senior bankers, risk and treasury officers, sustainability & compliance heads, regulators, policy-makers, credit analysts, NBFC/SFB executives, CMAs, Research analysts, consultants, and academic/post-graduate students of finance and sustainability.

This monograph is intended as a practical reference to assist the Indian banking and financial community in aligning risk management, financing strategies and disclosures with global climate objectives and national policy imperatives.

Book purchase link
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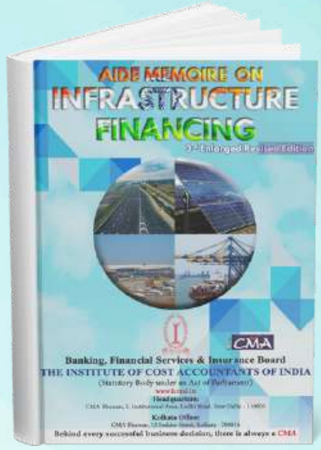
Aide Memoire On INFRASTRUCTURE FINANCING

(3rd Enlarged Revised Edition)



Infrastructure sector continues to play its significant role in the long term sustainable development of the country. Its contributions with multiplier effect for the entire economy are well recognised. A properly structured robust 'Infrastructure Financing ' mechanism is critical for the holistic development.

Enthused by the overwhelming response and positive feedback about our previous two editions of the book, we have now launched the third Enlarged and Revised edition for the benefit of all members and students of the Institute, bankers and other professionals & stakeholders in the infrastructure domain.

This edition contains additional chapters on the government perspective, new illustrative project case studies with added coverage on ESG and sustainable finance, besides updation of material on alternate sources of finance along with the need for further reforms and the way forward.

Synopsis - Salient Features of the Book

- **A single reference point and guide for the niche area of Infrastructure Financing.**
- **The book covers basic theoretical concepts as also the real nitty-gritty and finer nuances involved in Infrastructure Financing, with all the relevant and contemporary topics which include the following :-**

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Warm Regards,
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