THE MANAGEMENT ACCOUNTANT

ISSN 0972-3528

January 2024 | VOL 59 | NO. 01 | Pages - 124 | ₹ 100

Banking IN INDIA

EMERGING CHALLENGES AND PREPAREDNESS OF THIS SECTOR

Journal of

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was 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 28 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.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

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 CMA 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."

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- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

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Institute Motto

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तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

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We have expanded our Readership from **1** to **94** Countries

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Djibouti, Egypt, France, Gambia, Germany, Ghana, Great Britain, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Vietnam, Zaire, Zimbabwe.

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https://www.thedigitaltransformationpeople.com/channels/customer-engagement/5-ways-deliver-outstanding-digital-banking-experience/

The Management Accountant, official organ of The Institute of Cost Accountants of India, established in 1944 (founder member of IFAC, SAFA and CAPA)

EDITOR - CMA Sucharita Chakraborty
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal
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PRINTER & PUBLISHER - CMA (Dr.) Kaushik Banerjee
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PRINTED AT- Spenta Multimedia Pvt Ltd.
Plot No. 15,16 & 21/1, Morivali MIDC, Chikhloli Village Ambernath (West) - 421505, India on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PUBLISHED FROM - The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

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  subscription@icmai.in

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Tel: +91 33 2454-0086/0087/0184/0063

The Management Accountant technical data

Periodicity : Monthly
Language : English

Overall Size: - 26.5 cm x 19.6 cm

Subscription
Inland: ₹1,000 p.a or ₹100 for a single copy
Overseas: US$ 150 by airmail

Concessional subscription rates for registered students of the Institute:
₹300 p.a or ₹30 for a single copy

The Management Accountant Journal is Enlisted in:
'UGC-CARE REFERENCE LIST OF QUALITY JOURNALS'

The Management Accountant Journal is Indexed and Listed at:

- Index Copernicus and J-gate
- Global Impact and Quality factor (2015):0.563

From the Editor's Desk

At the outset, let me wish you all a VERY HAPPY AND PROSPEROUS YEAR 2024.

Despite numerous achievements, the banking industry in India faces various challenges- regulatory changes, cyber security risks, increasing competition from new digital players, fintech disruption, economic uncertainty and management of NPA. To address these challenges banks collaborated extensively with fintech companies, leveraging their technology to offer innovative services like instant loans, digital KYC and AI-driven customer support. Digital wallets and payment systems, especially Unified Payments Interface (UPI), saw a significant increase in adoption, driven by the convenience and security it offered. The RBI's introduction of 'Digital Rupee' trials marked a new era in the country's financial technology landscape, potentially revolutionizing how transactions are conducted.

The Reserve Bank of India has been playing a crucial role, with a series of policy rate adjustments aimed at balancing growth and inflation. Regulatory changes introduced this year had a profound impact on banking operations.

Looking ahead, the banking sector is expected to continue its trajectory of growth and innovation in 2024.

The articles covered in the current issue are aimed to equip readers with facts and issues on Banking in India: Emerging Challenges and Preparedness of this sector.

Here's a glimpse of the articles featured in this issue

Concurrent Audit of Credit Proposals (Credit Risk Management - CRM) analyses various guidelines that are to be adhered to in the "credit process of loan proposals" The role of the concurrent auditor is to audit, whether the Branch is following the laid instructions / guidelines.

CMAs are playing a very important role in maintaining the asset quality of the Bank. *CMA's Role in Bank Credit Appraisal and Monitoring Framework* discusses the role of CMAs in credit appraisal. In this article, the emphasis is mainly on home loans and mortgage loans.

Digital Lending refers to the use of technology and digital platforms to provide financial services, particularly loans to customers. *Digital Lending (A Way Forward)* seeks to provide an overview of RBI regulation in the 'Digital Lending Market'

Working capital is the lifeline of business / manufacturing organizations. *Stock & Book Debts Audit of Banks (Working Capital / Cash Credit Loans)* gives a comprehensive analysis of stock and book debts audit.

Few examples of 'Cost Reduction Tools / Strategies' have been outlined in the article *Control 'Electricity Costs' of Banks (Through 'Energy as a Service' (EaaS) Model)*

Digital Rupee in India aims for an inclusive and efficient financial system of the country. *"e₹" Central Bank Digital Currency* covers different aspects of digital rupees.

New Era of "Expected Credit Loss Provisioning in Indian Banking Sector attempts to highlight that banks must provide provisions for 'expected credit losses' from the time of loan sanctioned or disbursed, not waiting for the loan to turn into NPA.

The research paper *Sustainability Reporting in the Banking Sector: Exploring the Trends and Unraveling the Impact on Financial Performance* focuses on sustainability reporting adopted by the Indian private sector listed banks in terms of prominent sustainability disclosures.

Legal Framework for Grievance Resolution in Banking Industry in India has discussed various guidelines issued by RBI to the Banks for the protection of the customers and the role of Consumer Commission in compensating customers in case of deficiency of service.

Merger and Acquisition in Indian Banking: A Retrospective Analysis focuses on the financial, operational, and strategic aspects of merging organisations and examines how this transformational journey affects financial inclusion and banking services.

Following the global trend, RBI is going to introduce expected credit loss based provisioning system in Indian banks. The article *Understanding Mechanisms of Expected Credit Loss (ECL) Based Provisioning of Bank Loan* concludes that new ECL regime will be opening a new vista for practicing CMAs for which they need to be well prepared beforehand.

Apart from these, this issue contains articles on various other contemporary matters.

It is hoped that the articles featured in this issue will enrich your knowledge to a great extent. I thank all the contributors for value addition to this issue

This issue also features an interview by CMA (Dr.) Ram Jass Yadav,Executive Director,Punjab & Sind Bank, New Delhi.

I earnestly solicit your constructive comments and views for further improvements in the journal through editor@icmai.in.

Once again wishing you all a professionally rewarding 2024.

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Members, Students, Employees & Well Wishers of the Institute
Wishing you a Healthy, Prosperous & Happy New Year

2024

JANUARY

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Only Central Govt. Gazetted Holidays*

JANUARY
26 Republic Day

MARCH
25 Holi
29 Good Friday

APRIL
11 Id-ul-Fitr
17 Ram Navami
21 Mahavir Jayanti

MAY
23 Buddha Purnima

JUNE
17 Id-ul-Zuha (Bakrid)

JULY
17 Muharram

AUGUST
15 Independence Day
26 Janmashtami (Vaishnava)

SEPTEMBER
16 Milad-un-Nabi or Id-e -Milad (Birthday of Prophet Mohammad)

OCTOBER
02 Mahatma Gandhi's Birthday
12 Dussehra
31 Diwali (Deepavali)

NOVEMBER
15 Guru Nanak's Birthday

DECEMBER
25 Christmas Day

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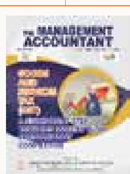

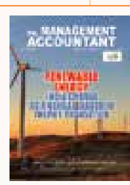

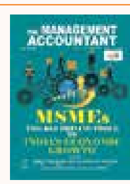

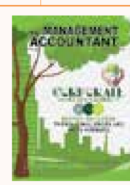

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ISSN 0972-3528

Index Copernicus and J-gate Global Impact and Quality factor [2015]:0.563

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THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

Cover Stories on the topics given below are invited for *'The Management Accountant'* for the four forthcoming months

Month	Theme	Subtopics
February 2024	Changing Landscape of Valuation Ecosystem in India	⦿ Valuation in Emerging Markets: Prospects & Challenges for the Valuation Profession ⦿ Risk Assessment and Mitigation: Role of Valuation Professionals ⦿ Forensic Audit & Valuation ⦿ Valuing Start-ups ventures ⦿ Future of Valuers in the Banking Industry – Opportunities and Limitations ⦿ Valuation of Digital Assets: Perspective and Future Prospects ⦿ Governance and Valuation: The Way Forward ⦿ Valuation and Management of Currency Risk ⦿ Valuation Practices in India v/s across the Globe
March 2024	Empowerment of Women: Shaping future of India	⦿ Bridging the Gaps to Accelerate Investment Climate for Women Entrepreneurs ⦿ Embrace Change, Empower Women ⦿ Women Empowerment - the key to achieve Socio-Economic growth of India ⦿ Role of Women as Social Entrepreneurs ⦿ Gender Equity in Education and Workplaces ⦿ Government Policies and Enactments to achieve Women Empowerment ⦿ DigitALL: To overcome the Digital Gender Divide ⦿ Women-led MSMEs: Promoting Robust and Sustainable Growth ⦿ Expanding Access to Finance through Fintech and Innovations ⦿ Women Torchbearers as Founders and Investors in the Indian Startups space
April 2024	Insolvency and Bankruptcy Code - its Journey so far!!!	⦿ Global trends in Insolvency and Bankruptcy landscape ⦿ Blockades and Success stories of IBC since its inception ⦿ The Mediation Act, 2023: A great leap forward in Indian Dispute Resolution mechanism ⦿ Crucial insights into Corporate Insolvency Resolution Process (CIRP) ⦿ Stressed Asset Investment ⦿ Pre-packaged Resolution Framework for MSMEs ⦿ Cross Border Insolvency ⦿ Important Case Laws/ Successful Resolutions under IBC
May 2024	Social Impact assessment : An empowering approach towards achieving India's Social Welfare Objectives	⦿ Reimagining Social Impact assessment to promote Social welfare, Transparency and Accountability ⦿ Social Impact assessment: An approach towards betterment of rural development programs across Nation ⦿ Relevance and Benefits of Social Impact assessment in CSR context ⦿ Social Impact assessment: Ensuring greenpath for Sustainable and Inclusive Growth ⦿ Social Impact Funds and Social Impact assessment ⦿ Social Impact assessment: An effective tool for Corporate Governance ⦿ Assessing success of Social Impact assessment concerning MGNREGA and PM POSHAN schemes ⦿ Social Impact assessment: Innovative Practices and Way Forward ⦿ Leveraging Social Impact assessment for improving outcomes of Social Projects ⦿ Logic Model - A framework for Social Impact assessment ⦿ Social Stock Exchange : A game changer for inclusive growth

The above subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.

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PRESIDENT'S COMMUNIQUÉ

CMA Ashwin G. Dalwadi
President
The Institute of Cost Accountants of India

"Difficulties in your life do not come to destroy you, but to help you realise your hidden potential and power, let difficulties know that you too are difficult."

-- Dr. A. P. J. Abdul Kalam

My Dear Professional Colleague,

At the outset, I take this opportunity to wish you and your family a prosperous New Year filled with happiness, accomplishment, and new opportunities. As we step into 2024, let us carry forward the lessons learned and build on our collective achievements. May this New Year bring forth new opportunities for growth, innovation, and collaboration. Together, let us strive for even greater heights and make significant contributions to the field of cost and management accounting.

I encourage each member to embrace the spirit of collaboration and knowledge-sharing within CMA fraternity. Our collective strength lies in our diversity of expertise and experiences. By working together, we can create a positive impact not only on our individual careers but also on the profession as a whole.

Meeting with Dignitaries

CMA M K Anand along with CMA T C A Srinivasa Prasad and CMA Vinayaranjan P., Council Members, ICMAI had a meeting with Dr. Bhagwat Kishanrao Karad, Hon'ble Union Minister of State for Finance at his office in North Block, New Delhi on 19th December, 2023 and discussed the matters related to the Institute and CMA profession.

CMA M K Anand Chairman PD & CEP Committee alongwith CMA Chittaranjan Chattopadhyay Council Member, ICMAI had a meeting Dr. Subhas Sarkar, Hon'ble Minister of State for Education on 18th December, 2023.

Launch of ICMAI TV Channel on JioTV Platform

The ICMAI channel is specifically crafted to broadcast both live and pre-recorded content encompassing various topics such as education, culture, innovation, skill development and startup initiatives, catering to the needs of students and members alike. Launched on 26th December, 2023, the ICMAI TV Channel is currently accessible on the JioTV Platform, the channel serves as an effective medium for communication, allowing seamless interaction and the dissemination of the Institute's objectives related to student matters. Information pertaining to members will be made available on the channel at a later date.

Utilizing the JioTV App, which operates on JIO-enabled networks, Jio SIM users have the opportunity to log in and stream content for free. By installing the JIO TV app on their mobile phones, Jio SIM users can use their mobile numbers to access the ICMAI channel. Once installed, they can easily locate the channel by searching for ICMAI and gain access by clicking on the ICMAI logo.

New IT Initiatives

a) Improvements in Members' Online System

The membership department and information technology department under the guidance of CMA Avijit Goswami, Chairman, Members' Facilities Committee and CMA T.C.A. Srinivasa Prasad, Chairman, Information Technology Committee of the Institute respectively, continued to fine tune the improvement in the members' online system user friendly experience to members. During the month of December 2023 such fine tunings in the system will now allow members to -

- make online application with payment facility for obtaining Good Standing Certificate.
- make online application for payment of membership fee at a reduced rate [subject to eligibility conditions vide CWA Regulation 7(4)].
- auto generate membership certification required to obtain CISI certification.

Further, a new feature under COP menu has been incorporated regarding the details of Trainees under Practicing members. This facility is called VIEW THE REGISTERED TRAINEES. This gives the details of trainees along with UDIN details for T1 & T5 forms. The details are effective from 10th December, 2023.

For seamless connect with the Institute, I again call upon and request all members to login and check the correctness of their contact details in the members' online system. Contact details can be updated or corrected by submission of Form M-8 online after login to their account or members can also download the form and send a signed scan copy with all details filled in to membership@icmai.in.

b) New IT initiative to provide enhanced facilities to CMA Students

A login feature has been integrated into the Online Registration Application System, enabling students to access various services through their accounts [https://eicmai.in/studentportal/Home].

To utilize this feature, students need to create a login account by verifying their email address through an OTP sent to their registered email ID. Once the email ID is verified, it becomes the user ID and students can set their password during the account creation process.

The introduced system enables students to:

- Register online for Foundation, Intermediate & Final Courses.
- Check the status of their online applications.
- Request Conversion from Old Syllabus to New Syllabus 2022.
- Request changes in Oral/Postal Coaching and opt for Chapter-to-Chapter Conversion.
- Convert from Provisional to Regular status.

Additional services for students will be seamlessly incorporated in the near future.

c) Online System for Fixed Assets Management

A new Online system for Fixed Assets Management has been developed and implemented by a team of IT, Finance and Infrastructure departments.

MOU with Confederation of Indian Industry (CII)

In a landmark move set to redefine the landscape of cost efficiency in the Indian industrial sector, the Institute of Cost Accountants of India (ICMAI) and the Confederation of Indian Industry (CII) signed a Memorandum of Understanding (MOU) on 13th December, 2023 at Hyderabad. The MOU signing ceremony was attended by my Council Colleagues and key stakeholders from the industry, and academia.

This collaboration aims to propel the adoption of CII's cutting-edge 'Total Cost Management (TCM) initiative, a transformative approach designed to optimize cost structures and enhance the overall competitiveness of Indian industries on the global stage.

The TCM initiative, developed by CII, offers a comprehensive framework that goes beyond traditional cost-cutting measures. It focuses on holistic cost management strategies, encompassing areas such as supply chain optimization, technology integration, and skill development. By leveraging ICMAI's proficiency in cost accounting and management, this collaboration aims to equip industries with the tools and knowledge necessary to streamline operations and drive economic prosperity.

I believe that this partnership is the start of the new era of collaboration signifying a pivotal moment for the Indian industrial landscape. The integration of ICMAI's expertise in cost accounting with CII's innovative Total Cost Management initiative is a strategic move towards fostering sustainable growth and resilience in our industries.

Meeting of Social Stock Exchange Advisory Committee (SSEAC)

The Securities and Exchange Board of India (SEBI) convened the fourth meeting of the Social Stock Exchange Advisory Committee on 13th December, 2023 at SEBI Office, Mumbai. CMA (Dr.) Ashish P. Thatte, Council Member, ICMAI and CMA (Dr.) S.K. Gupta, CEO, ICMAI Social Auditors Organisation represented the Institute in the meeting.

Northern Regional Student Convention 2023

I am pleased to inform that the Northern India Regional Council (NIRC) of ICMAI organised Northern Region Student Convention 2023 at Scope Complex, New Delhi for newly qualified CMAs on the theme "Role of CMA in Rashtra Nirman" on 23rd December, 2023.

Shri Om Birla, Hon'ble Speaker of Lok Sabha, Parliament of India grace the program as Chief Guest.

CMA R.P. Goyal, Director Finance, NHPC Limited, CMA Sanjay Jindal, Director Finance, Engineers India Limited, CMA Baldev Kaur Sokhey, Director Finance, NBCC Limited, CMA Anu Kukreja, Director Finance, National Disaster Management Authority, CMA Parmanand Goyal, ED-Finance, Indian Oil Corporation Limited graced the program as a Guests of Honour.

During his address, the Hon'ble Chief Guest emphasized India's rapid progress globally and highlighted the significant contribution of India in every sector. He commended the Institute of Cost Accountants of India for its commitment to the development of Indian economy and expressed his support towards building a developed India by 2047.

He stressed the importance of Cost Accountants in business, industry, services, and the government sector for effective financial management. He urged young Cost Accountants to bring innovation and improve the quality of Indian products to compete globally. Hon'ble Chief Guest also awarded medals to All India Rank holders among the CMA students.

My Council Colleagues CMA Manoj Kumar Anand, CMA Navneet Kumar Jain, and CMA Rajendra Singh Bhati participated in the event along with elected members of NIRC and representatives of Chapters in Northern Region. Approximately 300 new CMAs and their parents actively participated in the program. I congratulate CMA S.N. Mittal, Chairman and other RCMs of NIRC of ICMAI for the successful conduct of the event.

Regional Chapters Meet

The Northern Region Chapters meet was organised by the Regional Council & Chapters Coordination Committee jointly with the Northern India Regional Council at Haridwar on 16th December, 2023 with the help of Haridwar Chapter of the Institute. During the meet, representatives of the chapters under NIRC shared their suggestions, views and issues and deliberated on all relevant matters which need the attention and perusal of the Committee, RCs or headquarters with a view to streamline and improve upon the functioning of the Chapters and the Institute.

I wish prosperity and happiness to members, students and their families on the occasion of Swami Vivekananda Jayanti, Lohri, Makara Sankranti, Pongal, Guru Gobind Singh Jayanti, Netaji Subhash Chandra Bose Jayanti & Republic Day and pray for their success in all of their endeavours.

With warm regards,

AGDalwadi

CMA Ashwin G. Dalwadi
January 02, 2024

BRIEF SUMMARY OF THE ACTIVITIES OF VARIOUS DEPARTMENTS/ COMMITTEES/ BOARDS OF THE INSTITUTE DURING THE MONTH OF DECEMBER 2023

AGRICULTURE COST MANAGEMENT BOARD

The Agriculture Cost Management Board of the Institute had organized a Joint National Webinar with the School of Agriculture, Indira Gandhi National Open University (IGNOU) to Commemorate National Farmers Day on the subject 'Putting the Farmers First Agri Cost Management as the Core Success Factor' under the chairmanship of CMA Harshad S. Deshpande, and CMA Prof. Nageshwar Rao, Vice Chancellor (IGNOU) on 22nd December 2023.

CMA Prof. Nageshwar Rao, Vice Chancellor, IGNOU, delivered a keynote address on the said subject and he made a very useful presentation. Further, Prof. Sumitra Kukreti, Pro. Vice Chancellor, Dr. Praveen Kumar Jain, Director School of Agriculture (IGNOU) and CMA (Dr.) Sreehari Chava had made their presentations during the National Webinar.

The National Webinar was organized for members, farmers, various stakeholders and the public at large, more than 300 participants actively participated in the webinar and there was an overwhelming response from the audience.

BANKING, FINANCIAL SERVICES AND INSURANCE BOARD

The Banking, Financial Services & Insurance Board of the Institute and the BFSI department continued its various activities and initiatives in December 2023, a synopsis of which is presented herein under -

A. Representation for inclusion of CMAs

The BFSIB continues its efforts for further development of the profession in the BFSI sector with representations to authorities and employers for inclusion of CMAs in the sector. CMAs are now eligible to apply for the following post:

- Risk Management in IDBI Bank.
- Senior Analyst Grade in various domains including lending operations, Investment and Treasury, Internal Audit & Compliance and Risk Management in NaBFID.
- Chief Compliance Officer in India Exim Bank.
- Circle Based Officers in State Bank of India.

The Institute has submitted its representation to the General Insurance Council for inclusion of CMAs for effective Enforcement of various IRDAI regulations including EOM IRDAI Regulations, 2023 and HDFC for inclusion of CMAs in the various recruitment advertisements in the posts of Internal Audit.

The Institute has also submitted its representation to IRDAI based on the feedback of the members for various suggestions on the Exposure Draft on IRDAI (Expenses of Management, including Commission, of Insurers) Regulations, 2023.

B. Certificate Courses on Banking

The admission for the 10th batch of the Certificate Course on Concurrent Audit of Banks and 8th Batch of the Certificate Course on Treasury and International Banking started and we request the members to enroll for the courses for professional development and capacity building.

The link for admission is stated as follows:

https://eicmai.in/OCMAC/BFSI/DelegatesApplicationForm-BFSI.aspx

Interested members can submit their Expression of Interest for the admission in the 10th batch of the Certificate Course on Credit Management of Banks as per the following link:

https://docs.google.com/forms/d/e/1FAIpQLSdx18Bm27SjBv83hUDP64j3jLmDuSIeVmGn2l2K3Epdg9P3Bw/viewform?vc=0&c=0&w=1&flr=0

C. Certificate Courses on Investment Management in collaboration with NSE Academy

The BFSI Board in association with the NSE Academy has started the admission process for the course on Investment Management for three levels. The admission window has opened for all the three levels comprising of the Fundamental Analysis and Valuation (Level-I), Mutual Funds and Market Analysis with Fundamentals (Level-II) and Financial Derivatives & it's application (Level-III). The admission window is stated as follows:

https://eicmai.in/OCMAC/BFSI/DelegatesApplicationForm-BFSI.aspx

D. Exposure Draft (Registration and Operations of Foreign Reinsurers Branches & Lloyd's India) Regulations, 2024).

The BFSIB has requested the members to provide suggestions on the Exposure Draft (Registration and Operations of Foreign Reinsurers Branches & Lloyd's India) Regulations, 2024). It was compiled from the responses received from the members and sent to IRDAI.

E. Webinars and Physical Events

The BFSIB organized successfully the following webinars:

i. Webinar on "Prevention of Money Laundering Act" on 1st December, 2023. Shri Balasubramanian

K, IAS, Joint Secretary, Department of Revenue, Ministry of Finance was the Chief Guest and Speaker.

ii. Webinar on “Drones Finance” (Under Corporate, MSME and Agriculture Segments by Commercial Banks) on 14th December, 2023. CMA Dr. Puvvala Siva Rama Prasad, Former AGM, SBI was the Speaker.

iii. Webinar on “How to Rectify CIBIL Scores” on 21st December, 2023. CMA Dr. Puvvala Siva Rama Prasad, Former AGM, SBI was the Speaker.

iv. Hybrid Seminar on 22nd December, 2023 with the following technical sessions:

- Practical aspects of surveillance, management control and audit expectations for early detection and prevention of all size fraud in Banks. Speaker was Shri Subrata Mukherjee, Former Addl CVO, State Bank of India.
- Way Forward for CMAs to become Insolvency Professional. Speaker was CMA J K Budhiraja, CEO, ICMAI MARF.

  CMA Amal Kumar Das, Past President, ICMAI, CMA Harijiban Banerjee, Past President, ICMAI and CMA Mahesh Shah, Past President, ICMAI attended the event held at J.N.Bose Auditorium, ICMAI Headquarters, Kolkata. The BFSI Chronicle 15th issue was also released in the event.

v. Webinar on “AI - The Most Disruptive Technology of the Century and its Impact on Finance and Business” on 30th December, 2023. CMA Tamil Selvan Ramadoss, Group Finance & Business Transformation Officer was the Speaker.

DIRECTORATE OF STUDIES

On 22nd December, 2023, the Training and Educational Facilities Committee and Professional Development & CEP Committee jointly organized an enriching Webinar on ‘TallyPrime for Cost Management’. This Webinar specifically catered to Final Level Students and Members of the Institute contributing to their academic and professional development. This online event was witnessed by around 500 viewers.

MEMBERS IN INDUSTRY COMMITTEE

The Members in Industry Committee under the Chairmanship of CMA TCA Srinvasa Prasad organized the following two Industry Connect and Knowledge Enrichment Program during December, 2023:

The five days Industry Connect and Knowledge Enrichment Program on Powering Progress in Pharma [1st December 2023 to 7th December 2023] was inaugurated by CMA TCA Srinivasa Prasad, Council Member and Chairman – Members in Industry Committee. This Program aimed at connecting our Members in Industry with premier academic and research Institution and the MSME Association. Key Note Addresses and Technical Sessions were delivered by Shri Hariharan Ramamoorthy, LUB, CMA Subhashish Chakraborty, CMA Pandu Ranga Rao, CMA Rakesh Yadav, CMA Mihir Narayan Vyas, CMA V Krishnakumar, Dr A Amsavel, Shri R Ravikumar, CMA N Ramaskanda and CMA Sukrut Mehta. The event was co-ordinated by CMA Rakesh Shankar Ravisankar, Cost Accountant and Dr. C K Deepa, Shri SSS Jain College for Women. The Program witnessed 2200 views spanning over the five days, including members, students and others.

The five days Industry connect and Knowledge Enrichment Program on Automobile Ancillary Industry – Marching Towards Excellence [15th December 2023 to 19th December 2023] was inaugurated by CMA TCA Srinivasa Prasad, Council Member and Chairman – Members in Industry Committee and Dr. S. Santhosh Baboo, Principal, DDGDVC and Shri R Selvam, TIEMA. This Program aimed at connecting our Members in Industry with premier educational and research Institution, TIEMA under the administrative control of SIPCOT and SIDCO. Speakers for the Programme were - Shri. R. Selvam, TIEMA, Shri. M. Sivakumar, LUB, CMA Santhosh Pant, CMA Y Srinivasa Rao, CMA Arati Ganguly, CMA Dr. L Gurumurthy, Dr. VSV Chezhian, CMA D Raman, Shri K Barathan and CMA A Vadivel. The event was co-ordinated by CMA Rakesh Shankar Ravisankar, Cost Accountant and Dr. Prabha Rajagopalan and Shri D Premkumar, DDGDVC. The Program witnessed 2300 views spanning over the five days.

REGIONAL COUNCIL & CHAPTERS COORDINATION COMMITTEE

The Northern Region Chapters meet was organised by the Regional Council & Chapters Coordination Committee jointly with the Northern India Regional Council at Haridwar on 16th December, 2023 with the help of Hardwar Chapter of the Institute.

The meet at Haridwar was Chaired by CMA Bibhuti Bhusan Nayak, Vice President and was convened by CMA Vinayaranjan P., Chairman, Regional Council & Chapters Coordination Committee which was also attended by my Council Colleagues who are members of the Committee, NIRC office bearers, Chapter representatives of Northern Region, Institute and NIRC officials. During the meet, representatives of the chapters under NIRC shared their suggestions, views and issues and deliberated on all relevant matters which need the attention and perusal of the Committee, RCs or headquarters with a view to streamline and improve upon the functioning of the Chapters and the Institute.

TAX RESEARCH DEPARTMENT

The Tax Research Department has started focusing on corporate trainings again and has successfully conducted a 2-day corporate training at TRL Krosaki Refractories (Formerly Tata Refractories Limited), India’s leading refractory manufacturer & service provider on 21st & 22nd

December, 2023 which encompassed lectures on both Direct and Indirect Taxation. 28 of the top and middle management officials of the corporate were the participants for the said training. The sessions started with a pre-test and ended with a post-test to gauge the learning takeaway for the candidates. The faculty and the arrangements for the sessions made by TRD were widely appreciated.

The month of December started with an important webinar on the topic 'Precautions in Filing GSTR 9 & 9C' conducted on 6th December, 2023. The webinar discussed the steps in filing these two returns the due date for which was 31st December, 2023.

Another important workshop was conducted by the department addressing the issues on GSTR 9 & 9C, the nomenclature being 'Comprehensive Session on GSTR 9 & 9C'. The intricacies related to the filing of the forms were discussed in detail during the session. The highlight of the session was a deliberation by Shri Anil Kumar Gupta, IRS, Principal Director General – DGGI. Shri Gupta elaborated on the points that are of utmost importance for compliance during the filing and also threw light on the issues that are critically examined by the department. It was a 4-day session starting from the 13th to the 16th of December, 2023. The faculties for the sessions were CMA Dipak N Joshi and CMA Mukesh Pandey and the moderators were CMA Anil Sharma and CMA Bhaogavalli Mallikarjun Gupta, all being practicing Cost Accountants by profession.

Among the other activities for December, the exam for the GST Course for college and university students was successfully conducted at Sheshadripuram Degree College, Mysore Karnataka, and the exam for the Crash Course on Income Tax Overview for College and University students was conducted at the Sandip University, Nashik.

The classes for all the 7 taxation courses named below are being conducted and the exams for the same are being scheduled:

i. Certificate Course on GST
ii. Advanced Certificate Course on GST
iii. Advanced Course on GST Audit and Assessment Procedure
iv. Certificate Course on International Trade
v. Certificate Course on TDS
vi. Certificate Course on Filing of Returns and
vii. Advanced Course on Income Tax Assessment & Appeals

The quiz on indirect tax is conducted on every Friday pan India basis. The Taxation Portal is being updated regularly with circulars, notifications, and press releases. Tax Bulletin has also been published and circulated to the Government and corporates.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF THE INSTITUTE

The Insolvency Professional Agency of Institute of Cost Accountants of India, in its endeavor to promote professional development and sharpen the skills of the professionals, has constantly been conducting various professional & orientation programs across the country and publishing various publications for the benefit of stakeholders at large. IPA ICMAI has undertaken several initiatives, as enumerated below, during the month of December, 2023.

- A two days' Online Learning Session on Avoidance Transactions: Unravelling the Complexities was held on 1st & 2nd December 2023.
- A Workshop on Resolution Professional & CoC: A Collaboration for Success was conducted on 8th December 2023.
- Five Days Executive Development Program Mastering the Art of Liquidation, was conducted on 15th to 19th December 2023.
- A Workshop on Mediation & IBC Framework: Trajectory & Prospects was conducted on 22nd December 2023.
- Published Au-Courant (Daily Newsletter), a weekly IBC Dossier, and a monthly e- Journal which are hosted on its website.

ICMAI REGISTERED VALUERS ORGANIZATION (RVO)

ICMAI RVO has successfully organized four "50 Hour's training programs" for 2 Securities or Financial Assets, Land and Building, Plant and Machinery and organized 21 "Professional Development Programs" during the month of December, 2023. In its efforts to bring out relevant publications for development of valuation profession, ICMAI RVO also released its monthly Journal – The Valuation Professional. ICMAI RVO organized a Valuation Conclave in association with all the RVOs and IBBI as the lead RVO on 7th December 2023 at SCOPE Complex, New Delhi.

ICMAI SOCIAL AUDITORS ORGANIZATION (SAO)

ICMAI SAO organized one Preparatory course for preparing candidates for the Social Auditors exam conducted by NISM and organized one Professional Development program during December, 2023. ICMAI SAO also released its monthly Journal – The Social Auditor. We are working on compiling a unified set of Social Audit Standards in association with Social Audit Organizations of ICAI and ICSI.

ICMAI INTERNATIONAL ADR CHAMBER

The Institute has promoted a section 8 company to create awareness, develop competency and establish a Centre for Arbitration and Mediation. Three professional development program on Mediation Act 2023 was organized during the month of December.

The ICMAI channel is specifically crafted to broadcast both live and pre-recorded content encompassing various topics such as education, culture, innovation, skill development and startup initiatives, catering to the needs of students and members alike. Currently accessible on the JIO TV Platform, the channel serves as an effective medium for communication, allowing seamless interaction and the dissemination of the Institute's objectives related to student matters. Information pertaining to members will be made available on the channel at a later date.

Utilizing the JIO TV App, which operates on JIO-enabled networks, Jio SIM users have the opportunity to log in and stream content for free. By installing the JIO TV app on their mobile phones, Jio SIM users can use their mobile numbers to access the ICMAI channel. Once installed, they can easily locate the channel by searching for ICMAI and gain access by clicking on the ICMAI logo.

FROM THE DESK OF CHAIRMAN

Banking, Financial Services & Insurance Board
The Institute of Cost Accountants of India

CMA Chittaranjan Chattopadhyay

Greetings and salutations!!

"A Winner is a dreamer who never gives up"
- Nelson Mandela

I have been bestowed with the honour of being the Chairman of the BFSIB for the year 2023-24 and I thank the President, Vice-President, Government Nominees and other Council Members for their continuous support.

The Department is working under the guidance of the BFSI Board and we are fortunate to have a good assembly of experts in the three domains of the BFSI sector in our Board.

The objective of the BFSI Board is as per the terms of reference as approved by the Council and we adhere as per the mandate provided to the best of our abilities.

G20 was hosted by India and COP 33 will be hosted at India in 2028 and it shows that India is now at the top bracket as the decision maker of the new world order.

We have seen that digital innovation is the cornerstone of the modern financial ecosystem. Financial revolution has gone a transformation with UPI payment and mobile Banking the practise in the modern day. We have seen the lowest common denominator are undertaking the UPI transactions and embracing the digital economy in a big manner.

The BFSI Sector outlook for the year 2024 and one of the premier sector for recruitment in the year 2024 but with the advent of Artificial Intelligence the sector needs upskilling and new innovative roles.

We are opening the new year with a resilient economy and a robust banking sector and it is ever ready to provide resources to the productive sectors of the economy to support growth. The GST collections are at all-time high and the inflation hovering to a lower rate with prices of essential items stabilising. We have also seen a neutral stance of the interest regime by the RBI in it's monetary policy and the Fed deciding to reduce the rates phase wise in the year 2024 the global economy is recovering from the lows of the impact of the pandemic and war.

We are happy to state that we have started many new avenues for the growth of the profession. The admission for the course on Investment Management in association with the NSE Academy for three levels has already started and very soon the 1st batch will see the light of the day. Further, we are continuing our other Banking Courses like Certificate Course on Concurrent Audit of Banks, Certificate Course on Treasury and International Banking and Certificate Course on Credit Management of Banks. We have already completed 24 batches for these courses.

After the new Council took over in July 2023 we have organized 8 webinars in diverse topics including Drone financing, PMLA, Derivatives, Digital Personal Data Protection Act, 2023 and many others. Experts having domain knowledge are sharing their thoughts for knowledge dissemination.

We are privileged to say that since July 2020 we are periodically releasing our quarterly publication called the BFSI Chronicle and in December, 2023 we have released the 15th issue of the BFSI Chronicle which encompasses the activities of the BFSIB along with articles of relevance in the latest happenings in the BFSI sector.

We have printed robust publications like Aide Memoire on Infrastructure Financing (Revised and Enlarged) 2nd Edition, Settlement of Foreign Exchange in INR and very soon we would be releasing the Net Zero Emissions Audit for financing by Banks, Central Bank Digital Currency and other publications which will be of huge benefit to the professionals for their knowledge enhancement and also provide necessary inputs to the Government for policy decisions.

We are also representing strongly to the regulators including SEBI, RBI and IRDAI for inclusion of CMAs and also providing our inputs in any Exposure Drafts uploaded by them for any policy matters. Further, I have the privilege to meet various captains of the BFSI sector by pitching to them the role of CMAs in furtherance of our profession.

We have also done many physical events for professional growth and development and will continue to do in the coming days for updating our members.

We have restarted the BFSI Daily Digest and circulate them in the morning hour to apprise them about the latest happenings in the BFSI sector.

The BFSI Portal in our CMA website is periodically updates and it encompasses the latest news of inclusion of CMAs in various professional activities and we are regularly updating them for the benefit of the members.

Soon we would be launching our course on Fintech and other activities like quiz competition for the Bankers. We have been instrumental for placement services and we thank BSE and Saraswat Bank who participated in the last Campus Placement for the benefit of the just passed students.

The BFSI Board has lot of plans in the new year by conducting retirement solutions month, insurance month, banking month, investment month by conducting webinars, seminars and other events for the benefit of the members, students and other stakeholders. We also hope to represent for inclusion of CMAs in creating new professional avenues for the benefit of the members.

With warm regards,

CMA Chittaranjan Chattopadhyay
January 02, 2024

FROM THE DESK OF CHAIRMAN

Committee for Accounting Technicians (CAT) & AAT Board
The Institute of Cost Accountants of India

CMA Rajendra Singh Bhati

My Dear Professional Colleagues,

"I call upon the nation to take a pledge to make India the Skill Capital of the World"

- Shri Narendra Modi, Hon'ble Prime Minister of India

On behalf of the Institute and my behalf, I wish you and your family a very happy and prosperous New Year 2024. The New Year symbolizes setting up new goals and welcoming new opportunities for the development of profession, work and society. May this New Year bring personal growth and professional success for everyone.

I express my heartfelt gratitude to CMA Ashwin G. Dalwadi, President, CMA Bibhuti Bhusan Nayak, Vice President and my Council Colleagues for providing me the opportunity to serve the Institute as Chairman– Committee for Accounting Technicians (CAT) and AAT Board.

CAT Course aims to empower the youth with job-ready skills, enhance employability and entrepreneurship among them. CAT passed students become very well versed with basic level of accounting work like maintenance of accounts, preparation of Tax Returns, Filling of Returns under the Companies Act, Filling of Returns under Income Tax, GST, Customs Act, Export & Import documentation etc.

The Institute has designed the CAT Course to create comprehensive skill development training programs for bridging the gap between industry demands & skill requirements to support the "Skill India Mission" of Government of India, aimed at making India self-reliant.

The CAT course has great potential especially in line with the Skill India mission of the Government of India. The CAT Team of the Institute is working hard to popularise CAT course in India and bridge the skill gap for the larger benefit of the youth of India. We focus on enriching knowledge, grooming the students with the Industry oriented skills and providing them with relevant training through value addition courses, webinars, seminars, orientation and training Programmes.

The achievements of the Committee for Accounting Technicians in the year 2023 are as follows:

It is a matter of great pride to share that the Institute has been associated with the Ministry of Defence through the Additional Directorate General of Army Education, for conducting the course on "Certified Executive- Financial Planning and Cost & Management Accounting (Defence)" for reskilling Army Educational Corps Personnel in Financial Planning Cadre.

CAT Directorate has conducted batches of Certificate in Accounting Technicians (CAT) course in association with the Directorate General of Resettlement (DGR), Department of Ex-Servicemen Welfare, Ministry of Defence, Govt. of India for retiring/retired defence personnel at Chennai, Indore, Lucknow, Jaipur, Bhubaneswar, Pune and Madurai. Soon, another batch will be commenced in Delhi/NCR. Buoyed with the positive response of these batches, DGR has entrusted the Institute to train 420 candidates at 12 locations in f.y. 2024-25 as per its proposed training calendar for the year 2024-25.

In a recent and noteworthy achievement, we are delighted to announce the receipt of the much-anticipated work order from the Maharashtra State Skill Development Society. This work order involves imparting the CAT Course to the youth across Maharashtra.

A momentous milestone was achieved when an Agreement between the Institute and National Council for Vocational Education and Training (NCVET), Ministry of Skill Development & Entrepreneurship, Government of India was signed on 3rd November, 2023. Through this agreement, our Institute has been recognised as an Awarding Body (Dual Category) by the NCVET. The NCVET recognition will help the seamless inclusion of CAT course in many more projects under the Skill development programme of the Central and State Government(s).

We are pleased to inform you that we are celebrating the month of January 2024 as Career Counselling month to spread awareness of the CAT Course, to Reach the Unreach sections of the country. We request all the Regional Councils, Chapters and ROCCs to participate in Career Counselling activities by conducting Career Awareness programmes in various schools, colleges and Universities.

We are delighted to share that CAT Directorate has started the Campus Placement Drive for CAT Qualified candidates to provide a platform to start their careers. We are also pleased to share that the CAT Qualified candidates are now getting good opportunities from abroad.

Further, I urge CAT students to take membership of Association of Accounting Technicians" (AAT), a Section 8 Company under the patronage of the Institute of Cost Accountants of India, which is exclusively offered to CAT qualified students. As a Member of AAT, you will get opportunities and advantages, for instance, Guidance from AAT/Institute on various professional matters, access to the e-library/knowledge portal, regular professional/contemporary and relevant updates and opportunity to attend seminars/webinars on latest topics of professional interest, delegate for events / seminars /webinars /conferences, opportunity to have interaction and networking with other Members of AAT, inclusion in Placement opportunity programs organized by AAT and many more. For more details on AAT, write to aat@icmai.in.

I convey my sincere gratitude to all the Regional Councils, Chapters and Recognized Oral Coaching Centres (ROCCs) for their efforts in creating awareness of the CAT Course. I hope and trust that with your cooperation and support, we will be able to continue our journey for the accomplishment of professional excellence during the Year 2024.

We wish prosperity, happiness and good health to members, students and their family.

"ACQUIRE EMPLOYABLE SKILLS through CAT*"*

Best Wishes

CMA Rajendra Singh Bhati
January 02, 2024

FIVE DAYS INDUSTRY CONNECT AND KNOWLEDGE ENRICHMENT SERIES ON POWERING PROGRESS IN PHARMA

JOINT INITIATIVE OF MEMBERS IN INDUSTRY COMMITTEE – ICMAI, LAGHU UDYOG BHARATI AND SHRI SHANKARLAL SUNDARBAI SHASUN JAIN COLLEGE FOR WOMEN – SHASUN ALLIANCE FOR INDUSTRY

(1st December 2023 to 7th December 2023)

The FIVE days Industry Connect and Knowledge Enrichment Program on Powering Progress in Pharma was inaugurated by **CMA TCA Srinivasa Prasad**, Council Member and Chairman – Members in Industry Committee. This Program aimed at connecting our Members in Industry with premier academic and research Institution and the MSME Association.

CMA Ashwin G Dalwadi, President – ICMAI and **Dr. S. Padmavathi**, Principal, Shri SSS Jain College for Women conveyed their best wishes for the success of the Program and lauded the joint effort of three premier institutions.

The technical speakers highlighted the importance of Pharma industry from various perspectives. Session – I on **1st December 2023** was on **Introduction and Overview of Pharma**, Legal aspects by **CMA V Krishnakumar**, Vice President – Finance and Accounts, Malladi Drugs and Pharmaceuticals Limited. Keynote Address was delivered by **Shri Hariharan Ramamoorthy**, All India Vice President, Laghu Udyog Bharathi.

Session – II on **2nd December 2023** dealt with **Operational Excellence in Pharma** industry with focus on Operational Quality and Regulatory Requirements by **Dr. A Amsavel**, Vice President [QA & R], Malladi Drugs and Pharmaceuticals Limited. Keynote speaker was **CMA Subhasish Chakraborty**, Vice Chairman – EIRC, ICMAI on 2.12.2023.

Session – III on **3rd December 2023** highlighted the importance of **Quality and Cost Excellence** in Pharma by **Shri R Ravikumar**, Chief Technological Officer, KAWMAN Pharma. Keynote address was delivered by **CMA Pandu Ranga Rao**, Vice Chairman – SIRC, ICMAI.

Session – IV on **6th December 2023** dwelt upon the **Cost Governance** and Framework by **CMA N Ramaskanda**, Cost Accountant, Bengaluru. Keynote was delivered by **CMA Rakesh Yadav**, Vice Chairman – NIRC, ICMAI on 6.12.2023.

Session – V on **7th December 2023** highlighted the **best practices and way forward of Pharma** industry by **CMA Sukrut Mehta**, Cost Accountant, Indore. **CMA Mihir Narayan Vyas**, Secretary – WIRC, ICMAI was the keynote speaker.

Valedictory Address was delivered by **CMA TCA Srinivasa Prasad** and event was co-ordinated by **CMA Rakesh Shankar Ravisankar**, Cost Accountant and **Dr. C K Deepa**, Shri SSS Jain College for Women. The Program witnessed **2200 views spanning** over the five days, including members, students and others.

FIVE DAYS INDUSTRY CONNECT AND KNOWLEDGE ENRICHMENT SERIES ON AUTOMOBILE ANCILLARY INDUSTRY – MARCHING TOWARDS EXCELLENCE

JOINT INITIATIVE OF MEMBERS IN INDUSTRY COMMITTEE, ICMAI, DWARAKA DOSS GOVERDHAN DOSS VAISHNAV COLLEGE, THIRUMUDIVAKKAM INDUSTRIAL ESTATE MANUFACTURERS ASSOCIATION [TIEMA] AND LAGHU UDYOG BHARATI

(15th December 2023 to19th December 2023)

The FIVE days Industry connect and Knowledge Enrichment Program on Automobile Ancillary Industry – Marching Towards Excellence was inaugurated by **CMA TCA Srinivasa Prasad**, Council Member and Chairman – Members in Industry Committee and **Dr. S. Santhosh Baboo**, Principal, DDGDVC and **Shri R Selvam, TIEMA**. This Program aimed at connecting

our Members in Industry with premier educational and research Institution, TIEMA under the administrative control of SIPCOT and SIDCO.

CMA Ashwin G Dalwadi, President – ICMAI and **Shri Hariharan Ramamoorthy**, All India Vice President, Laghu Udyog Bharati conveyed their heartfelt wishes for the success of the Program. Welcome Address was delivered by Dr. S. Seshadrinathan, HOD-Commerce, DDGD Vaishnav College.

The technical speakers highlighted the importance of Auto Ancillary Industry with deep insights and focus for further research.

- Session – I on **15/12/23** was on **Introduction and Overview of Auto Ancillary**, by **CMA Dr. L Gurumurthy**, Cost Accountant, Hosur. He explained the contribution of the industry and the importance in nurturing the operational quality. Keynote Address was delivered by **Shri R Selvam, TIEMA.**
- Session – II on 16/**12/23** dealt with **Operational Excellence** with focus on Operational Quality and by **Dr. VSV Chezhian**, TN State General Secretary and All India Joint Secretary, NIQR. Keynote speakers were **CMA Santhosh Pant**, Secretary –NIRC, ICMAI and **Shri Kumar Chandrasekar**, Managing Director – CRP India Pvt. Ltd.
- Session – III on **17/12/23** highlighted the importance of **Cost Governance and Management** by **CMA D Raman**, GM Finance [Retd], Lucas TVS Limited.
- Session – IV on **18/12/23** dwelt upon Research Initiatives and Electric Vehicles by **Shri K Barathan**, Founder and CEO, Ozotech Automobiles Pvt Ltd. The session was insightful with more Q & A from the participants. Keynote Addresses were delivered by **CMA Y Srinivasa Rao**, Secretary – SIRC, ICMAI and **Shri R V Chari**, Managing Director, GH Induction India Private Ltd.
- Session – V on **19/12/23** highlighted the **best practices in Auto Ancillary** industry by **CMA A Vadivel**, Cost Accountant, Chennai and his focus was on Lean Manufacturing and other excellence initiatives. Keynote speakers were **CMA Arati Ganguly**, Secretary – EIRC, ICMAI and **Shri R Selvam,** TIEMA.

Valedictory Address was delivered by **Shri M Sivakumar, President, LUB – TN State** and event was co-ordinated by **CMA Rakesh Shankar Ravisankar**, Cost Accountant and **Dr. Prabha Rajagopalan and Shri D Premkumar**, DDGDVC.

Glimpses of Northern Regional Student Convention 2023 organised by NIRC of ICMAI at Scope Complex, New Delhi on 23.12.2023. Shri Om Birla, Hon'ble Speaker of Lok Sabha, Parliament of India inaugurated the Convention as Chief Guest.

CMA M K Anand along with CMA T C A Srinivasa Prasad and CMA Vinayaranjan P., Council Members, ICMAI met Dr. Bhagwat Kishanrao Karad, Hon'ble Union Minister of State for Finance at his office in North Block, New Delhi on 19.12.2023.

CMA M K Anand, Chairman PD Committee and Council Member alongwith CMA Chittaranjan Chattopadhyay Council Member met Dr. Subhas Sarkar, Hon'ble Minister of State for Education.

Inaugural Ceremony of ICMAI Bhiwani Chapter on 25th November 2023

Council Members of ICMAI with CII officials for MOU signing ceremony at Hyderabad during Cost Congress 2023 organised by CII

Secretary ICMAI signing the MOU on behalf of Institute with CII representative

CMA (Dr.) Ashish P. Thatte and CMA Navneet Kumar Jain, Council Members held meetings at SEBI with WTD Shri KC Varshney & ED Shri Biranchi Sahoo with regard to the various professional activities which can be undertaken at Institute level for the benefit of stakeholders.

ICMAI extends heartiest congratulations to CMA Pradip Kumar Das, Chairman and Managing Director, Indian Renewable Energy Development Agency (IREDA) on winning esteemed 'CMD of the Year' award for second consecutive year under the Mini-Ratna category at the 13th PSE Excellence Awards, hosted by the Indian Chamber of Commerce in New Delhi.

Council Members CMA (Dr.) K Ch A V S N Murthy, CMA Suresh R. Gunjalli, CMA Navneet Kumar Jain met with Principal Chief Commissioner of Income Tax of Andhra Pradesh and Telangana Ms. Mitali Madhusmita IRS with regard to initiation of empanelment of CMAs for Inventory Valuation.

Council Members CMA Chittaranjan Chattopadhyay, CMA Navneet Kumar Jain and CMA Suresh R. Gunjalli held a meeting with Dr. Deepak Mohanty, Chairperson of PFRDA, to explore collaborative programs aimed at promoting awareness of PFRDA initiatives.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting a copy of the publication titled "Aide Memoire on Infrastructure Financing" to CMA K.Srikanth, Former CMD, Powergrid Corporation Co. Ltd.

CMA Chittaranjan Chattopadhyay, Chairman,BFSIB felicitating Dr. Deepak Mohanty, Chairperson, PFRDA along with other Council Colleagues and other senior Official of PFRDA.

Obituary

In Loving Memory of

CMA (Dr.) P V S Jagan Mohan Rao

Council Member (2011-2019)

The Members of the Council, Office bearers of the Regional Councils and Chapters, members and students' fraternity and all employees of The Institute of Cost Accountants of India with deep sorrow mourn the demise of the beloved Former Council Member **CMA (Dr.) P V S Jagan Mohan Rao,** who left for heavenly abode on January 4, 2024. His demise is an irreparable loss to the CMA profession.

He had a long association with the Institute as a diligent professional and dynamic leader in various capacities. He was the former Chairman of Southern India Regional Council and Hyderabad Chapter of the Institute.

CMA (Dr.) Rao had been appointed as the President of SAFA in the year 2019. He had also served as the member of Committee on Professional Accountants in Business of International Federation of Accountants (IFAC) from 2016-19, served as Chairman, Committee on Professional Accountants in Business (PAIB) of SAFA. He had been elected as the President of the Institute of Company Secretaries of India (ICSI) in the year 2001.

CMA (Dr.) Rao had vast experience of over 30 years in Finance, Secretarial, Legal and General Management. He held the positions as Director (Finance), CFO, Vice President (Finance) & Company Secretary and worked with several organizations including Nagarjuna Construction Company Ltd and Karvy Consultant Ltd.

Let us pray together for the eternal bliss of the departed soul of **CMA (Dr.) P V S Jagan Mohan Rao,** and express our deep condolences to the bereaved family!

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

CALL FOR PAPER

Research Bulletin, Vol. 49 No. III October 2023 (ISSN 2230 9241)

Call for Research Papers/Articles

We invite you to contribute research paper/article for "Research Bulletin", a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publishing high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.
- Each paper should be preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Papers are invited on the following topics, but not limited to:

- Governance and Leadership
- Cyber Security & Fraud Risk Management
- Capital Markets in India
- Cryptocurrency and Its Implications for Financial Management
- Environmental, Social, and Governance (ESG) Investing and Financial Performance
- Sustainable Finance and Investment
- Global Financial Markets and Portfolio Diversification
- Customer Relationship Management (CRM)
- Supply Chain Resilience and Disruption Management
- MSME and Self- Reliance
- Digital Disruptions in Indian Banking
- Insuring India by 2047
- Indian Agro Sector: From Green Revolution to Amrit Kaal
- Healthcare Cost Management

Papers must be received within
31st January, 2024
in the following email id:
research.bulletin@icmai.in

CONCURRENT AUDIT OF CREDIT PROPOSALS

(Credit Risk Management - CRM)

Abstract

'Concurrent Audit' is a continuous audit i.e., year round audit and 'statutory audit' a year end audit. Banks sanction loans and advances on day-to-day basis for the needy people, and these loans and advances are to be verified / audited in 'concurrent audit' at regular intervals.

At the time of 'design of any loan product banks clearly define the systems & procedures to be followed by the branches while sanction / process loans.

Bank branches are to adhere these Guidelines for each and every loan product while sanctioning the loan. The role of the concurrent auditor is to audit, whether the Branch is following the laid instructions / guidelines. If the branch has not followed any of the said guidelines it is to be mentioned in the CONCURRENT AUDIT report.

While processing / sanctioning the credit proposals by commercial banks, certain credit management guidelines are to be followed by the operating units i.e., branches / loan products central processing centres to mitigate the credit risk. These aspects are to be covered / verified by the concurrent auditor during the course of concurrent audit of bank branches. Any deviation in this regard is to be mentioned by the concurrent auditor in the concurrent audit report. Bank branches or the credit central processing centres are to rectify the same instantly / at the earliest; otherwise it may create problems in latter stages of the "credit life cycle period" of the loan products and also it will increase the credit risk of the Banks. Banks have to make provisions and maintain capital adequacy ratio for the credit risk. The following are few guidelines that are to be adhered to in the "credit process of loan proposals" and these are more or less same in the entire banking sector with a minor difference.

CMA (Dr.) P. Siva Rama Prasad
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Hyderabad
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AT PRE-SANCTION LEVEL OF THE LOAN PROPOSAL:

- Prescribed or standard application form designed by the Banks for the specified loan product is to be obtained.
- Application received from the prospective borrower is to be verified as to, whether all columns of the application are properly filled in completely.
- Relevant documents are to be obtained along with the "Loan Application" to verify the eligibility criteria for the proposed sanction of the loan.
- Acknowledgement of the loan application is issued to the applicant.
- 'Due diligence' is carried out in identification of the borrower / and KYC documents, photo ids duly verified and held on records.
- Ensure that the proposal was not declined by the bank authorities earlier.
- Scrutiny of documents obtained like Memorandum and Articles of Association, Certification of Registration and Commencement, Partnership Deed, Board Resolution to Borrow from Bank, Annual Report and copy of Statutory clearance
- Due Diligence report from Cost Accountant / Company Secretary / Chartered Accountant / of the borrower company is obtained in applicable cases as per guidelines.
- Verification of CIBIL Reports / RBI defaulter list / caution list/ECGC (Export Credit Guarantee

Corporation) caution list etc before sanction.

- Verification of income sources of the applicant and surety with income tax, service tax, sales tax returns.
- Credit reports on borrower / directors / guarantor are compiled and held on records.
- Statutory dues / liability including contingent liability outstanding against the applicant / prospective borrower are to be examined.
- Inherent Risk in the Credit Proposal of the Borrower is identified and its Mitigations are discussed in the Appraisal Note.
- Information regarding interest of directors, executives of the bank / other bank, their relatives if any should be obtained and discussed in the appraisal note.
- Information regarding court cases, if any should be obtained and discussed in the Appraisal Note.
- Ensure that technical feasibility, economic viability, location etc., have been properly assessed through technical officer / techno economic viability evaluation by consultant or otherwise.
- Necessary clearances / licenses / approvals have been obtained.
- Compliance of 'take over norms' like reasons for shifting, verification of statements of accounts with previous bank etc.
- Loans outstanding with other banks / financial institutions (statement of accounts) are considered and examined.
- In case of multiple banking arrangements, required information as per RBI / bank's guidelines is obtained.
- Pre-sanction inspection / site visits / inspection of properties offered as mortgage is conducted by branch.
- Legal opinion obtained from panel advocate on the mortgaged property / properties.
- Independent verification of genuineness of title deeds conducted by panel advocate.
- In case valuation of individual property is more than ₹ 5.00 crores, second opinion from panel advocate is obtained (differs from bank to bank).
- Ensure that deficiency observed by panel advocates if any, has been rectified.
- Verification of authority / rights of power of attorney in applicable cases.
- Verification of mortgage / charge with CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India) wherever required. Mortgage is created Up to date. Encumbrance certificate / tax paid receipts are obtained.
- Charges are noted with revenue authority of land records.
- Charges are registered with other respective SRO (Sub Registrar Office) in case of equitable mortgage of property situated in other States, if applicable.
- Search / verification of charge conducted with ROC (Registrar of Companies).
- Property valuation reports are duly certified / confirmed by the branch authorities / credit officials due diligence of property and balance sheet is carried out.
- Valuation of securities giving full descriptions of the assets is obtained as per guidelines from approved valuers.
- Satisfaction of Chargers with ROC in applicable cases.
- In case of valuation of single property of value more than ₹ 10.00 crores, second valuation from approved valuer is obtained (differ from bank to bank).
- Confidential opinion / regularity certificate from existing bankers is obtained in the case of a new borrower and associate / sister concerns dealing with other banks/ branches.
- Appointment of lender independent engineers as per loan policy.
- Analysis of latest financial statements and verification of genuineness of financial statements of applicant and its group concerns.
- Comparison with key financials of peers in case of limit is ₹ 25.00 crores (differ from bank to bank)
- 'Sensitivity analysis', 'internal rate of return' are worked out as per guidelines and are satisfactory.
- 'Exposure limits' are complied with.
- Name and designation of officers and dates are recorded in the appraisal notes.
- Adherence of time norms for sanction.
- Loan is recommended by the officers and / sanctioned by competent authority within delegated authority.
- Applicable rate of interest is stipulated. Rate of interest as well as service charges, if any permitted, is approved by the competent authority.
- Working capital limits / term loans / other credit facilities are assessed as per bank norms and regulatory guidelines in respect of ceiling of limits and sectors are ensured and in case of deviation in bench mark ratio as per loan policy are approved by competent authority.

- Limit sought is commensurate with needs of the unit, assumptions made are correlated with trend / profits wherever applicable and veracity of assumptions is ensured through proper documents.
- Whether all pre and post release terms and conditions of sanction are separately specified including 'all in cost and charges' the same are conveyed to the borrower as well as to guarantors and acknowledgement obtained.

AT SANCTION LEVEL OF THE LOAN PROPOSAL:

- Repayment period, moratorium period, margin, surety, security etc are stipulated / obtained as per bank guidelines. Deviation if any are approved / permitted by the competent authority.
- Proposals sanctioned under branch delegation are routed through the credit approval committee as per the extant procedure and observations of the committee are complied with.
- Sanctions are forwarded to reviewing authority within stipulated time.
- Sanction is reviewed by reviewing authority and review observations are rectified / complied with.
- Revalidation of sanction obtained in the case of lapsed sanctions.
- Modification, if any, in sanction terms are approved by the competent authority.

AT POST SANCTION LEVEL OF THE LOAN PROPOSAL:

1. Prescribed documents are obtained.
2. Documents obtained are complete, valid, enforceable, adequately stamped and all covenants duly incorporated.
3. Documents obtained are signed by all the parties concerned.
4. Guarantees from the guarantors have been obtained as stipulated.
5. Copy of documents executed under consortium advances is held (where bank is not the leader).
6. Vetting of mortgage and security documents by panel advocate as per extant guidelines.
7. Certificate on Legal Compliance is maintained.
8. Copies of documents at the request of the borrower (excepting appraisal memorandum) have been handed over to the borrowers against their acknowledgement and proper records of the same is maintained.
9. All documents are in proper custody and available for verification

Banks have to make provisions and maintain capital adequacy ratio for the credit risk

10. Recording of documents received in core banking system and updation of the same.
11. All formalities regarding creation of mortgage / charge, including *paripasu* / second charge have been completed.
12. Proper recording is done in equitable mortgage register and CERSAI-ID(Central Registry of Securitisation Asset Reconstruction and Security Interest of India-Identification Number) is noted. Legal Audit is done for exposures above ₹ 5.00 Crores.
13. In case of registered mortgage, adequate stamping should be ensured.
14. Proper/ timely registration of charges with ROC/ revenue authority.
15. In case of joint property, ensure that all joint owners have executed the mortgage documents.
16. No objection certificate for creation of charge obtained from concerned authorities in applicable cases.
17. All eligible financial securities like deposit receipts, insurance policy, NSC, equity, other debts securities are assigned / discharged in favour of the bank and lien is noted in applicable cases. Latest present / surrender value certificates of the securities are obtained.
18. Required margin is brought in and necessary certificates obtained (wherever stipulated) for infusion of margin.
19. Compliance with all the sanction terms stipulated by the bank.
20. Ensure that facilities are released only after compliance of pre-release sanction terms and the same are certified by the appropriate authority wherever such certification is prescribed.
21. Securities, both primary and collateral have been insured for full value covering all stipulated risks with bank clause.
22. Renewal premium is remitted well in advance to ensure timely renewal of insurance policies and recovered from respective borrower.
23. Disbursements are made as per terms of sanction.
24. In respect of loans sanctioned for purchase of articles / machineries etc., loan proceeds are released by direct payment to the suppliers and

documentary evidence is held by the bank.

25. Specific/ stage-wise releases are made wherever required / applicable after proper verification of end utilization of previous release.
26. Projects are completed in time and commercial production has commenced; completion of project on time and commencement of operation are monitored. In case of delay in implementation, steps are initiated for extension of the date for commencement of commercial operations wherever applicable.
27. End use of funds is physically verified after disbursement on continuous basis as per requirement and proof of purchase of securities is held. Post disbursement verification of end use reports is compiled and held on record.
28. Chartered Accountant's certificate obtained for end use of fund wherever stipulated.
29. Claiming and accounting of subsidy has been done as per guidelines (in case the unit is eligible for Government subsidy).
30. Ensure that the bank's name plate is properly displayed where charged securities are kept.
31. Stock statements and other information statements are obtained from the borrower as per prescribed schedule, verified and analysed.
32. Whether book statements are duly certified by the Chartered Accountant on quarterly basis in case of exposure of ₹ 1.00 crore and above as per loan policy. (Differs from bank to bank).
33. Inventory of Stock is Checked regularly as per Norms and Entered in the Prescribed manner in the Core Banking System.
34. Monthly book debt statements / list of sundry creditors are obtained and analysed.
35. Drawing power is fixed in operative accounts as per guidelines.
36. All primary securities and collateral securities are inspected periodically and reports placed on record.
37. Joint inspection of securities is conducted as per the arrangements under consortium advances.
38. Monitoring reports are submitted in all cases in time, records maintained and controller's confirmations obtained. Queries / controller's remarks on such reports are complied with / attended to without any exception.
39. Negative features like adverse audit remarks, non-routing of sale proceeds, devolvement of letters of credit, invocation of guarantees, adverse features in the accounts of associates / group concerns etc have been commented upon in case of renewals of both working capital and term loans.
40. Ensure that in the case of consortium advances (where the bank is not the leader) copy of certificate on compliance with the terms of sanction issued by the consortium leader is held.
41. Sanctioned limits are opened in the system properly and master data of core banking solutions are filled in the system.
42. Valuation of securities is obtained as per guidelines periodically from approved valuers.
43. Erosion in the value of primary / collateral securities, if any, is reported properly and necessary action is taken to safeguard the bank's interest.
44. Stock audit is conducted wherever applicable, and defects observed if any, are rectified and submitted to controlling authority.
45. Financial Statements of borrower / associate / sister concern are obtained regularly and analysed to verify any interlocking of funds.
46. Diversion of funds is monitored and steps taken to safeguard interest of the bank.
47. In cash credit accounts, entire sales proceeds are routed through the account and monitored regularly.
48. Monitoring of performance of the borrower vis-à-vis with projections half yearly operation / fund flow statements.
49. Reviewing the internal credit rating and obtaining fresh external ratings as per Guidelines.
50. Wide slippage in the internal / external rating of borrower, if any, are examined and reported to competent authority.
51. Consortium meetings are held periodically and minutes are placed on record and necessary action is taken.
52. Sharing of information in case of consortium / multiple banking arrangements on quarterly basis.
53. Unit visits are done and report prepared as per the stipulated periodicity.
54. Collateral security in the form of mortgaged property is inspected annually and report held on record.
55. Monitoring of performance of the borrower vis-vis with projections.
56. Temporary overdraws / *adhoc* limits / additional limits permitted are as per guidelines and are reported to the controlling office.
57. Conduct of the account is as per the sanction terms -over dues, noncompliance of sanction terms, frequent reporting in special mention account are properly monitored.

58. Periodic verification of charges.
59. Monitoring of inter-changeability between fund based and non-fund-based limits.
60. Post sanction control / follow up of non-fund based facilities like reversal of entries of expired BGs (bank guarantees), realization of devolved LCs (letters of credit) etc., are carried out.
61. Review/renewal / enhancement of the accounts as well as short review is done as stipulated.
62. Renewal application along with the latest audited financial papers / credit monitoring analysis, wherever applicable, submitted by the borrower in time.
63. Short review / provisional extension are granted after proper review as per guidelines. Proper reasons are recorded for repeated extension.
64. Annual review, mid-year review and other periodical reviews are carried out where ever prescribed.
65. Applicable rate of interest is charged.
66. Guidelines on fixing of EMI (equated monthly instalment) while interest rates undergoes change are complied with.
67. Prescribed processing charges, documentation charges, inspection charges and other service charges / commission are collected for fund based and non-fund-based limits for fresh as well as for renewal of facilities.
68. Penal interest / additional interest is charged for overdue loans/ delay in submission of renewal proposal, stock statements, quarterly progress report, financial statements, non-creation of mortgage, adhoc limit etc as per extant guidelines.

CONCLUSION

In today's banking environment, of credit risk is on increasing trend due to increase in credit portfolio (loans and advances) and also non-adherence of the guidelines issued by the Banks to the operating units from time to time. Due to substantial increase in the number of loan proposals handled by the bank branches, some of the aspects mentioned above are not adhered to while processing / sanctioning the credit proposals. That increases the credit risk of the banks and it attracts the provisions and capital adequacy requirements when the loan turns into NPA. Therefore strict adherence to all the stipulated conditions is a sine qua non to ensure that a loan does turn into a non performing asset. MA

CONGRATULATIONS

CMA Abhay Kumar, Manager (Finance), Rashtriya Chemicals & Fertilizers Limited receiving "National Management Accounting Catalyst Award" presented by Higher Education Minister of Nagaland Hon'ble Temjen Imna Jee along with Shri Joyti Kalash Sr. IAS and Dr. Priyaranjan Trivedi Jee, President, Confederation of Indian Universities during the awards ceremony organised by "Confederation of Indian Universities" on 29th December, 2023 at India International Centre, New Delhi.

CMA's ROLE IN BANK CREDIT APPRAISAL AND MONITORING FRAMEWORK

Abstract

In the present scenario of credit management and monitoring, CMAs are playing a very important role in banks and financial institutions. They have to take care of business targets of the Bank and at the same time they have to maintain a quality portfolio. Therefore, art of immediate decision making and knowledge of strategic management, financial management, risk management and relevant laws are essential for CMAs.

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We all know that the basic principles of banking are safety, liquidity and profitability. Credit Department plays a very vital role in getting these principles accomplished. Basically, credit work is the backbone of banks and financial institutions which ensures quality lending of the funds to the borrowers, which the bank has received in its CASA (current account and savings account) and fixed deposit account.

A CMA plays very important role in any bank/ financial institution while lending money to the customer who has applied for loans like home loan, mortgage loan, business loan, cash credit, overdraft limit, education loan and group loan etc.

A CMA can work in any bank or financial institution from Credit Manager to Chief Risk Officer depending upon the experience he is having in the field of credit and risk management. He is expected to maintain a balance between business target of the bank and quality of the case which is being sanctioned and subsequently disbursed by him.

In this article, the emphasis is mainly on home loans and mortgage loans.

ROLE OF CMAS IN CREDIT APPRAISAL

In order to execute his work effectively and efficiently, a CMA is expected to have the knowledge of following fields while appraising the case which has been forwarded to him for decision:

- Strategic Management,
- Credit and Risk Management,
- Knowledge of Related Laws, Legal Procedures and Governmental Policies,
- Financial Management.

Now, we will discuss the above points in detail:

STRATEGIC MANAGEMENT

At the time of appraising a particular case, a CMA having good knowledge of strategic management focuses more on the following aspects which are having significant impact on the business of applicant.

Industry Analysis

In involves the analysis of the industry in which the proposed customer is operating. It helps the CMA to ascertain the present and future trends of industry; whether Government policies are encouraging that industry or in future the Government policy may not be favorable for that industry which may have adverse impact on the sustainability of the business of the applicant. It may also affect the repayment capacity of the customer.

SWOT Analysis

Analysis of strength, weakness, opportunities and threats of the business of the customer is also a very critical factor. A CMA checks the above factors while visiting the business premises of the customer and analyzing the documents provided. It also helps in analyzing the entrepreneurial skills of the customer and the sustainability of the business as well. Asking questions about internal weaknesses and external threats of the business helps in analyzing the future shape of the business which is being run by the customer, which helps in taking correct decision and building a quality portfolio.

Stakeholder's Analysis

While working on the loan proposal, a CMA checks the details of various stakeholders who are having significant impact on the business of the customer in present and near future. It will help him to check the readiness of the customer with the interest of stakeholders like Government, regulatory agencies, labor unions, shareholders, employees, vendors etc.

Use of Ansoff Matrix

Knowledge of Ansoff Matrix helps the CMA in analyzing the proposed use of the funds which is being borrowed by the customer, whether it is for market development, market penetration, product development or diversification. If the loan amount is to be used for market development, whether applicant is having adequate knowledge of the new market or not is to be considered. If the loan is to be used for product development, then the question is whether applicant is having knowledge of the new product and knowledge of its supply chain. If it found that, applicant is having adequate knowledge of new product and market; he needs to go ahead with the proposal. Similarly, in the case of diversification of the business, CMA needs to check with the customer, whether it is related diversification or unrelated diversification. He also checks whether customer is having knowledge of the new product and new market because no past records will be available with the customer in this situation and use of own analytical skill by the CMA is crucial in this situation.

Analysis of Porters Five Forces

Porter's Five Forces Analysis consists of analysis of threats of new entrants, threat of new substitute products, bargaining power of customers, bargaining power of suppliers and analysis of competitive rivalry.

Home loan and mortgage loan are termed as long term loans and the tenure of these loans vary from 15 to 25 years. Therefore, analysis of the above factors about the business of the customer helps him in taking prudent decision towards sanctioning and disbursement of the correct loan proposal, which improves the quality of the portfolio of bank/ financial institution in which he is working.

⊙ RISK MANAGEMENT

CMAs are playing the role of Credit Managers and Risk Managers as well in many banks / financial institutions. Therefore, knowledge of risk management helps the CMAs in mitigating the following risks:

Financial Risk/ Marketability Risk: In home loan or mortgage loan, property is being provided by the customer as collateral. A CMA analyzes, whether the said property is as per norms of the bank or not and will it fetch adequate value, if sold it off in case of default.

Operational Risk: A CMA, working as a Credit Manager, has to deal with various types of vendors. These vendors may be personal discussion (pd) vendors, technical vendors, legal vendors etc. Managing these vendors and getting the correct report on time is a primary role and responsibility of Credit Manager as delay in getting the report or getting the incorrect report may have adverse impact on the day to day business operations and negative impact on profitability of the Bank.

Reputation Risk: A CMA ensures that loan proposal is being sanctioned as per the Internal policies and procedures laid down by banks/ financial institutions. At the same time, he has to ensure that it is also fulfilling the various legal norms and procedures stipulated by Reserve Bank of India and Government of India.

Credit Risk: A CMA analyses the Four Cs related with particular loan proposal. These are Capacity, Collateral, Character and Capital. Proper analysis of these factors helps in mitigating the credit risk related to the proposal.

If any risk has not been identified so far, he should inform the Chief Risk Officer or Risk Committee of the Bank to include it in the Risk Register so that adequate measures could be taken on time to mitigate the same.

⊙ RELATED LAWS, LEGAL PROCEDURES AND PREVALENT GOVERNMENT POLICIES

A CMA is having good knowledge of following laws which helps him in the proper appraisal of the proposal and it's monitoring it till the end. Further, it also helps in taking correct decision and maintaining good portfolio quality.

1. The Indian Contract Act- 1872,
2. The Transfer of Property Act-1882,
3. The Limitation Act-1963,
4. The Registration Act- 1908,
5. The Companies Act- 2013,
6. The Partnership Act- 1932,
7. The Central Goods and Service Tax Act-2017 (including the State and UT Acts),
8. The Income Tax Act-1961,
9. The SARFAESI Act-2002, Bankruptcy Code and Debt Recovery Act
10. The Prevention of Money Laundering Act-2002,

11. The Negotiable Instruments Act-1881.

Further, a CMA is expected to have good knowledge of the various schemes which have been launched by Government of India like Pradhan Mantri Aawas Yojna and Primary Sector Lending so that necessary benefits of these schemes can be provided to the customers.

- **KNOWLEDGE OF FINANCIAL MANAGEMENT-**
  - This is the back bone of credit analysis of any proposal. A CMA is very well conversant with the analysis of financials of any firm/company.
  - Financial statement provide the details of the past performance of a company and at the same time it reflects the future trends of the profitability of the firm to which the amount is being lent. It shows, whether the said firm is financially sound to repay the loan amount which is being lent to it.
  - When a loan is being lent to a company, a CMA is supposed to go through the Companies Auditors Report Order in order to ensure that there are no adverse remarks mentioned like contingent liability, outstanding income tax, GST etc which may create financial crunch, if they become payable in near future.
  - Analysis of cash flow statement, fund flow statement and various ratios like debt service coverage ratio (DSCR), interest coverage ratio, net profit ratio, debt equity ratio, ROCE etc. reflects a clear financial position of the firm to which the loan will be given. Thus ratio analysis helps the CMA to judge whether the amount being lent to the entity will be received back with interest or not. Since CMA possesses thorough knowledge of these ratios, he can take the decision for approving the loan proposal in low turn around time (TAT).

ROLE OF CMAs IN MONITORING WORK:

With disbursement of the loan the role of CMA does not gets extinguished. Monitoring the customer's account and maintaining the good portfolio quality is also an important work.

For monitoring of the good portfolio of the loan, following activities by CMAs are involved:

- A CMA is supposed to keep an eye on the quality parameters, set out by the management in terms of safekeeping of the documents especially the papers establishing the ownership of the properties, which have been provided as collateral.
- To ensure adherence of the internal controls, he prepares /reverts to the queries raised by the Internal Auditor, Statutory Auditor and RBI Auditor.
- Periodic visit to the customer's place to verify the end use of the loans in order to ensure whether the amount has been utilized by the customer for the purpose for which it has been availed.
- A CMA has to be in regular touch with the collection/ recovery team to monitor the behavior of portfolio and take necessary action, if the account is not behaving properly. He also helps the management in suspicious transaction reporting (STR), if any abnormal entry is found in the loan account and savings/ current account from where the loan EMI is being paid.
- Role of a CMA is very important in the capacity building program of the Bank in which he is working. He is supposed to provide adequate training to the branch team periodically in order to improve the portfolio quality and to get them updated regarding the recent Governmental policies.

CMAs who are working in Credit Department can be considered as "Gate Keepers" of the organization

In the current scenario of technology spread, a CMA is expected to be well aware of the FinTech Regulations. Apart from this, he should be well conversant with Digital Currency, Block Chain, Artificial Intelligence (AI), Machine Learning and IoT (Internet of Things).

Thus, it is evident that CMAs are playing a very important role in maintaining the asset quality of the Bank. They are improving the credit discipline in the banks, where they are working. They take the decisions within the stipulated credit process of the Bank which results in lower risk and increase in profitability of the Banks. A CMA ensures the building up of strong internal controls and at the same time ensures adherence of the same so that there should not be any non-performing asset in the portfolio of Bank.

Therefore, CMAs who are working in Credit Department can be considered as "Gate Keepers" of the organization who allows only quality portfolio to enter in the books and safeguards the interest of the Bank also. MA

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DIGITAL LENDING
(A Way Forward)

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"Financial Technology (Fintech)opens opportunities to boost economic growth, especially for financial inclusion, but policymakers must also address the risks."

- International Monetary Fund

Abstract

Digital Lending refers to the use of technology and digital platforms to provide financial services, particularly loans, to customers. Online lending platforms, mobile apps, and other digital channels like Paytm, Lendingkart, Paisabazaar are some of the leading digital lending platforms in India. The Indian government has been promoting digital lending to increase financial inclusion and access to credit for underserved populations.

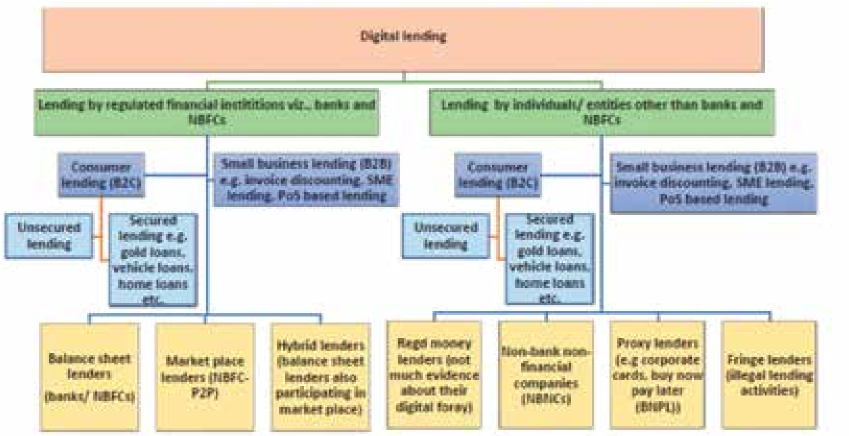
Apart from that digital lending platforms are enhancing healthy competition in the lending market which helps to lower the interest rates for borrowers and enhances risk management by utilizing advanced technologies such as big data, Artificial Intelligence (AI), and machine learning to analyse the creditworthiness of borrowers, this can help to reduce the risk of loan defaults and improve the overall efficiency of the lending process.

Digital lending in India has grown rapidly in recent years, with many new players entering the market and traditional financial institutions also adopting digital lending platforms. However, there are also concerns about the lack of regulation and oversight in the digital lending sector, which can lead to predatory lending practices and high-interest rates for borrowers. Initially, the digital lending platforms were largely unregulated but due to a lack of transparency and other drawbacks of this system the Reserve Bank of India (RBI) introduced guidelines for digital lending in India to ensure consumer protection and mitigate the risks of fraud and misleading lending practices.

Reserve Bank is statutorily mandated to operate the credit system of the country to its advantage. In this endeavour, the Reserve Bank has encouraged innovation in the financial system, products and credit delivery methods while ensuring their orderly growth, preserving financing stability and ensuring protection of depositors' and customers' interest. Recently, innovative methods of designing and delivery of credit products and their servicing through 'Digital Lending' route have acquired prominence. However, certain concerns have also emerged which, if not mitigated, may erode the confidence of public in the digital lending ecosystem. The concerns primarily relate to unbridled engagement of:

- Third parties.
- Mis-selling.
- Breach of Data Privacy.
- Unfair Business Conduct.
- Charging of Exorbitant Interest Rates, and
- Unethical Recovery Practices.

Illustration of Digital Lending Taxonomy in a Universal Context

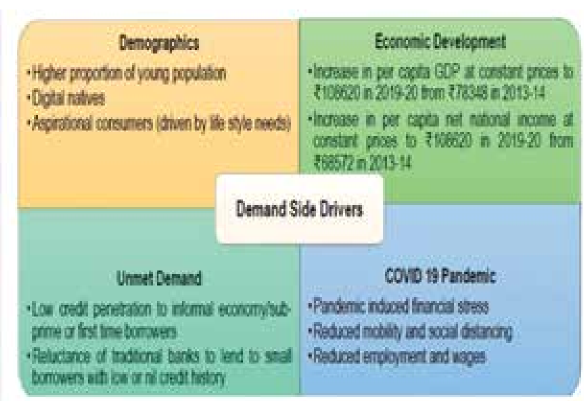


FACTORS SPURTING GROWTH OF DIGITAL LENDING IN INDIA

The ubiquity of Information and Communication Technology (ICT) has affected most conventional financial products in India and created newer products. Digital lending is driven by a combination of supply-side and demand-side factors. In India, unmet credit demand of younger cohorts, low financial inclusion, technological advancements and increasing internet penetration are going to be the strong drivers.

However, trust in technology, data security and customer protection considerations will play a critical role in determining the extent of 'FinTech adoption'. India accounts for the most number of Digital Lending Applications (DLAs) in the world. India's vision towards becoming a cash-light economy combined with the growth of public digital infrastructure and the demand for financial inclusiveness makes it a front runner in the digital lending technology arena.

Growth Drivers have come both from 'Demand Side'



NEED FOR REGULATION IN DIGITAL LENDING MARKET:

Digital lending is a method of providing and collecting loans through online platforms or mobile applications, which allows for the "quick distribution of loans" and saves a lot of costs that would otherwise incur in the traditional lending business. Loan service providers (LSPs) work with non-banking financial companies (NBFCs) to issue credit to borrowers using their platform. However, some of these platforms may engage in irresponsible lending by giving out loans that borrowers cannot afford to repay.

Digital lending in India has been plagued with instances of unscrupulous trade practices. Some of the Examples are:

- High interest rates.
- Hidden fees.
- Aggressive marketing tactics.
- Unauthorized access to personal data.
- Harassment and
- Intimidation.

Some lenders charge exorbitant interest rates, which can make it difficult for borrowers to repay their loans. Others may not disclose all the fees and charges associated with their loans, making it difficult for borrowers to compare different loan products. Some lenders use aggressive marketing tactics to lure customers, while others have been accused of accessing borrowers' personal data without their consent. In extreme cases, digital lenders have resorted to harassment and intimidation to recover their loans, making it a challenging situation for borrowers to navigate. That is why there existed a strong need for regulation in this market that eventually came in the form of RBI guidelines.

Growth drivers have come both from Supply Side

CUSTOMER PROTECTION AND CONDUCT ISSUES:

- All loan disbursals and repayments are required to be executed only between the bank accounts of borrower and the regulated entities (RE) without any pass-through / pool account of the loan service provider (LSP) or any third party.
- Any fees, charges, etc., payable to loan service providers (LSPs) in the credit intermediation process shall be paid directly by RE and not by the borrower.
- A standardized key fact statement (KFS) must be provided to the borrower before executing the loan contract.
- All-inclusive cost of digital loans in the form of annual percentage rate (APR) is required to be disclosed to the borrowers. Annual Percentage Rate (APR) shall also form part of Key Fact Statement (KFS).
- Automatic increase in credit limit without explicit consent of borrower is prohibited.
- A cooling-off / look-up period during which the borrowers can exit digital loans by paying the principal and the proportionate annual percentage rate (APR) without any penalty shall be provided as part of the loan contract.
- Regulated entities (REs) shall ensure that they and the loan service providers (LSPs) engaged by them shall have a suitable nodal grievance redressal officer to deal with FinTech / digital lending related complaints. Such grievance redressal officer shall also deal with complaints against their respective Digital Lending Apps (DLAs). The details of the Grievance Redressal Officer shall be prominently indicated on the website of the regulated entity, its loan service providers (LSPs) and on Digital Lending Apps (DLAs), as applicable.
- As per extant RBI guidelines, if any complaint lodged by the borrower is not resolved by the RE within the stipulated period (Currently 30 days), he/she can lodge a complaint under the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS).

STEPS TAKEN BY RESERVE BANK OF INDIA TO STRENGTHEN DIGITAL LENDING

Licensing of Digital Lending Platforms

RBI has started the process of licensing digital lending platforms, which will allow them to operate as regulated entities and provide a level of oversight and accountability. Additionally, the licensing process involves several requirements that digital lending platforms must meet, including the need for them to maintain a minimum net owned fund of ₹ 2 Crores and to have a physical presence in India.

KYC and e-Signature

Reserve Bank of India's (RBI) decision to introduce e-KYC and e-Signature for digital lending has been a game-changer for the lending industry. This move has not only simplified the process but also made it more convenient for customers to access loans. By leveraging digital technologies, lenders can now complete the KYC process quickly and securely, without the need for physical documentation or in-person meetings. This has not only made it easier for customers to apply for loans but has also helped to reduce the turnaround time for loan processing.

Moreover, e-signatures have made the loan disbursement process quicker and more efficient. This is because customers can now sign loan documents digitally, eliminating the need for physical paperwork and reducing the time and costs associated with document handling and storage. The e-signature process also ensures that loan agreements are securely executed, reducing the risk of fraud or tampering.

Data Privacy and Security

To ensure that customer data is protected and to

Digital lending is a method of providing and collecting loans through online platforms or mobile applications

prevent data breaches, the RBI has issued guidelines for data privacy and security for digital lending platforms. These guidelines outline the best practices for data privacy and security for digital lending platforms, emphasizing the need for robust data protection measures and strict adherence to data privacy laws. They also require lenders to implement strong authentication processes, multi-factor authentication, and encryption techniques to secure customer data. Lenders are also required to conduct regular security audits and vulnerability assessments to identify potential security threats and to implement remedial measures to address them.

Credit Information Companies (Regulation) Act

The RBI has also strengthened the regulatory framework for Credit Information Companies (CICs), which play a critical role in digital lending by providing credit information to lenders. The aim is to ensure the quality of credit information and to protect the confidentiality of credit information.

Prudential Framework

The framework requires banks to adopt a risk-based approach to digital lending and to have in place robust systems and processes to manage the risks associated with digital lending. This includes a comprehensive credit risk assessment process, strict adherence to lending limits, and the establishment of appropriate internal controls and oversight mechanisms.

The framework also requires banks to ensure that their digital lending platforms are adequately secured and that customer data is protected at all times. Banks are required to have in place a strong and secure IT infrastructure, including appropriate encryption and authentication measures, to safeguard customer data from cyber threats and data breaches. Furthermore, the framework requires banks to maintain adequate documentation and records for all digital lending transactions. Banks are required to keep track of all customer data, loan documentation, and other relevant information related to digital lending activities to ensure transparency and accountability.

Entry of Technology Service Providers of Various Forms, in addition to the existing ones, into the 'Financial Sector' creating a Larger Universe for the Ecosystem

RBI GUIDELINES ON DIGITAL LENDING ON SEPTEMBER, 2022:

- The Reserve Bank of India (RBI) issued guidelines on digital lending on September 2022, to promote responsible lending practices and protect borrowers.
- RBI in these guidelines has tried to regulate the 'Digital Lending Market' through regulated entities which often enter in partnerships with various digital lending platforms to facilitate online lending.
- The very first guideline of RBI on digital lending says that "REs shall ensure that all loan servicing, repayment, etc., shall be executed by the borrower directly in the RE's bank account without any pass-through account/ pool account of any third party."
- "REs shall prominently publish the list of their DLAs (Digital Lending Apps/Platforms), loan service providers (LSPs) engaged by them and DLAs of such LSPs with the details of the activities for which they have been engaged, on their website," said another guideline.
- Regulated entities are entrusted with the responsibility to verify documents various loan documents and digital signatures.
- Some digital lenders sanctioning loan amounts that are beyond the repayment capacity of the borrower. To tackle this issue the RBI has issued

guidelines that "Regulated entities shall capture the economic profile of the borrowers covering (Age, Occupation, Income, etc.), before extending any loan over their own Digital Lending Apps (DLAs) and/or through loan service providers (LSPs) engaged by them, to assess the borrower's creditworthiness in an auditable way" this step will reduce the loan default rate in the digital lending market.

- Regulated entities also require to appointment of a 'Nodal Officer'; such grievance redressal officers shall also deal with complaints against their respective Digital Lending Apps (DLAs). The details of the grievance redressal officer shall be prominently indicated on the Website of the regulated entities, its loan service providers (LSPs) and on Digital Lending Apps (DLAs), as applicable. Additionally, borrowers have the option to escalate unresolved complaints to the 'Integrated Ombudsman Scheme of the RBI'.

The above guidelines include measures to ensure transparency in loan disbursements and repayments, disclosure of fees and charges to borrowers, and limitations on automatic credit limit increases.

The RBI has mandated these regulations in order to check mis-selling to customers, unethical business conduct, exorbitant interest rates, and excessive engagement of third parties in digital lending transactions.

CONCLUSION

RBI regulation in the 'Digital Lending Market' is crucial as it will ensure that there is sustained long-term growth in this segment. Most of the digital lending taking place today is in the form of short-term credit, availed mostly by low income or financially struggling individuals. Short-term small credit facilities to underserved populations will surely help the country to expand its middle-class population, which is the key to developing a strong economy, but an unregulated lending market leads to unscrupulous trade practices which may render the idea of large-scale digital lending unreliable. It is crucial that any short-term credit products made available to underserved populations are transparent, affordable, and designed to support financial inclusion rather than exacerbating financial exclusion. Therefore it is important that 'digital lending' takes place ethically and most regulated way possible and the RBI is making this sure through its guidelines. Overall, the RBI's efforts have helped to establish a regulatory framework for digital lending in India, which has helped to increase Transparency and Accountability in the Sector and provide a level of oversight to ensure customer. MA

References:

1. *RBI Guidelines.*
2. *IMF Research Papers.*

NOTIFICATION

Kolkata, the 4th December, 2023

16-CWR/2023 : In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (c) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost Accountants of India has removed from the Register of Members, the names of the members who have not paid their prescribed fees due upto 2023-24, with effect from 1st December, 2023.

Sd/-
(Kaushik Banerjee)
Secretary

STOCK & BOOK DEBTS AUDIT OF BANKS

(Working Capital / Cash Credit Loans)

Abstract

The term 'Stock and Book Debts Audit' means the verification, authenticity and valuation of the amount of current assets, particularly stocks and book debts and also current liabilities like creditors, diversion of funds by the borrowers, application of funds (end use of loan funds), accuracy of stock particulars mentioned in inventories statements i.e., stock statements, to arrive the "drawing power" on regular basis during the loan period and also any other matter connected therewith as mentioned in the post sanction follow up conditions of working capital loans / cash credit loans by the banks. The main focus is towards verification of quantity of stocks that are given as primary security to the bank, quality of stocks (movable and non-movable stocks), composition and valuation of the inventories (stock, work-in-progress, finished goods) and debtors / bills receivables of the unit in addition to verification creditors who supplied the raw materials to the unit from time to time on credit basis.

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The most significant portion in the total assets of any business organization, which forms a substantial portion in general is current assets, particularly inventories (stock, work-in-progress and finished stocks) and debtors (debtors / bills receivable). They are considered as 'lifeline of every business organization' since they are called the 'central indicator of good health of the business organizations'. The basic objective of verification of the assets is to specify their physical existence of stocks and also the safety Aspects of storing the assets by the borrowers etc.

The purpose of conducting the stock and book debts audit in banks is to get a confidence to the lenders / bankers that the primary security against which the loan is sanctioned represents both the quality and quantity it claims to possess (by cross checking of monthly stock & book debts statements submitted by the borrower). With this assurance, the purpose of the inventory audit as stipulated by the bank in terms and conditions at the time of sanction of the loan is served. The inspection of the stocks against which the loan has been sanctioned consists of not only the physical verification of stocks but also includes verification of aspects, like ownership of the stocks, valuation of the stocks (invoice price / market value etc.) and proper storage of stocks in godown and its maintenance etc. The stock and book debts auditor's role has great impact, in this regard as the audit report is considered as more authentic and unbiased. The stock and books debts auditor is therefore, expected to be objective and unbiased while undertaking the stock and book debts audit.

Working capital is the lifeline of business / manufacturing organizations. Without adequate working capital, a company cannot survive in business for a day. The most critical part of working capital is providing on ongoing usage of short-term funds in short-term assets that a company needs to operate without any interruption. Moreover, some businesses firms which supplies stocks i.e., "huge inventories" needed by the manufacturers, retail firms and wholesalers on credit or cash terms. Without working capital finance, businesses could not open and operate.

The following is an illustrative list and not an exhaustive list in respect of common mistakes found by the stock auditors while undertaking 'stock audit' of bank's working capital Loans. In actual practice of 'stock audit of bank branches', there may be additional or other observations / irregularities beyond the mistakes / remarks mentioned below:

SOME REMARKS OF STOCK AUDITORSON STOCK STATEMENTS

- Stock and book debts statements are not submitted by the borrowers and sometimes not submitted in time to the bank branches while availing working capital loan from the bank branches.
- Full details of stocks i.e., rate, quantity and amount of different types of stock items are not mentioned in the stock and book debts statement.
- In few cases, the scrutiny of stock statements is not done by the bank officials / credit officers.
- "Drawing power register" not updated in most of the working capital accounts of the bank branches. In most of the cases 'drawing power' is not properly arrived i.e.,
    - In case of stocks, total stocks minus creditors (who supplied the stocks) minus non-moving stocks minus stipulated margins of sanction is the drawing power subject to limit sanctioned by the bank. In case of debtors, total debtors minus debtors more than 90 days are to be deducted minus stipulated margins is the drawing power subject to limit sanctioned by the bank.
- "Age-wise analysis" of "trade debtors" are not mentioned in the monthly statements submitted by the borrowers who availed the cash credit accounts from the bank branches.
    - Debtors over 90 Days (As Per Sanction not to be covered) Considered while arriving Drawing Power.
    - Drawing Power is not Correctly Calculated / arrived in most of the Cash Credit Accounts.
    - Latest Unit Inspection Visit Report by the Branch Officials / Credit Officer not on record.

STOCK AUDITOR'S REMARKS ON CASH CREDIT ACCOUNT OPERATIONS

- Cash credit account operations / transactions are not scrutinized with reference to projections of the unit, quarterly information statements, audited accounts, etc.
- Defects pointed out by the risk based internal auditors/ concurrent auditors / statutory auditors are not complied with.
- No or belated review and renewal of cash credit accounts.
- Total Sales as per profit and loss account of financial statements of the company not routed through the cash credit account.
- In some cases, account not operated actively i.e., no debits and credits but yearend outstanding are equal to the 'drawing power'.
- Cash transactions / withdrawal are found more in the 'cash credit accounts', even though creditors payments / overheads are to be made by way of cheque / RTGS / NEFT.
- Frequent excess drawings / overdrawing are allowed by the branches in the cash credit account.

STOCK AUDITOR REMARKS ON INSURANCE COVERAGE

- Under insurance for the stocks thereby average clause will apply by the insurance company in case of any damage like fire, theft etc.
- In some cases, insurance policies may have expired and timely renewal not done. This is a high risk both for the bank and the borrower in case of any eventualities i.e., risk happened.
- In some cases, "cover notes are available (not insurance policy) and premium paid for renewal policy is not on record.
- If the insurance policy is without bank clause i.e., 'Hypothecated to "XYZ Bank', then in case any claims, the insurance company would have paid the amount directly to the "borrower's current account" instead of cash credit account.
- All types risks are not covered as per the sanction terms and conditions of the loan mentioned by the bank. The credit risk in this regard will be more.
- Wrong items or the details or description of goods mentioned on insurance policy against the stocks financed by the bank.
- Where the location of goods stored by the unit / borrower is not mentioned in the policy, the Bank has to ensure the same while verifying the insurance policy. In some cases, the stock storage mentioned in the insurance policy is different from the type of stocks to be purchased by the unit at the time of loan sanction.
- Where large corporates are having multiple storage locations. The insurance policy covers only few storages points mentioned instead of all stocks stored in different storage points.

STOCK AUDITOR'S REMARKS ON STOCK AND CREDITORS

- Stock registers / books are not maintained by the units / borrowers and in some cases not updated.
- Obsolete stocks are not excluded from stock figures and submitted to the stock statements to the bank to avail the drawing power on monthly basis.
- In some cases, important ratios of working capital i.e., stock turnover ratio is deteriorating.
- Stock statements (Figures) submitted at the year ending is not tallied with the financial statements of the units submitted to the banks.
- Stock debtors as per statements submitted by the units are not tallying with financial statement figures i.e., balance sheet (debtors).
- Confirmation of inventory by the third party stocks is not obtained in certain cases or physical verification of inventory not done.
- Material received from third parties for the job work purposes are not excluded while calculating the drawing power of the unit.

STOCK AUDITOR'S REMARKS ON SUNDRY DEBTORS

- In sundry debtors list, existence of long pending debtors in the debtors list.
- Long pending debtors (where the recovery is bleak) are shown in the statement provided to the bank as below 90 days debtors instead of above 90 days debtors.
- There is an increase in the average collection period of debtors which is against the credit policy of the company.
- Some of the debtors have filed court cases on various disputes and these are shown in the debtors list.
- Amount receivable from the 'sister concerns' are considered for calculation of drawing power of the unit.
- If advances received from the debtors are not reported it results in less drawing power than calculated by bank.

STOCK AUDITOR'S REMARKS ON GENERAL AREAS

- Diversion of funds by the unit i.e., short term funds are used for long term purpose and inter account transfers are not properly monitored by the bank branches.
- Most of the borrowers are having bank operations with other banks for which permission of lender bank is not obtained thereby most of the borrowers have opened current accounts with different banks to route the sales and other transactions instead of cash credit account.
- Bank name plate is not displayed at important location in the premises of the unit and wherever primary security is kept / stored.
- In case of consortium advances (financed by more than one bank) the account is not monitored / followed-up in close co-ordination with the member banks. This is against the tripartite agreement of the consortium finance to the unit.
- Physical verification of assets and inventories are not done as per the stipulated norms defined by the bank and the defects / irregularities pointed out by the auditors are neglected / unrectified.
- Valuation of inventories and various methods used in valuation are not verified, thereby affecting the value of the stocks of the unit.
- Most of the accounts are neither reviewed nor renewed at regular intervals (every year).
- Monitoring of accounts where sub-limits allotted to different branches for convenience of the borrower is missing.

DOCUMENTS / INFORMATION REQUIRED FOR STOCK AUDIT

- Stock and book debt auditor's report on inventories and book debts for the last three years.
- Cash credit account or working capital loan account statement for the last three months.
- Details like opening inventories, purchases, sales, work-in-progress, finished goods for the last year to be obtained with quantity and type of stock.
- Full details of the plant and machinery like installed capacity, licenced capacity and actual production units of the various plants installed in the unit with proofs are required.
- Sales invoices and GST returns for the last 12 months, the stock auditor may take at least 3 entries per month for checking purpose.
- Copies of purchase invoices of stocks for last 12 months, taking on a random basis at least 3 entries per month and checking the process of collection.
- Certified copy of the constitution of entity i.e., partnership deed or the memorandum and articles

of association downloaded from the ROC website or the copy of the trust deed for trust accounts etc.

- Copy of filing fees receipt and charge registration certificate with Registrar of Companies.
- Profit and loss account of the unit for the last 3 years.
- Month-wise inventories statement (raw material, work-in-progress, finished stocks) with full details for the last one year.
- Month-wise book debt statement for one year and the credit policy of the company.
- In case of manufacturing companies, a brief summary of the process flow of the manufacturing process of various products.
- List of books, registers and records maintained by the company for inventories, debtors, creditors.
- Details of purchase and stores department officials and their organizational hierarchy, along with their respective responsibility of the officials.
- Detailed flowchart depicting the movement of raw materials to work in progress to finished goods in the production department.
- Credit policy as is employed by the company for selling of the goods on credit to the debtors.
- Detailed statement of debtors showing the date of the bill, amount sold, invoice, transport document, goods acceptance receipt and age-wise classification of debtors and reasons for non-payment of dues on due date etc.
- A detailed inventories statement as on the date of physical verification along with date of purchase of stock with the detailed breakup of its components etc.
- Copy of agreement of ownership / lease agreement / rent agreement of the factory or godown etc.
- List of sundry creditors, period of credit allowed, with date of bill payable for goods purchased on date of physical verification of goods supplied by them etc.
- Certified copy of the insurance policy in force with full details of stocks insured.
- Certified copy of terms and conditions of the loan sanction issued by the bank.
- Comprehensive management representation letter issued by the banker to complete the stock and book debts audit and to solicit their full co-operation for smooth completion of stock and book debts audit.
- Certified copies of GST returns and income tax returns of the last year etc.
- A note specifying the accounting policies implemented by the company and audit remarks thereon.
- A detailed note submitted by the company to the bank on accounting system for purchases of stock, credit sales and inventories valuation etc.

CONCLUSION:

Stock audit & book debts audit is a vital tool' in credit monitoring system in banking sector and it is also useful to mitigate the credit risk of working capital loans sanctioned by the banks.

On one side it ensures the safety of the realizable value of primary security i.e., stocks and debtors and on the other side it also helps the banks to inculcate the habit of 'credit discipline' among the borrowers who availed cash credit loans. It also acts as a 'warning signal' against the raising of non-performing assets particularly in cash credit accounts.

It supports the banks to take instant or timely action / remedial measures to avoid significant future credit losses. This audit also highlights the weaknesses of the loan accounts in particular working capital loans (if any), in the existing credit monitoring system of working capital loans of the bank branches through the comments made by the stock and book debts auditor in audit report on maintenance of drawing power register, scrutiny of stock statements that are submitted by the borrower on regular basis to arrive the drawing power, review of the accounts during renewal process of the cash credit loans and also compliance of audit findings by the borrower.

Beyond the above, the stock and book debts audit acts as the 'utility for the borrower' who are availing cash credit loans from the banks. Comments on insurance policy covered for the stocks and its inadequacies, wrong product description mentioned in the insurance policy and locations address of the stocks stated in the insurance policies etc., if rectified timely will save the borrowers from avoidable future losses on account various perils or risks that arise to the stocks like fire, theft etc.

Hence, stock and book debts audit is not only for the compliance part (as per the terms and conditions of the loan) under respective statutory provisions but also towards imparting knowledge of value addition exercise for both bankers and the borrowers. MA

Reference

1. *Reserve Bank of India Guidelines*

CONTROL 'ELECTRICITY COSTS' OF BANKS

(Through 'Energy as a Service' **(EaaS)** Model)

Abstract

The Indian commercial banks today face noteworthy challenges from every path and direction. The continuing environment of low growth, or even negative in some sectors, interest rates continue to create the intense margin pressure thereby it affects bottom line of the banks and barriers to growth etc. At the same time, the increased competition from the "Neo Banks" and also the 'Fintech Companies' continue to crumb away at the edges of the traditional banking business in the economy. Consumer preferences are increasing and their expectations are endlessly shifting and the rising as new and incumbent digital innovations are redefined how the services are presented and delivered to the customers.

In this ever-challenging environment, the Cost Management remains a strong authoritative for the complete 'Global Banking Industry'. Across the globe banks adopted different strategies / systems to reduce their 'Information Technology Costs' and also the 'Overheads like Electricity / Power' etc. The 'Cloud Computing Model' is also to reduce the 'Information Technology Costs' and 'Energy as a service (EaaS) Business Model 'is to reduce 'Electricity / Lighting Costs' are the few examples of 'Cost Reduction Tools / Strategies'.

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'Transforming Energy from a 'Cost' into an Opportunity'

Cost Reduction is more prevalent in the Banking Sector as most of the "Commercial Banks" main objective is to earn profits in every financial year ending with 31st March. In the recent survey of banking sector, seventy two percent of the surveyed banks plan to undertake the Cost Reduction **i**nitiatives in order to increase their bottom line of business i.e., profits base. Banking sector is continuing to view Cost Management as their high priority and objective. Most of them have achieved the admirable levels of operating efficiency by reducing their Cost of Operations. Despite banks ongoing efforts, too many are still to achieve them Middle-of-the-Pack performance of their business operations. Most of the banks continue to have very positive expectations in respect of their "Revenue Growth", and many of them are using Cost Reduction as a tool to increase their "Bottom Line (i.e., profits)".

Profit generation is critical for any business including banking for its survival and growth. Although banking is considered as a bloodline of the economy for any country, in order to provide a reasonable "Return for the Capital Expenditure" and to continue services to economy, profitability of the Banks is critical. To achieve the same, 'Efficient and Effective Cost Management' of Bank's entire operations is the need of the hour.

Non-Interest Expenses:

The operating expense incurred by banks which is separate from the interest expense on customer deposits is considered as Non-Interest expenses. This includes the Bank's overhead and operating expenses i.e. operating and maintenance cost of branches / administrative offices, rent, electricity, information technology costs, stationery, insurance, postage etc. generally, non-interest expenses are essential for daily operations of a bank, hence the banks need to keep its operational costs at an 'Optimal Level' in order to maximize their profits. Similarly poor management of the above mentioned costs will have direct impact on profitability of the bank.

A bank which is operating with low cost enjoys 'Economies of Scale' in banking business as it spreads the operating costs over large revenues. Since non-interest expense is often a major component of a bank's overall expenses, it is used to calculate the overhead ratio. A low overhead ratio is preferred since it depicts that the bank incurs lower operating costs. However, when a bank reports a high overhead ratio for a long period, it indicates that it has expended high operating costs, which may affect its reported earnings. Banks have to address this area of concern by minimizing its Information Technology costs, electricity costs since they form the major part of non-interest expenses.

Bank Efficiency Ratio: This ratio is the financial tool which is used to determine the financial performance of a bank. It is the ratio of non-interest expense to the net operating revenue. The formula can be indicated as below:

$$\text{Efficiency Ratio} = \frac{\text{Non-Interest Expense}}{\text{Net Interest Income} + \text{Non-Interest Income}}$$

The higher the efficiency ratio the higher the operating costs, and can directly affect the Profit.

Cloud Computing Model-An Information Technology Cost Control Tool

This is considered as a Cost Control Tool. **SaaS** helped Financial Institutions/ Banks to improve their quickness, seize new market opportunities and secure the existing revenue streams. It enabled banks for swift adoption to changing business environments and scale up or down as per customer demand patterns. The Opportunities which SaaS provide for the Banking industry are:

- Quickness in order to support 'Demand Patterns' &'Volatile Business Cycles'.
- Reorganisation of 'Information Technology Cost Structure' from the capital expenditure (Capex) to the operational expenditure model (Opex).
- The cost reduction with enhanced cost predictability.
- To ease of data analysis for improved business growth.
- Improved their operational control with Web-based interfaces.
- For high and automated security and controls.
- The business continuity assurance with data backups.

Electricity / Lighting Costs of Banks:

Out of the "Operating Expenses" that are incurred by the banks, rent, taxes and lighting (Electricity) expenses are controllable costs. Among these 'Electricity or Lighting' cost is one of the major cost.

To attract a greater number of the customers to the branch premises, Automated Teller Machine / Cash Deposit Machine Locations, Central Processing Centres (For Retail and MSME Loans), banks are spending more on ambience / lighting. This in turn leads to increase 'Electricity Costs' due to creation of Air-Conditioned environment at all these locations. In addition to this, Branches / Administrative Offices / Central Processing Centres installed high-capacity 'Diesel Power Generators' for direct current in case 'Power Failures' etc.

These facilities not only increase the 'Cost of Operations' but also creates lot of sound, releases high carbon emissions. DG sets installation nearby / inside the branch premises also sometimes leads to 'High Operational Risks' like short circuit, fire, ballasting due to high voltage current etc. On account of increase in petrol / diesel prices, the operating costs are further increase "Year-on-Year" basis, thereby not 'Economically Viable' as an alternate source of energy in case of power failures.

The following is the data relates to the Rent, Tax and Lighting Expenses incurred by the Public Sector Banks for the Financial Year 2022-2023. Out of this Expenditure, almost 35% to 40% of the costs incurred towards lighting i.e., electricity costs.

Rent, Taxes and Lighting Expenses of Public Sector Banks for the FY 2022-2023

(₹ in Thousands)

Name of the Bank	Amount
Bank of Baroda	15,68,36,89
Bank of India	8,53,57,70
Bank of Maharashtra	2,48,22,82

Canara Bank	11,08,91,83
Central Bank of India	5,27,07,66
Indian Bank	6,20,98,45
Indian Overseas Bank	4,92,71,53
Punjab and Sind Bank	1,36,72,62
Punjab National Bank	13,17,88,96
State Bank of India	57,02,00,53
UCO Bank	2,93,91,46
Union Bank of India	10,67,74,13

Electricity Cost Control Tool -Energy as a Service (EaaS) Model:

EaaS is a new business cost control model which replaces the earlier notion of "Energy as a Commodity" by outsourcing the Energy Management of the Business Organizations such as Banks. In this model, the Energy Suppliers provide 'Corporate' Customers with Energy and provide other Services like Consulting, Systems Installation and Usage Monitoring Software on a Subscription Basis, this support frees the Business Organisations from having to make any upfront capital expenditure.

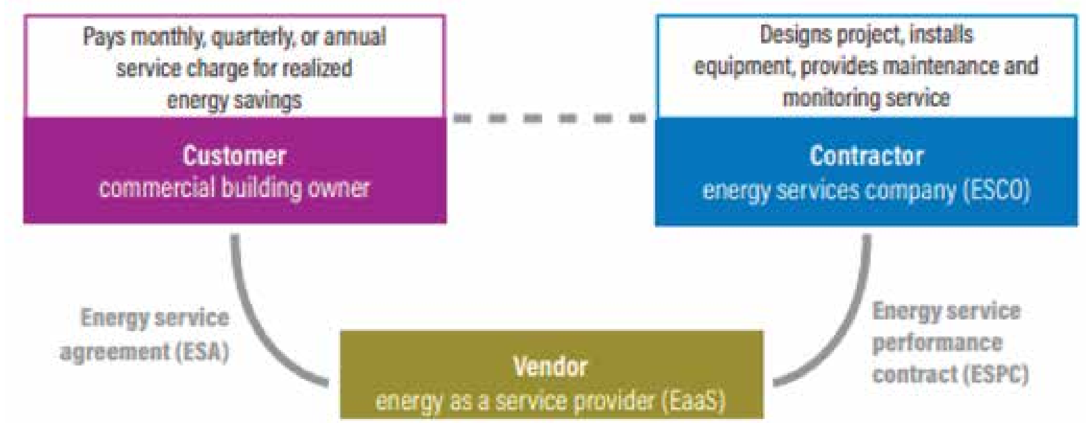
The shift to the EaaS Model is being encouraged due to below reasons / trends:

- Decarbonization-removal or reduction of carbon dioxide (CO_2) output into the atmosphere.
- It reduces the energy costs.
- Electrification-the process of replacing technologies that use fossil fuels (coal, oil, and natural gas) with technologies that use electricity as a source of energy.
- Digitalization of the electrical usage and
- Urbanization

This model is a best solution due to its integration of smart technologies. This model promotes the adoption of advanced low-carbon technologies. For example, this model supports the adoption of "Photovoltaic Energy" where consumers of the electricity are not required to purchase the panels. The panels are offered as part of the subscription by the "Energy Providers".

EaaS providers monitor and maintain the energy supply also, this helps their Customers to lower their operating costs and thereby improving their profitability. This model is more advantageous to electricity service suppliers, as it allows for predictable and stable revenue streams.

The EaaS Model



(**Source**: Emerging Opportunities Series-ACEEE)

The EaaS provider designs the scope of the project in line with the consumer's requirements and enters into energy services agreement (ESA) for a specific contracted period for covering the costs and repayment of services. The EaaS provider also enters into an Energy Service Performance Contract (ESPC) with a contractor or an Energy Service Company (ESCO) for installing the energy measure, providing long-term maintenance, and for guaranteed performance throughout the term of the agreement. Typically, the Energy Service Company (ESCO) guarantees only a part of the "Expected Savings" while the EaaS provider assumes the risk of realizing the full expected savings.

In this model it shifts the burden of financing, owning, installing, and also managing the performance of an energy asset from the Consumer to the Service Provider. Before an energy-saving measure is installed, the service provider conducts a preliminary and detailed energy assessment in order to determine potential savings opportunities.

Once the project scope is finalized and the construction is completed, a measurement and verification (M&V) analysis will be done to assess the actual savings. The consumer is responsible only for a service fee which is typically based on the units of energy saved (often referred to as Negawatts). The Payment can be structured either as a percentage of the consumer's utility rate or as a fixed amount per kilowatt-hour (kWh) which is saved.

In any case the consumer's payments are below its current utility rate the service provider promises a certain level of energy savings and adjusts payments if it is not realized. At the end of the contract period which is generally 5 to 15 years, the consumer can purchase the equipment at "Fair Market Value" or have the service provider remove it or extend the contract.

The model offers increased benefits to customers like periodical billing rather than the billing based on kilowatt-hours and smart metering.

The other benefits include:

- It reduces the costs of energy.
- It improves the operational quality.
- It creates greater financial and environmental sustainability of business organizations.
- It improves risk management.
- It increases the transparency.

Conclusion:

In a dynamic and challenging business environment, banks will need to quickly reduce their cost base and they should also focus on freeing up their capital to invest in the future growth of the banking business, while maintaining the customer service standards and also competitive advantage from their peers in the banking industry. Cost-savings programs of banks that have worked in the earlier years will not necessarily be translated into Long-term success of the Banks. So, the banks have to redefine their cost base and they have to rethink about the various operating models / business models / best practices that are useful to position the "Strength of the Profitability and Growth of the Banks" in the long run.

'Energy as a Service (EaaS)' Model will help the commercial organizations like banks with limited access to 'Capital', to achieve higher profitability and also the operations and maintenance (O&M) savings in banking operations, to reduces their 'Operational and Performance Risks' by eliminating the organization ownership of energy equipment, guaranteeing in energy savings etc. MA

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"e₹" CENTRAL BANK DIGITAL CURRENCY

Abstract

Central Bank Digital Currency (CBDC) is anInnovative Step towards Modernizing the 'Financial Landscape' of the Country. CBDC-Digital Rupee (e₹) is a digital form of 'Fiat Currency' of the Country. The CBDC is issued and regulated by the Reserve Bank of India, same is guaranteed by the Government of India.

By leveraging the "Blockchain Technology", e₹ enables for continuous and immediate transactions, removing the intermediaries and reducing settlement times. e₹ ensures Strong Security measures, protecting the users from fraud and ensuring the integrity of money transactions. As an available Digital Currency, e₹ Opens the Doors to achieve the 'Total Financial Inclusion of the Country', making the Banking Services available to a 'broader population' those who are living in 'Rural Areas', including those population without 'Old-style Bank Accounts'.

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Some of the Central Banks in the 'Developing/ Emerging Economies'and new emerging markets are implementing the Retail Central Bank Digital Currencies like:

- China.
- Mexico.
- Nigeria.
- Bahamas.
- Jamaica and
- Caribbean Union.

Are some of the Nations which are enhancing the Payment Efficiency Systems.

In India, the Concept Note was issued by Reserve Bank of India listed the following additional drives or motives.

a. **To Widen the Financial Inclusion in the Country**: Poor Connectivity due to absence of set-up and Socio-economic Barriers are contributing to the "Lower Financial Inclusion" in India (As per the Reserve Bank of India Reports, India's Financial Inclusion Index as of March 2022 is **56.4%**). The Digital Mode of Currency (CBDC) that does not require a fully functional like Bank Accounts and this can work offline mode and it will provide a major boost to 'Financial Inclusion' of the Country.

b. **To Promote the Cashless Economy**: Holding of the Cash during Pandemic COVID-19 as a precaution, and further the unidentified nature of the 'Cash Receipt and Payment Transactions' had directed to exponential rise of Physical Cash Usage during the period 2021–22. Hence, the introduction of 'Central Bank Digital Currency' with conditional obscurity can boost Cashless Transactions in the country and is a big initiative for encouraging a Cashless Transactions Economy.

c. **To Boost the Payments and ReceiptsNovelty System**: Central Bank Digital Currency will serve as a stand forthe payment 'Novelty' and also provides varied options for Customers. CBDC is also allowed from the Credit and Liquidity Risks and due to the same it removes the blocks for the organizations to explore New Capabilities.

d. **To Curb the Money Laundering Transactions**: Many times,it is a concern regarding the Unrecognised Digital Assets such as Crypto Currency etc. and about a substantial portion of the People transacting, holding and trading in such unrecognized Assets. Contrasting

Cryptocurrencies, Central Bank Digital Currency is less susceptible to instability and volatility. Hence, CBDC safeguards Individual Rights.

e. **Reduce the Operational Costsand it Helpsto Achieve Environmental, Social, and Governance (ESG) Goals**: The Cost of Cash Management such as Printing and Distribution of currency in India is an enormous task due to Population Size. Further the penetration of Digital Transaction is Low at Rural Areas and Unbanked Areas. The Expenditure incurred by the Government of India on Printing of Currency between the period April, 2021 To March, 2022 was **₹ 4,984 Crores**. This amount excludes the Environmental, Social, and Governance Impact. Apart from the High Printing of Currency Costs, Transportation or Distribution of Currency Costs, and it should be noted the Government of India (GOI) subsidises the High Usage of 'Unified Payments Interface' by the Population. The Starter of Central Bank Digital Currency relieves the burden on the Government in terms of Printing of Currency, Distribution of Currency and Storage of the Currency Notes, and it contributes to India's Environmental, Social and Governance Goals by serving to reduce Carbon Footprint of the Country.

f. **To Simplify the Securities Settlement**: Government Securities / Money Market Instruments can be settled using the Wholesale **Central Bank Digital Currency** in India through **Delivery versus Payment (DvP)** settlement of Reserve Bank of India. This Mechanism is used to ensure that the 'Delivery and Settlement' of Government Securities are occur simultaneously. Reserve Bank of India launched a **Pilot Wholesale Central Bank Digital Currency** called the '**Negotiated Dealing System-Order Matching (NDS-OM) CBDC**'. Thereby it allows Banks to Buy or Sell the Government Securities and Money Market Instruments in Secondary Market.

Retail Central Bank Digital Currency Pilot Launch: End-user Experience:

a. E-wallet Creation and Loading.
b. Spending a CBDC.
c. Receiving a CBDC.

a. **E-wallet Creation and Loading**:	**E-wallet**: ≈ This interface provides low cost and simplified features and is a front-end solution with effortless onboarding. Hence an e-wallet has the potential to act as a Catalyst for adoption of Central Bank Digital Currency. **To Create Account**: ≈ To Create Account involves to provide Personal Information of the User, Verify the identification and Setting-up of the Authentication Methods in order to access e-wallets. ≈ Strong Identity and Access Management feature can be provided for account management with underlying benefits of to avoid Fraud and Cybersecurity Monitoring etc. **3 Categories of Know Your Customer:** ≈ The Three Categories of 'Know Your Customer' Types are No, Minimum, Full of KYC Documents. The Customer Self-Registration Process has to be defined and accordingly as per each Category, Aadhaar Based OTP has to be used for generating Onetime User Authentication purpose. **Loading and Unloading of CBDC**: ≈ The Users of CBDC can link any one of the Onboarded Banks to Load and Unload **Retail Central Bank Digital Currency** Tokens from their Savings Bank / Current Account. **CBDC Wallet Features**: ≈ The CBDC Wallet allow the users to check the Latest Account Balance along with the Various Denomination of the Tokens that are available in the Wallet. A user of CBDC can also view his / her earlier Transaction madelist History and Individual Transactions Receipts / Payments or Acknowledgment Copies etc are available in the CBDC Wallet. **Security Feature of CBDC Wallet**: ≈ CBDC Token Management will involve very strong Anti-Forging Measures, Freezing of the Broken Accounts, Auto-locking, and Nonstop availability of Systems. Further other security procedures have to be taken for countering the Potential Susceptibilities and to protect the Deposited Value of CBDC Tokens.

b. Spending or Use of Central Bank Digital Currency:	≈ End User of CBDC can spend while making the payments for Purchases at Merchants Points or Point of Sale, i.e. P2M, or by transferring the CBDC to different Persons, i.e. P2P. For spending a CBDC, the End Usermay use Two Options i.e., o Searching for a Beneficiary-scanning with the help of the **QR Code** or by entering the beneficiary Mobile Number which will accept by Central Bank Digital Currency. End Users would need to use their CBDC Digital Wallet for initiating the transactions and also to confirm the details of the Transactions. It requires the Authentication Password / Personal Index Numberwhich is similar to a Unified Payments Interface Transaction. End user needs to key the Input and the same to be authenticated for the Payment to be made. ≈ Central Bank Digital Transactions are to be enabled for the Continuous functionality and also to offer the Operational Flexibility with Negligible Dormancy. This leads to enable the real-time transaction settlements with least Failure Rates and the same can lead to Rapid Adoption of CBDC.
c. Receiving a CBDC:	≈ End User of the CBDC can receive in their Digital Wallet in different ways such as Direct Deposit to be made by their Employer or from their Peer-to-peer Transactions or from Central Bank Operated Platform also. ≈ Overall Users Experience of the **Retail Central Bank Digital Currencyor e-wallet** has purposely been made in order to closely look like the Unified Payments Interface Users Journey for minimising the User's Understanding or Learning Curve and also for Quick Adoption of the New System.

(**Different Denominations of CBDC issued by Reserve Bank of India**)

New Initiative of Central Bank Digital Currency in India:

Reserve Bank of India CBDC Pilot System i.e., **Retaile-Rupee happened** in December 2022. The main aim of launch is to create Digital Version of Financial Transaction which is similar to the existing Paper Currency used by the people and also to measure the usage for ensuring a continuous transition of Central Bank Digital Currency. Reserve Bank of India roll out the Central Bank Digital Currency through an **Intermediary Model System (i.e., Through Banks)**, with a preliminary involvement from **8 Banks** identified by RBI in India.As on February 2023, the Pilot Project was conducted in Five Cities in India within **Closed User Groups (CUG)** as per instruction of Central Bank containing of the Customers and also Merchants on an **Invitation-basis** by the Banks only.

Under this Pilot Project for trail run, the Reserve Bank of India issues CBDC to Intermediary i.e., identified Banks which in turn issue the Digital Wallets of CBDC tothe End Users of Closed User Groups. These transactions of Close User Groups are to be performed in the same way as the transactions which involve Physical Currency of the Country. As the CBDC (**e-Rupee)** will note rnany interest at present, it can be used to investing in Deposits of Banks / Financial Institutions.

"Unique Features" that Reserve Bank of India to Incorporate in e-Rupee are:

- Off-line Functionality to Support Usage of Central Bank Digital Currency in **Low/No Network** Conditions Particularly Rural and Unbanked Areas of the Country.
- Programmability for Restricting Government of India and Various State Government Benefits/ Subsidies / Grants usage for a definite purpose atCertain **Identified Merchants**.
- Interoperability for permitting both **Newer and HeritagePayment Systems** to Operate effortlessly and to progress the Possibility of Implementation.
- Secrecy to Assurance an Individual's Right to Secrecy as in the case of the "**Physical Cash**".

Reserve Bank of India travels towards the plan to implement a Digital twin. This can match Physical Currency which is improved by State-of-the Art Technology and offers a Fast, Efficient and Continuous Experience.

Indian Central Bank Digital CurrencyCompare with Global CBDC

Particulars	India (Digital Rupee)	China (e-CNY)
Instrument Type	✓ Token. ✓ Non-interest.	✓ **Account** and token. ✓ Non-interest.
Live/Pilot	✓ Pilot.	✓ **Live.**
Technology	✓ Central Ledger works on Hyper Ledger fabric and uses API-based interfaces. ✓ Non-native Security Protocol that represents Token held on a Wallet on the back of Local Digitally held Balance. ✓ National Payments Corporation of India (NPCI) Switch enabling interbank transactions from existing payment rails.	✓ Hybrid Ecosystem as there is a Central Ledger which is Compatible with all Distributed Ledger Technology (DLT) frameworks that intermediaries might choose to use. ✓ Software and Hardware wallet depending on the carrier. ✓ Software Wallet provides services through Application programming Interface (APIs), software development kits and hardware that uses security chip. ✓ Digital Certificate, Signature and Encrypted Storage to avoid any misuse.
Design	✓ Two-tiered Model wherein issuance and minting of Central Bank Digital Currency (CBDC) Token takes place on Distributed Ledger Technology (DLT) and the user-based interface on API-based application. ✓ Commercial Banks are providing customer interface which is separate from the minting layer. ✓ Partial Anonymity. Even though transactions are recorded in the central ledger, the owners of the wallets are anonymous and won't be known to the government or intermediaries. ✓ Beyond a certain amount, the owner may be required to submit Permanent Account Number (PAN).	✓ Two-tiered structure. Central Bank for issuing and redemption, intermediaries help circulate. ✓ Anonymity for Small-value transactions and traceable for high-value payment transactions. ✓ System Collects Minimum transaction information and restricts information flow to the third parties or any other government agencies. ✓ Privacy protocols implemented by internal firewall in order to limit access to transaction data. ✓ Programmability Deployed by smart contracts-self-executing with predefined limits and conditions.
Regional Motivation for CBDC	✓ Financial Inclusion and enablement of off-line payments. ✓ Restriction on the use of privately held Cryptocurrencies. ✓ Alternative Resilient and Interoperable Digital Payment Rail.	✓ Support Financial Inclusion through need for Digital Cash. ✓ Reduction of Friction among other Payment Platforms. ✓ Counter the Popularity and Risks posed by Cryptocurrencies.

UPI Vs CBDC:

Parameter	Unified Payments Interface	Central Bank Digital Currency
Procedure of payment	Unified Payments Interface is a Real-time Payment System of the country and the transactions of Money / Financial Transactions will happen from one Account to another account without delay and it will happen. But it is a transfer of remittance system and not a Digital Rupee, but it is an enabler of financial transactions of the Country for the public.	Central Bank Digital Currency or **e-Rupee** is similar characters of physical currency or sovereign paper currency of the country but it is in Digital form.The CBDC Digital Wallet is load with e-Rupee CBDCthereby it can then be transferred to another CBDC Wallet.
Reliance	Unified Payments Interface transactions will happen between the Bank Accounts of the Customers, and hence they are Dependent on Banks and also National Payments Corporation of India (NPCI) and Payment Service Providers (PSPs) etc. When the payer or sender of the Money makes a Unified Payments Interface makes the Payment to the receiver or the Beneficiary, the transaction flow involves National Payments Corporation of India,the sender bank, the receivers bank, payer Payment Service Providers (PSP) and receivers Payment Service Provider.	Central Bank Digital Currencye-wallet isand independent of the bank Savings / Current Account and these transactions are carried outby using the e-wallet CBDC balances. When a payer or sender of the Central Bank Digital Currency e-wallet scans or adds details of the payee or the Beneficiary of Central Bank Digital Currencye-wallet, the e-money will be sent from One e-Wallet to another like Cash Transactions / Balances without any involvement of Third Parties like Bankers / FIs etc.
Payments	The settlement for end users of CBDC will happen instantly as the money gets immediately Debited to the Senders' Account and Credited to the Beneficiary Account. The Interbank Transaction Settlement will happens on a Deferred Net Basis.	There is no need of settlement in this regard of CBDC as the digital wallet balance was get transferred to another e-CBDC wallet.
Anonymity of CBDC	Unified Payments Interface transactions are recorded by Bank Accounts andare reflected in the Bank Account statement. When a Payer makes any transaction with Unified Payments Interface, the amount gets debited from the payer's Savings / Current account and the same is credited to the payee account. This gets reflected in both bank statements of sender / receiver and the bank's ledger, making it non-anonymous.	Anonymity is one of the key features of the Central Bank Digital Currency. The data is nottaking on transactions from One CBDC Wallet to another CBDC. During the Digital Wallet transactions, there is no reliance or any intermediation by the banks. This indicates that the transaction is not recorded in the statements of Bank Accounts thus making it anonymous. This is true for all the transactions which are lower than ₹ **50,000**.
Liability to Pay	The Obligation in case of UPI lies with the Users of UPI and respective Bank Accounts.	The Obligation to refund / pay lies with the Reserve Bank of India.
With the rapid implementation and extensive of usage of Digital Transactions, Unified Payments Interface has become a very widespread mode of payment system in India.Unified Payments Interface has been helpful in quickening the Penetration Level of Digital Payments and Settlement Transactions in India and making it a Possible Platform that can be amalgamated with Central Bank Digital Currency. This combination will help as a better payment solution which offers prompt fund transfers and also user-friendliness to the population of the Country.		

Summary of Central Bank Digital Currency Benefits:

e₹ offers a Wide Range of features, thereby it enhances the Efficiency, Security, and Accessibility of Digital Transactions. Some Key Features of **e₹ are**:

Instant Money Transactions	**e₹** allows for **Real-time, Instant Payments and Transfers**, Enabling Swift and Efficient Financial Transactions.

Security and Transparency of Transactions	Built on a **Secured Blockchain Network**, **e₹** Ensures Tamper-resistant of Records and Transparent in Transaction Histories, Enhancing Trust and reducing the Risk of Fraud.
Easy Accessibility	**e₹** Promotes Financial Inclusion by providing Banking Services to **unbanked and underbanked populations**, Fostering Economic Empowerment for All.
Unified Payments Interface (UPI) Interoperability	Digital Rupee offers seamless payment experience through Interoperability with **Unified Payments Interface** (UPI).
Reduces the Transaction Costs	**Eliminating Intermediaries** and Streamlining Processes, **e₹** reduces Transaction Costs, making it an attractive option for Individuals and Businesses.
Availability of Privacy Protection	**e₹** Balances the need for **Transparency with user Privacy**, Ensuring Secure and Confidential Transactions.
Reduced Counterfeit / Forged Notes Risk	As a Digital Currency, **e₹** Minimizes the **Risk of Counterfeit Notes**, enhancing the Overall Security of Financial Transactions.
Regulatory Compliance	**e₹** Adheres to all relevant **Regulations**, Safeguarding the Integrity of the Financial Ecosystem.
Environmentally Friendly (ESG)	**e₹** have the **Potential to Reduce the Environmental Impact** associated with Physical Currency Production and Transportation.
Innovation and Technological Advancement	**e₹** Represents the Bank's Commitment to embracing **Cutting-edge Technologies** and Paving the way for the future of Finance.

The Success of the Digital Rupee (CBDC) depends on accessibility and User-friendliness

How to get CBDC:

Digital Rupee (**e₹**) App now available on Pilot mode through PlayStore or Appstore to the **Selected Customers of Banks**. Digital Rupee App provides the facility of Digital Wallet where Digital Rupee for making Payments. Digital Rupee (CBDC) Wallet has the following:

Load Token: Load the Token Balance in the Wallet according to its Denomination.

- **Send (Transfer) Token**: Tokens or Amounts can be sent to the other user using this Functionality.
- **Collect (Receive) Token**: This Feature is used to request another User for a Token or Money.
- **Redeem Token**: This Function is used to Withdraw a Bank Account's Token Balance.

To Conclude:

Digital Rupee in India aims for an Inclusive and Efficient Financial System of the Country. Reserve Bank of India is making efforts for a User-friendly and Secured Ecosystem. It offers Faster Transactions, Cross Border Global Transfers, and 24/7 Availability, surpassing Traditional Banking System. The **e-Rupee** Reduces the Costs and it eliminates Physical Printing of Currency. It modernizes Government Payouts, improving Efficiency in Subsidies, Tax Refunds, and Scholarships.

The Success of the Digital Rupee (CBDC) depends on accessibility and User-friendliness. It should be "Easy to Navigate" on Smartphones for all, including those excluded from Traditional Banking. As the Pilot Program expands, more People can Experience the Benefits of this New **"e₹"**Currency.

Abbreviations:

API= Application Programming Interface

CBDC=Central Bank Digital Currency

CUG=Closed User Groups

DLT=Distributed Ledger Technology

DvP=Delivery Versus Payment

ECG=Environmental, Social, and Governance

NDS-OM=Negotiated Dealing System-Order Matching

R-CBDC=Retail Central Bank Digital Currency

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NEW ERA OF "EXPECTED CREDIT LOSS PROVISIONING" IN INDIAN BANKING SECTOR

Abstract

*Subsequent to **"Great Financial Crisis"**, the Accounting Standard (AS) Developers have an obligatory that the Banks and other Business Organizations have to provide the Provisions against the Loans portfolio on **"Expected Credit Losses".** Banks must provide provisions for **'Expected Credit Losses'** from the Time of Loan Sanctioned or Disbursed, not awaiting the Loan Turn into NPA or **"Trigger Events"** which gives alert for impending losses of the Banks or Financial Institutions.*

In Simple Terms, the Provisions may give scope to reduce the impact on "Regulatory Capital i.e., Capital Adequacy of Banks" is Expected to be Limited or Nominal. But, these New Rules of Expected Credit Loss Provisions are likely to change the behaviour of the Banks and Financial Institutions in Credit Recessions, Potentially Diminishing Procyclicality of the Banks or Financial Institutions in the Long Run.

Banks, Regulators and Market Participants are to prepare for their respective Roles and Responsibilities while Implementing this "New Approach" of ECL and Measuring its Impact on Balance Sheet / Financial Statements etc.

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The Reserve Bank of India (RBI) was declared the schedule for implementing the Indian Accounting Standards (Ind AS) that congregates with the International Financial Reporting Standards (IFRS) from April,2018. While following the Ind AS Standards, the Standards on Financial Instruments Standard like Ind AS 109 (Is Similar to that of IFRS 9) is meaningfully influences financial sector organisations like Banks and Financial Institutions.

Standard like Ind AS 109 introduces with a requirement to calculate the Expected Credit Loss (ECL) on all financial assets of the Organizations, at the time of initial stage or the origination and at every reporting date of the Financial Assets in the Books of Accounts. The New impairment provision requirement of the Loans or Advances of the Banks is set to replace the current rule-based provisioning norms as prescribed by the Reserve Bank of India.

The new impairment provisions for Credit Risk Accounts becomes suitable in times of increase in NPA levels and also stressed assets situation arouse or experienced in the Financial Sector including banking sector. The new impairment provisions are required for both financial services entities like Banks / NBFCs and also to the regulators to take a closer look or action at the time of impact on capital planning or requirements, or pricing of the Credit Products and to align to Credit Risk Management.

All over the World, number of Banks and Financial institutions has recently geared up their implementation efforts on the new loan impairment requirements of Expected Credit Loss Provisions. Expected Credit Loss Provisioning norms are likely to result in enhancing the provisions amount and they apply to off-balance sheet items like Letter of Credit, Bank Guarantees, Derivative Transactions, loan commitments and other financial guarantees. The International Accounting Standards Board (IASB) and other Institutions and Agencies are released various reports that includes Qualitative and Quantitative affects and the observations of the impact on assessment on New ECL Provisioning Norms.

The introduction of the New Model of Provisioning Norms i.e., the forward-looking ECL Model matches the provision requirements on all financial assets of the Organizations with consistent, with their Economic Value and more of proactive approach during an economic downturn or crisis in the Economy. The importance of these three-stage Credit Loss recognition requires the advanced Credit Risk Modelling Systems, Skills of the Manpower to access the Credit Risk of Bank Portfolio and High-Quality requirements is a New or Additional Challenge to many Banks and Financial Institutions across the Globe.

Standard like Ind AS 109 jots down the various risk components of the Credit Portfolio and its necessities for ECL Modelling in order to be additional benefit rather not prescribed any fixed methodology or system. Globally the Regulators of the Financial System of the Country expect the financial organizations or entities to implement the latest or more advanced modelling techniques in order to achieve the robust Credit Risk assessment.

In future, the Financial Institutions and Banks, the ECL Provisions are sure to find use crossways of various credit decision-making processes and also Investment Process in the Banks and NBFCs like Loan Origination, Pricing of Loans Products, Internal Capital Adequacy Assessment Process (ICAAP) of the Banks, Capital Planning requirements and evaluation of key performance indicators of the Banks and NBFCs.

Credit Decisions based on incorrectly designed models in the past or implemented methodology to arrive and interpret Expected Credit Loss may adversely affect financial institutions or entities. The Inaccurate or Wrong Estimation of Expected Credit Loss can affect profits or earnings of the organizations adversely in the short run and it will result in loss of capital or capital erodes in the long run.

Segmentation of Loan Portfolio of Banks:

The Credit Loss approach under Indian Accounting Standard 109 needs Financial Institutions including Banks Segmentation the "Loan Portfolio" built on the various "Risk Profiles Characteristics".

By using a Comparable "Loan Portfolio Segmentation Approach" helps the Banking Sector or Financial Institutions in making Collaborations both in Short-term and the Long-term Period.

The First-level Segmentation of Loan Products of the Banks into:

- **Large and Mid-Corporate Lending**:
  - Term Loans Finance for Plant and Machinery & Buildings etc.
  - Overdrafts for Temporary Purpose.
  - Cash Credit Loans to meet the Working Capital Requirements.
  - Trade Bills Discount for Debtors / Bills Receivables.
  - Letter of Credit to Import the Goods from the Other Countries / Within the Country.
  - Refinance Loans to Various Types of NBFCs / other Financial Institutions etc.
- **Retail Lending**:
  - Consumer Finance by way of "Personal Loans or Consumption Loans".
  - Mortgage Loans on Collaterals like Houses, Land, Transport Vehicles etc.
- **Agriculture Crop Loans**:
  - Kharif Crop and Rabi Crop under Kisan Credit Cards.
  - Commercial Crops.
  - Allied Activities like Poultry, Dairy etc.
- **Investments**:
  - In other Banks.
  - Money Market Investments.
  - Capital Market Investments.
  - Forex Investments.
  - Derivatives.
  - Sovereign and Corporates etc.
- **International or Foreign Exchange Banking Division of Banks**:
  - Loans to Mid or Large Corporates situated at Overseas / Other than Domestic Countries.
  - Pre-shipment Packing Credit Advances.
  - Post-shipment Packing Credit Advances.
  - Differed Payment Guarantees etc.
- **Loans to Banks and Sovereigns**:
  - Re-finance to other Banks.
  - Call Money Market Finance.
  - Notice Period Market Finance.
  - Investments like Commercial Papers, Certificate of Deposits etc.

Supplementary to the possible Segments for "Corporate Portfolio" of Banks, they can be segregated as follows:

- Segmentation of borrowers based on different sectors.
  - Power Sector.
  - Textile Sector.
  - Real Estate Sector etc.
- Segmentation of borrowers based on Exposure

Limits of Loans and the Quantum of Loan (Size).

- Size of the Loan Exposure.
- Number of Credit Facilities.
- Fund Based and Non-fund-based limits etc.

- Segmentation of borrowers based on tenure.
  - Long Term Loans.
  - Short Term Loans like Working Capital Loans.
  - Commercial Paper upto 12 Months etc.

- Segmentation of borrowers based on a different customer groupViz.,Exposure to Public and Private Sector Banks and NBFCs, exposures to Sovereign Enterprises or Undertaking like State or Central Governments Organizations, etc.

Retail or Personal Segment Portfolio of Advances to be segmented by different Products offered by the Banks to their Customers or Pooled based on various Individual Characteristics or Behavioural characteristics of the Borrowers (Like Income-wise, Government Employees and Non-Government Employees, Private Sector Employees etc.).The likely Segments for the Retail Segment (Like Mortgage Loans, Vehicle Loans, Credit Cards and Consumer Loans / Finance) Portfolio of a Bank are:

- Salaries Employees / Non-salaried or Professionals / Self-employed persons.
- Public Sector Employees / Private Sector Employees.
- Income-wise Group of the Borrowers based on the Salaried Incomes or Income Tax Returns.
- Collateral Coverage Ratio (Fully Covered or Partially Covered) of the facility.
- Postal Code of the Location or ZIP Code of the borrowers' location.

The main objective of Segmentation is to arrive at Similar Characteristics Groups of Borrowers to determine Default Rates in the past and to arrive ina Meaningful Manner.

Implementation Challenges of ECL:

Expected Credit Loss Modelling under the Standard of Ind AS 109 necessitates a very large database to be processed in a meaningfully manner for interpretation of the results, particularly the characteristics of Borrowers.

Therefore:

- The Data Availability.
- The Data Accuracy.
- The Data Validation and
- The Data Reconciliation are some of the characteristics that needs to be dealt with during the application phase of ECL.

a) The Data Availability:

The following Data elements mentioned under is required for accuracy of arriving provisions which is a big task.

- Month-on-Month Data for arriving the Loss Given Default of the borrowers.
- The Cash Flows amortisation Schedules / Statements.
- Macroeconomic factors of the Economy to be forecasted for 5 Years and above.
- Prepayment Data of the Borrowers (from a restructured account or a closed account due to prepayment of the Loan i.e., before repayment Schedule of the Loan).
- Behaviour of Maturity with regard to Revolving Type of Loans like Bank Overdrafts loans Converting to Medium- or Long-Term loans with a Specific Maturity pattern of the Loans.
- The Effective rate of interest to be charged for the off-balance sheet items like letters of credit and bank guarantees (their conversion to on balance sheet items from the off-balance sheet at a normal interest rates).
- Estimation of cancellation of undrawn loan limits that may be considered for arriving the computation of ECL.
- Data related to Credit Conversion Factor for various loan promises.
- Due to Lack of synchronization with various risk management practices of the Banks on areas like Segmentation and Static Pool loss curves etc.

b) The Data Accuracy:

- There can be multiple sources of the Data for the same data fields within the banks of borrowers / customers accounts. Thus, testing data accuracy from multiple sources and which data to be accepted becomes a big challenge for the banks.

c) The Data Validation:

- Preferably, the source of the data should be completed unity i.e., Entire Data to arise from one source of the Information Technology Systems and before moving to Expected Credit Loss processing engine and it should pass through the various validation checks by the Each and every Department or respective department owners of the data in Banks or financial institutions.

d) Reconciliation of Data with Financial Statements:

- As the Data sourced or captured from different or multiple Sources in the organization, the Final identified data exposure to be reconciled with the bank's financial statements to arrive the accuracy.

e) Co-ordination of Various or Different Departments:

- Data tangled in Expected Credit Loss modelling exist in with Various Departments or Divisions of the Bank. For instance, the internal ratings Data is available with the risk management department (Collected or processed at the time of Processing or Sanction of the Loans), the Recovery Data of the Loans is available with the Recovery / NPA or Stressed Department and the exposure limits or portfolio of Credit Data is available with the Balance Sheet or Finance Department of the Bank. Coordination among all the divisions or departments of the Banks must be maintained in order to take-off smoothen the process of ECL.

f) The Segmentation of Portfolio:

- Earlier Static Pool Approach of Risk Management of Credit Risk which Banks and Financial Institutions are currently used to assess the Credit Risks, may not attain the Segmentation of Portfolio necessities for Computation of ECL as per the Standard Ind AS 109. The Credit Risk Management Teams of the Banks should be considered the segmentation of the Credit Portfolios based on Shared Risk Characteristics of the different Credit Products and Borrowers Characteristics.

The Staging:

The Standard Ind AS 109 general approaches for all Financial Investment Instruments are assigned to Stage-1 on the Initial Recognition while investing. But, if a substantial increase in Credit Risk is recognized at the reporting date of the investment compared with initial recognition, the investment instrument is to be transferred to Stage-2. If there is evidence of impairment of the investment, then the asset is Credit or investment impaired to be shifted or transferred to Stage 3.

The Various Financial Assets in Stage-1, the diminishing or impairment is to be calculated based on the defaults that are possible in the Next 12 Months, while for financial instruments/loans in Stages-2 & 3 the Expected Credit Loss Calculation are to be considered to be a default events over the whole lifespan of an instrument or the loan products. It is appropriate to note that the institutions or entities should be considered all the relevant factors for determining the significant increase in Credit Risk or Market Risk as it may record for the higher provisions if Lifetime Portability of Default has been applied.

Ind AS 109:

Following are the "Best Principles" to the Bankers that are envisioned to establish by the Regulatory Requirements on "**Accounting System**" for the "**Expected Credit Losses**" in the Credit Portfolio and also Investments Portfolio and should not a Contrary to the "Appropriate Accounting Standards Recognized" by Standard Setters of the Country.

Best Principles	Details of the Systems and Procedures
1. Credit Risk Practices	✓ "**Bank's Board and also Senior Management**" held Answerable for Safeguarding that the Bank has to prepare the suitable "**Best Credit Risk Practices**", including: • Active "**Internal Control Systems**" to be implemented in the Bank to mitigate the Credit Risks. • Control Systems are Commensurate with the Size of the Bank i.e., Balance Sheet Size and also Credit Portfolio. • Nature and Difficulty of its "**Lending Exposures to the Various Sector in the Economy**" and to Steadily arrive the Provisions or Allowances in accordance with the Bank's Defined Credit Policies and Guidelines, 'Applicable Accounting Framework' and suitable Regulatory Guidance.
2. Address Credit Policies, Procedures and Controls	✓ **Banks must Adopt**, and well Document and to Adhere the **Sound Policies** that Address the Credit Policy Guidelines, Credit Procedures and Credit Controls for Arriving and Measuring the "**Various Levels of Credit Risk**" on all Lending Loan Exposures. A Healthy and Suitable Measurement of Allowances should be built upon those Policies by the Banks.
3. Group Lending Exposures	✓ Banks must have a **Process** in place to "**Appropriately Group Lending Exposures**" on the Source of Shared 'Credit Risk and its Characteristics'.
4. Core Ideologies	✓ "Bank's Aggregate Amount of Allowances", irrespective of whether allowance Workings are determined on a Shared or an Individual Basis and it **Should Be Adequate** as defined by the "**Base Core Principles" of the Bank**, which is a Quantity understood in a Consistent manner with the Aims of the applicable "Accounting Requirements".

5.	**Credit Policies and Procedures**	✓	Banks should have Best "**Credit Policies and Procedures in Place"** to suitably Validate the "Internal Credit Risk Assessment Models" to Mitigate Credit Risks.
6.	**Experienced Credit Judgment**	✓	Banks has to use the **"Experienced Credit Judgment"**, particularly in the Healthy Consideration of Forward-looking Approach Data or Information that is Practically Available and the Macro-economic Features of the Country, is Important to the Assessment & Measurement of Expected Credit Losses of the Credit Portfolio of Loans and Advances.
7.	**Sound Credit Risk Calculation& Amount Process**	✓	Banks must have their own "**Sound Credit Risk Assessment and Measurement Process**" that runs it with a Strong basis for the Similar Systems & Procedures, Control Tools & the Data Base to Assess the Price of Credit Risk of their Credit Portfolio, and account for the "Expected Credit Losses".
8.	**Promote Transparency and Comparability**	✓	"Bank's Public Reporting "Must"Promote **Transparency and Comparability"** through Timely, Applicable and Decisions that are useful Information to the various stakeholders of the Banks.
9.	**The Effectiveness of Bank's Best Credit Risk Systems**	✓	"Banking Supervisors"must periodically access or evaluate the "**Effectiveness of a Bank's Credit Risk Practices**" and it Quality of implementation.
10.	**Robust Measurement of Expected Credit Losses**	✓	"Banking Supervisors "must be fulfilled that the various methods adopted by the Banks to determine ECL Allowances or Provisions are to produce a "**Robust Measurement of Expected Credit Losses" with regard to** the 'Applicable Accounting Framework'.
11.	**Banks Capital Adequacy Requirements**	✓	"**Banking Supervisors / Regulators**" must study a Bank's 'Credit Risk Practices' while 'Assessing a Bank's Capital Adequacy' requirements.

Conclusion:

Compared to the earlier models of provisioning norms on "Credit Risk" New Concept 'Expected Credit Loss Provisioning Standards' envisioned to encourage the major change of Indian Banking Sector and to manage 'Credit Risk' effectively and efficiently. In this New System of ECL Provisioning Norms, it may increase significantly the provisions for Credit Risk of few Banks, but the supervisory Capital Adequacy requirement influences in the evolution to the New Provisions Model look likely to be relatively limited (It may be added further by the Regulators / Supervisors of the Financial System of the Country). In the forthcoming days, the Banks will be enquired by the Regulators to verify the Nature, Possibility and Timing of the Various Credit Risks that are arise in their Loan or Credit Process, its Decisions, and how it reflects incharge in their Balance Sheet or various Financial Statements as rapidly as various types of loans sanctioned or made by Banks. If this assessment or analysis is performed suitably by the banks with the full variety of risks that are raised should also keep it in mind, this would reduce the **Procyclicality** of the Banking Sector of the Country.

Efficiency and Effectiveness of the ECL Guidelines Depends not only on in what way the Banks implement the same, but also on the "Contributions of Central Banks, Supervisors and other Stakeholders of the Banks". Based on their knowledge during the Financial Crises, the Central Banks of the countries or the Banking Regulators are to develop a Strong Interest in Promoting the use of Sound and Healthy Credit Risk Assessment Practices and also the Provisioning Practices to be followed by the Banks. Regulators of the Financial System also expect from the Banks to provide useful Public Disclosure Norms on Credit Risk Exposures of the Banks, Credit Risk Management Practices of the Banks, Provisioning Norms and related areas to bring about with a Higher Degree of Transparency which facilitates the Market Discipline and to Promotes Market Confidence of the Various Stakeholders. The Central Banks of the Countries and other Prudential or Government Authorities also play a vital Role in Promoting sound and best practices through their Banking Regulatory activities in a manner that supplements the various efforts of Accounting Standard Developers or Setters of the Country and also International Standards. MA

The new impairment provisions for Credit Risk Accounts becomes suitable in times of increase in NPA levels

References:

1. *RBI Circulars.*

SUSTAINABILITY REPORTING IN THE BANKING SECTOR: EXPLORING THE TRENDS AND UNRAVELING THE IMPACT ON FINANCIAL PERFORMANCE

Abstract

The exponential rise in sustainability disclosures has lured to explore the five years data (2016-17 to 2020-21) based on environmental, social, and internal socio-environmental disclosures made by Indian private sector banks, listed on BSE SENSEX and to determine the association and impact on financial performance using ROE and EPS as proxies. An inter and intra bank comparison has been made using Kruskal Wallis H – test by applying the Spearman Rank Correlation to determine the association and findings revealed that hypotheses proved to be insignificant. Moreover, disclosures are limited to narrative ones and lack the quantitative aspect and study recommends framing stringent framework and policies to ensure uniformity, fairness, and accountability of sustainability disclosures made by the respective companies.

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INTRODUCTION

Dissemination of information concerning operations on corporate social and sustainability issues have dealt with far reaching changes due to the incessant variations and expectations in global environment. This accelerated the need for fair, accurate and transparent reporting of sustainability issues. Corporate sustainability reporting or non-financial reporting is getting immensely popular these days as it serves the interests of various groups and society at large but still it is just a nascent stage at various levels in terms of reporting by Indian companies. Business success and competitiveness can be guaranteed over the long term with an integrated approach to economic, environmental and social performance as part of the company's governance. In the current business environment, the Vedic Philosophy of "Sarva lokahitam" has regained prominence, forming the basis of corporate sustainability. Corporate sustainability is concerned with making social and environmental disclosures and related activities as a part of business operations voluntarily (*Marrewijik and Werre,* 2003). The incorporation of sustainability as a part of core business strategy has become imperative and companies are implementing the same. Banking sector is considered as intermediary for the development of the economy; hence, it has been chosen in the present study as the integration of sustainability in banking has become imperative for ensuring economic growth of the country (*Achua,* 2008). There is dearth of banking sector studies related to sustainability disclosures reporting in developing countries (*Khanet al.* 2009; *Jain et al.* 2015). Further, this study provides acumen into the level of sustainability reporting adopted by the Indian private sector listed banks in terms of prominent sustainability disclosures. Moreover, the study augments sustainability reporting literature in the Indian context and hastens the improvement in sustainability reporting by Indian banking sector.

LITERATURE REVIEW

Sustainability reporting witnessed remarkable progress in recent years in various contexts, but quality and quantity of reporting is a matter of concern (*Michelon et al*, 2015). During the initial years sustainable reporting was limited to internal environmental management practices, reduction on energy consumption, carbon emissions but now lending and financing to green infrastructure, issuance of green bonds has come into the sustainable practices (*Scholtens* 2006). The banking sector has moved from traditional practices to adoption of sustainable banking practices leading to incorporating such practices in their core strategies(*Kumar and Prakash,* 2018).Throughout the world, sustainability reporting frameworks are widely accepted for reporting on economic, environmental, and social matters.(*Slagger and Chapple* 2016; *Laskar and Maji,* 2016) and there has been an observation that banks are a bit sluggish when it comes to analyzing the potential impact of social and environmental factors on their performance (*Buallay,* 2019). The year 2008 witnessed huge financial crises and only those banks managed to survive which operated in sustainable manner. There are a number of frameworks, standards and tools which have been developed in order to measure sustainability disclosures such as the Global Reporting Initiative (GRI), the Carbon Disclosure Project (CDP), ISO-14001, the Bloomberg Sustainability Disclosure Score, etc. (*Siew,* 2015).As part of a

In the current business environment, the Vedic Philosophy of "Sarva lokahitam" has regained prominence, forming the basis of corporate sustainability

number of studies that have been conducted, the quantity of sustainability reporting has been examined along with the association between sustainability reporting and firm performance. In one of the first studies of this type, it was determined that German companies only disclosed 40.6 per cent of sustainability issues in spite of the improvement in reporting over the years (*Quick,*2008 ;*Perez and Sanchez* 2009). Many empirical studies pontificated the important sustainability disclosure in banking industry (*Jain etal.* 2015; *Nobanee and Ellili,* 2016). Banks need to focus on sustainability reporting to bolster their' performance and for better investment choices stakeholders are demanding more such kind of disclosures however, ESG negatively impacts the bank's financial, market and operational performance.India faces several key sustainability challenges and some of them are already highly recognized, such as deep-rooted economic and gender inequality, while climate change and water stress management are emerging as increasing concerns for business and policymakers. Business, with its innovation, technical know-how, and capital, will be essential in safeguarding a sustainable future for Indian economy.

RESEARCH GAP

Plethora of literature have been found on sustainability reporting making it a core element in business domain and sustainable practices reflect the direction in which available resources are deployed. Though such disclosures have started being reported, still quality and quantity of information are still compromised with. Developed economies have sustainability reporting practices in much better condition than developing ones, therefore, it lured to undertake study on Indian banking sector.

RESEARCH METHODOLOGY

This study embarks on exploring the extent of disclosures made by Indian private sector banks (Axis Bank, HDFC Bank and ICICI Bank) in their sustainability reports and tries to establish association between sustainability and financial performance. The data has been collected on three aspects – environmental, social, and internal socio-environmental from the year 2016-17 to 2020-21 for sampled banks. The financial performance has been evaluated using return on capital employed (ROCE) and earnings per share (EPS).

PROPOSED HYPOTHESES

Inter Bank Comparison

H_{01}: There is no significant difference in the sustainability reporting practices of sampled private sector Banks.

Intra Bank Comparison

H_{02}: There is no significant difference in the sustainability reporting practices of individual companies.

Association between Firm Performance and Sustainability Reporting

H_{O3}: The extent of disclosures made by Indian private sector banks is not associated with financial performance of the sampled banks.

ANALYSIS AND DISCUSSION

Inter-Bank Comparison

The data collected on three aspects – environmental, social, and internal socio-environmental have been presented in Table 1 to Table 3 respectively covering 20areas of reporting in annual and sustainability reports of the sampled banks and on the basis of disclosures made, 1 and 0 have been coded for 'Yes' and 'No' respectively.

TABLE 1: SUSTAINABILITY REPORTING STATUS OF AXIS BANK (FROM 2016-17 TO 2020-21)

Particulars	Areas	2016-17	2017-18	2018-19	2019-20	2020-21
Environmental Consideration	a) Environmental Policy	Yes	Yes	Yes	Yes	Yes
	b) Procurement of Renewable Energy at Branches and Offices	Yes	Yes	Yes	Yes	Yes
	c) Lending and Financing in Renewable Energy	No	No	Yes	Yes	Yes
	d) Internal Energy Efficiency Initiatives	Yes	Yes	No	Yes	Yes
	e) Company's Impact on Earth Ecosystem	No	No	No	No	No
	f) Addressing Climate Change	Yes	No	Yes	Yes	No
	g) Lending to Greener Infrastructure	No	Yes	Yes	Yes	Yes
	h) Waste Management Initiative	Yes	Yes	Yes	Yes	Yes
	i) Green Bond Issuance and Use of Proceeds	Yes	Yes	Yes	Yes	Yes
	Total Env	**6/9**	**6/9**	**7/9**	**8/9**	**7/9**
Social Development Indicators	a) Community Development Programs	Yes	Yes	Yes	Yes	Yes
	b) Health Care Programs	Yes	Yes	Yes	Yes	No
	c) Training and Education Programs	Yes	Yes	Yes	Yes	Yes
	d) Financial Literacy and Financial Inclusion Program	Yes	Yes	Yes	Yes	Yes
	e) Social Security Schemes	Yes	Yes	Yes	Yes	Yes
	f) Diversity, Equity and Inclusion	Yes	Yes	Yes	Yes	Yes
	g) Sustainable Livelihood program	Yes	Yes	Yes	Yes	Yes
	Total Soc	**7/7**	**7/7**	**7/7**	**7/7**	**6/7**
Internal Socio-Environmental Indicators	a) Human Rights Policy	Yes	Yes	Yes	Yes	Yes
	b) Anti- Corruption Policy	No	No	No	No	Yes
	c) Anti- Bribery Policy	No	No	No	No	Yes
	d) Business Ethics Policy/ Values	No	No	No	No	No
	Total Int ES	**1/4**	**1/4**	**1/4**	**1/4**	**3/4**

TABLE 2: SUSTAINABILITY REPORTING STATUS BY HDFC (FROM 2016-17 TO 2020-21)

Particulars	Areas	2016-17	2017-18	2018-19	2019-20	2020-21
Environmental Consideration	a) Environmental Policy	Yes	Yes	Yes	Yes	Yes
	b) Procurement of Renewable Energy at Branches and Offices	Yes	Yes	Yes	Yes	Yes
	c) Lending and Financing in Renewable Energy	No	No	No	Yes	No
	d) Internal Energy Efficiency Initiatives	Yes	Yes	Yes	Yes	Yes
	e) Company's Impact on Earth Ecosystem	No	No	No	No	No
	f) Addressing Climate Change	Yes	No	Yes	Yes	Yes
	g) Lending to Greener Infrastructure	No	No	No	No	Yes
	h) Waste Management Initiative	Yes	Yes	Yes	Yes	Yes
	i) Green Bond Issuance and Use of Proceeds	No	No	No	Yes	Yes
	Total Env	**5/9**	**5/9**	**5/9**	**7/9**	**7/9**
Social Development Indicators	a) Community Development Programs	Yes	Yes	Yes	Yes	Yes
	b) Health Care Programs	Yes	Yes	Yes	Yes	Yes
	c) Training and Education Programs	Yes	Yes	Yes	Yes	Yes
	d) Financial Literacy and Financial Inclusion Program	Yes	Yes	Yes	Yes	No
	e) Social Security Schemes	Yes	Yes	Yes	Yes	Yes
	f) Diversity, Equity and Inclusion	Yes	Yes	Yes	Yes	No
	g) Sustainable Livelihood program	Yes	Yes	Yes	Yes	Yes
	Total Soc	**7/7**	**7/7**	**7/7**	**7/7**	**5/7**
Internal Socio-Environmental Indicators	a) Human Rights Policy	Yes	Yes	Yes	Yes	No
	b) Anti- Corruption Policy	No	No	No	Yes	No
	c) Anti- Bribery Policy	No	No	No	No	No
	d) Business Ethics Policy/ Values	No	No	No	No	No
	Total Int ES	**1/4**	**1/4**	**1/4**	**2/4**	**0/4**

TABLE 3: SUSTAINABILITY REPORTING STATUS BY ICICI (FROM 2016-17 TO 2020-21)

Particulars	Areas	2016-17	2017-18	2018-19	2019-20	2020-21
Environmental Consideration	a) Environmental Policy	Yes	Yes	Yes	Yes	Yes
	b) Procurement of Renewable Energy at Branches and Offices	Yes	Yes	Yes	Yes	Yes
	c) Lending and Financing in Renewable Energy	No	No	No	Yes	No
	d) Internal Energy Efficiency Initiatives	Yes	Yes	Yes	Yes	Yes
	e) Company's Impact on Earth Ecosystem	No	No	No	No	No
	f) Addressing Climate Change	Yes	No	Yes	Yes	Yes
	g) Lending to Greener Infrastructure	No	No	No	No	Yes
	h) Waste Management Initiative	Yes	Yes	Yes	Yes	Yes
	i) Green Bond Issuance and Use of Proceeds	No	No	No	Yes	Yes
	Total Env	**5/9**	**5/9**	**5/9**	**7/9**	**7/9**

Social Development Indicators	a)Community Development Programs	Yes	Yes	Yes	Yes	Yes
	b) Health Care Programs	Yes	Yes	Yes	Yes	Yes
	c) Training and Education Programs	Yes	Yes	Yes	Yes	Yes
	d) Financial Literacy and Financial Inclusion Program	Yes	Yes	Yes	Yes	No
	e) Social Security Schemes	Yes	Yes	Yes	Yes	Yes
	f) Diversity, Equity and Inclusion	Yes	Yes	Yes	Yes	No
	g) Sustainable Livelihood program	Yes	Yes	Yes	Yes	Yes
	Total Soc	**7/7**	**7/7**	**7/7**	**7/7**	**5/7**
Internal Socio-Environmental Indicators	a) Human Rights Policy	Yes	Yes	Yes	Yes	No
	b) Anti- Corruption Policy	No	No	No	Yes	No
	c) Anti- Bribery Policy	No	No	No	No	No
	d) Business Ethics Policy/ Values	No	No	No	No	No
	Total Int ES	**1/4**	**1/4**	**1/4**	**2/4**	**0/4**

Observations

Amongst all the three indicators, Axis Bank has reported social development indicators more in comparison with environmental and internal socio-environmental indicators in the entire study period. HDFC bank reported environment considerations and social development indicators quite well when compared to internal socio-environmental indicators. ICICI Bank fails to report internal socio-environmental indicators when compared with the other two. It has been observed that all three banks managed to report environment considerations and social development indicators largely; however, none of banks reported all indicators completely.

Inter-Bank Comparison

The Inter Bank comparison has been performed using Kruskal-Wallis H Test and Non-Parametric test has been chosen due to the categorical nature of reporting data.

TABLE 4: INTER-BANK COMPARISON OF SAMPLED BANKS USING KRUSKAL-WALLIS H TEST

	Mean Rank						Kruskal- Wallis H Statistic					P Value				
Banks	**N=60 (20 each)**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
AXIS		**32.5**	**32.5**	**33.5**	**31**	**32.5**	**0.988**	**0.988**	**1.729**	**0.193**	**2.682**	**0.61**	**0.61**	**0.421**	**0.908**	**0.262**
HDFC		**31**	**31**	**30.5**	**31**	**26.5**										
ICICI		**28**	**28**	**27.5**	**29.5**	**32.5**										

Observations

For the year 2016-17, 2017-18, 2018-19. 2019-20 and 2020-21, interpretations from Table 4 concerning Mean rank, H-statistic and P-value, the null hypothesis is accepted at 5% level of significance and there is no significant difference among the sustainability scores of different banks in the entire study period.

TABLE 5: INTRA-BANK COMPARISON OF SAMPLED BANKS USING KRUSKAL-WALLIS H TEST

Year	N	Mean Rank			Kruskal-Wallis H Statistic			P Value		
		Axis	HDFC	ICICI	Axis	HDFC	ICICI	Axis	HDFC	ICICI
2016-17	20	46	49.5	46	5.328	2.06	5.328	.255	0.725	.255
2017-18	20	46	49.5	46						
2018-19	20	46	49.5	46						
2019-20	20	56	57	56						
2020-21	20	58.5	47	58.5						
Total	100									

Observations

As per the Table 5 pertaining to mean ranks, H-statistic and p value, no significant difference among the sustainability reporting scores over the years for Axis Bank has been found. Similar results have been obtained for HDFC and ICICI Bank. Likewise, for HDFC Bank and ICICI Bank, as per mean rank, H-Statistic and P value, there is no significant difference among the sustainability scores for different years at 5 per cent level of significance.

Association between Firm Performance and Sustainability Reporting

The association has been analysed using Spearman's Rank Correlation as one of the variables is categorical. To accomplish the aforesaid purpose, total scores have been calculated by adding the scores of environmental, social and internal socio-environmental indicators and converted into percentage for total reporting score of 20.

TABLE 6: SPEARMAN'S CORRELATION

Variables	Total Score	EPS	ROE
Total Score	1		
EPS	-.049 (0.862)	1	
ROE	-.044 (0.877)	.954** (0.00)	1

Observations

Here, Table 6 reveals negative correlation between total score and EPS yet not significant. Thus, there is no association between total sustainability score both the financial performance variables at 5 per cent level of significance, and the null hypothesis is accepted.

CONCLUSION

Disclosures need improvement both in qualitative and quantitative terms by Indian banks to raise the firms' overall performance. The sustainability reporting has paved the way for banking sector to report environmental, social and governance issues to reinforce the growth of Indian economy by aligning sustainable reporting practices with business strategies. This study can further be elaborated by considering more quantitative disclosures related to sustainability to establish association between extent and impact on financial performance along with operational or market performance. Sustainability reporting is more advanced in developed countries and it is on the verge to become integral part of Indian annual reports. MA

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LEGAL FRAMEWORK FOR GRIEVANCE RESOLUTION IN BANKING INDUSTRY IN INDIA

Abstract

Reserve Bank of India, as a Regulator of Banks has laid down a robust customer complaint resolution mechanism which is speedy and inexpensive. It has issued various guidelines to the Banks for the protection of the customers and set up innovative and unique systems like appointment of Internal Ombudsman who acts like a referee and his decision is binding. Equally, Consumer Commissions have also played a vital role in compensating customers in case of deficiency of service. Therefore, the legal framework for resolution of customer complaints in India is effective and efficient.

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Banking is in the category of service industry. In India, presently, there are 137 Scheduled Banks including 12 public sector banks. The Second Schedule to the Reserve Bank of India Act, 1934 contains a list of Banks which are called as "Scheduled Banks". As of October, 2023, there are 162904 bank branches which are providing services to millions of customers.

TYPES OF COMPLAINTS LODGED BY THE CUSTOMERS:

Complaints of customers can be divided into credit/advances related and non-credit related. Credit/advances related complaints are about sanctioning or non-sanctioning of loans and advances, interest rates applicable, enhancement of credit limits etc.,

Non-credit related complaints are mainly operational issues. They may arise from operation of the accounts, whether saving or current, cheque related issues, operation of lockers, credit card transactions, ATM transactions etc.

In the year 2021-22, a total of 1.04 crore complaints had been filed against the banks in India. Further analysis indicate that 22 per cent of complaints were filed in the area of operations, 16.3 per cent in the area of technology related services at 16.3 per cent and 16.2 per cent % related to ATM and Cash Deposit Machine services.

RBI GUIDELINES ON COMPLAINT RESOLUTION:

The guidelines/circulars issued by the RBI have statutory force and hence binding. The Supreme Court held in *Central Bank of India v.Ravindra*[1] that the directions issued by RBI under sections 21 and 35-A of the Banking Regulation Act, 1949 had statutory force. In 2019, RBI introduced the Complaint Management System (CMS), a fully automated platform, whereby customers have been enabled to file their complaints before the Banking Ombudsman (BO). As part of the disclosures, banks have been advised to disclose in their annual reports information regarding the complaints handled by them and directed the Banks to resolve the complaints within 30 days of receipt thereof.

CONSUMER EDUCATION AND PROTECTION DEPARTMENT (CEPD)

The CEPD was formed in 2006 as Customer Service Department (CSD) for protection of customers and has been empowered to receive complaints about customer service in Banks against banks, on deficiency in service, through the dedicated portal of Government of India, called as Centralized Public Grievance Redress and Monitoring System (CPGRAMS)

LEGAL REMEDIES FOR RESOLUTION OF COMPLAINTS:

Presently, the legal remedies available for the customers

1. (2002) 1 SCC 367.

of banks include filing of civil suits, filing of complaints before the Consumer Forums, filing complaints under the Reserve Bank -Integrated Ombudsman Scheme-2021 framed by the Reserve Bank of India.

BANKING OMBUDSMAN SCHEME, 2006

Where a complainant is not satisfied with the resolution of his complaint, the earlier alternative for him was to file civil suit in a civil court, which was both expensive and time consuming. The RBI introduced a very simple solution thereto by introducing Banking Ombudsman Scheme (BO Scheme) in the year 1995, which was both expeditious and inexpensive forum for redressing the grievances of banks' customers. Subsequently, a new Scheme, Banking Ombudsman Scheme, 2006 was introduced which ruled the field till 2021when it was replaced by the Integrated Ombudsman Scheme, 2021

RBI introduced Scheme of Ombudsman for NBFCs with effect from 23rd February, 2018. Subsequently, RBI had notified Ombudsman Scheme for Digital Transactions, 2019 with effect from 31.1.2019 to resolve complaints with respect to (1) prepaid payment instruments (2) fund transfers by means of mobile / electronic systems (3) non-compliance of the directions issued by RBI with respect to payment transactions through Unified Payments Interface (UPI) and other similar Payment Instruments.

New Integrated Scheme

The Prime Minister of India, in November, 2021, unveiled a new dispute resolution mechanism, called "Reserve Bank- Integrated Ombudsman Scheme, 2021" which integrated all the above said three separate schemes into one which came into force from 12.11.2021.

Ombudsman and Deputy Ombudsman:

As per the Scheme, the RBI may appoint an Ombudsman and a Deputy Ombudsman from amongst their Officers. In earlier scheme, there was no position of Deputy Ombudsman.

Settlement of Disputes by Facilitation, Conciliation & Mediation

As per Clause 3(k), "Settlement" is an agreement arrived at by the both the complainant and the Bank by any of the methods like facilitation, conciliation or mediation.

However, what is "Facilitation" has not been defined. It appears that it is a kind of amicable settlement process for resolution of the disputes. Similarly, the Scheme has also not elaborated as to the process involved for resolution of disputes by such settlement. Therefore, the Scheme may be amended to define what is Facilitation" and to provide a detailed procedure for resolution of disputes by way of Facilitation, Conciliation and Mediation.

Ombudsman's Jursidiction to Resolve Complaints

RBI has set up a Centralised Receipt and Processing Centre (CRPC) at Chandigarh. The function of CRPC is to receive and process the complaints received, whether online or otherwise. The complaints can be made on the website https://cms.rbi.org.in. Complaints can also be forwarded to any of the offices of the RBI across the country but the same shall be forwarded by those offices to CRPC. Further, a toll-free number – 14448 has been made operational in 10 languages including Hindi, English and other regional languages to start with. The Scheme adopts **'**One Nation One Ombudsman'

Grounds of Complaint

Under this new Scheme 'deficiency in service' of any kind is the only ground for filing a complaint. Therefore, complaints could be filed on any ground where deficiency in service is alleged. It may be observed there from that, under the new scheme, if there is deficiency in service, a complaint could be filed against a Bank even where no financial loss is caused to the complainant.

Form of Complaint

The complaint should be lodged mandatorily in the format provided by the Scheme as an Annexure to it.

Award

As per Clause 15 of the Scheme, Ombudsman should provide an opportunity of hearing to both the complainant and bank before adjudication of the dispute by issuing the award. The Ombudsman Award directs the bank for specific performance of its obligations and for payment of amount of compensation for the loss caused, if any. Under the Scheme, Ombudsman can award compensation to a complainant upto an amount of Rs.21.00 lakhs.

The Award passed by the Ombudsman will lapse if the complainant does not communicate his acceptance of the award in full and final settlement of his claim to the Bank concerned by way of letter, in 30 days of receipt of the award.

The Bank concerned has to comply with the directions of the Ombudsman and communicate compliance to the Ombudsman within 30 days of receipt of the letter of acceptance from the complainant.

Appeal

Clause 17 of the Scheme provides for filing of appeal, in 30 days of the date of receipt of the award, either by the Bank or the Complainant before the Executive

Director of RBI.

Disposal Rate of Complaints by Ombudsman

As per the Annual Reports of the RBI, during the financial year 2022-23, 7, 03,544 complaints were filed and the disposal rate was 97.99 per cent.

INTERNAL OMBUDSMAN SCHEME

In the year 2015, RBI directed all Government owned banks, some of the private sector banks and the Banks incorporated outside India but has operations in India, to appoint Internal Ombudsman (IO), designated as "Chief Customer Service Officer", to strengthen internal grievance redressal system and for resolution of complaints within the precincts of banks itself by a person with complete independence. He will act as the highest authority for bank's grievance redressal mechanism. This system of appointing an Internal Ombudsman is conceived to help reduce the need of the customers filing complaints with other authorities like Courts, Ombudsman and Consumer Commissions.

IO can be said to be an unbiased person engaged to look into the complaints which have been not accepted by the Bank either completely or partially. If any complaint of an aggrieved customer was to be rejected, fully or partly, the same had to be escalated to the IO for a final decision which is binding on the Bank. RBI has reviewed the working of the IO mechanism and with effect from 3rd September, 2018 introduced "Internal Ombudsman Scheme, 2018" All Scheduled Commercial Banks other than Regional Rural Banks are mandated by RBI to appoint an Internal Ombudsman. The important features of the "IO Scheme" are discussed hereunder:

Appointment of IO

The eligibility to be appointed as an IO is that a person should have worked or working in the capacity of Dy. General Manager with at least seven years of experience in banking industry. He should be well versed with regulation, supervision, payment and settlement systems and Customer Protection. However, a person who is above 70 years of age cannot be appointed as an IO.

Term of IO:

The IO is appointed for a term of not less than three years but cannot exceed a term of five years. The term of the IO cannot be further extended. Further, he is not entitled to be reappointed as IO in the same bank. The term of the IO cannot be curtailed earlier than three years or five years without the previous permission of the RBI.

Jurisdiction, Powers & Functions of IO

It is interesting to note that the complaints received from the customers are not placed before the IO. The contact details of the IO cannot be provided to the general public. The IO will examine only those complaints which have been either fully or partly unresolved.

As per the Scheme, the IO has to scrutinise the complaints based on the bank's records and on the basis of comments/explanations provided by the bank on the queries raised by him.

The IO has the power to summon any record/document that may be available with the Bank for examining a complaint. He may also hold meetings with authorities concerned in the Bank and can seek feedback/clarification from the complainant for resolution of the complaint. The IO should analyse the pattern of the complaints and suggest to the Bank the action required to be taken.

Procedure for Complaint Resolution by IO

Banks should formulate a Standard Operating Procedure for tracking and management of Complaints for forwarding of the complaints to the IO which have been rejected, partly or completely. Such complaints shall be escalated in a time period of two weeks from the date of their receipt. The final decision, after examination of the complaint by the IO, shall be conveyed to the complainant within 30 days of the receipt of the complaint by the Bank. Complaint Management System should be accessible to the IO so that his decisions/feedback could be added in the same portal itself.

Appeal Against the Decision of the IO

The decision of the IOs is binding on the banks. There is no specific provision of appeal against the decision of the IO but Clause 9(9) of the Scheme provides that, if the bank differs with the decision of the IO, the Executive Director in-charge of the Customer Service of the Bank has been empowered to accept the decision of the Bank.

In such a case, in the reply to the complainant, it has to be brought to the notice of the complainant that the decision of the bank has been accepted by the Executive Director. Therefore, the Executive Director of the bank can overrule the decision of the IO. In its final reply addressed to the Complainant, the Bank must explicitly include a statement that his grievance was looked into by the Bank's IO.

COMPLAINT BEFORE CONSUMER FORUMS

The Parliament of India enacted a very important legislation known as Consumer Protection Act, 1986 for protection of consumers' interest.

Whether a Customer of the Bank Consumer

In the case of K. *Ramanathan V. The State Bank of*

Travancore[2] and in the case of *Standard Chartered Bank Ltd.V. B.N. Raman*[3], it was held that bank customers are Consumers and complaints filed by them before \ Consumer forum is maintainable.

Legislation of Consumer Protection Act, 1986 very much led to the consumer awareness and momentum and large number of customers of the Banks got relief from the Consumer forum. The remedy is proved to be inexpensive and speedy when compared to suits filed before the Civil Courts.

However, to address the changed needs of the consumers and change in the consumer markets due to the advent of technology, the Government of India brought in a new and modern legislation for the better protection of the consumers in the form of Consumer Protection Act, 2019 which became operational from 24.7.2020.

Speedy Justice

It is provided under the Act that the Consumer Commissions shall have to follow summary procedure. Since the procedure followed is summary in nature, complaints are decided without delay. As per the provisions of the Act, the Respondent Bank has to file its objections or reply to the complaint within 45 days of receipt of the notice from the Consumer Commission, be it District, State or National.

In the case of J.J.Merchant *v.Srinath Chaturvedi*[4], it was held by the Supreme Court that the said period of 45 days is mandatory. The said view was reiterated by the Supreme Court's larger Bench in the case of *New India Assurance Co. Ltd.v.Hilli Multipurpose Cold Storage Pvt. Ltd*[5]. Therefore, if the opposite party failed to file written response within 45 days, the Commission has no power to extend the time. Hence, the complaints' disposal can be speedy.

PECUNIARY JURISDICTION UNDER THE 2019 ACT

Central Government notified Consumer Protection (Jurisdiction of the District Commission, the State Commission and the National Commission) Rules, 2021. The District Commissions are empowered to examine the complaints where value of the goods or services paid as consideration upto Rs. 50 lakhs, State Commissions upto Rs. 2 crore and the National Commission above Rs. 2 crores.

AVAILING THE FACILITY OF LOCKERS

Recently, in the case of *Amitabha Dasgupta v.United Bank of India*[6] the Supreme Court of India held that Banks had "separate or special duty of care" with regard to locker management.

The Court observed that the directives of RBI on the lockers were not comprehensive and directed RBI to lay down comprehensive directions to the banks with respect to locker facility within six months.

As per the directions of the Supreme Court, RBI issued revised instructions to all Banks on 18.8.2021 by Circular No. RBI/2021-2022/86 DOR.LEG.REC/DOR.LEG. REC/40/09.07.005/2021-22.

As per the said instructions, banks have to upkeep the safety and security of the safe deposit vaults; Banks are liable to the customers for their negligence if the incidents like fire, theft/ burglary/ robbery, dacoity, building collapse occur. In case of loss of contents of lockers are due to the negligence of the Banks or due to their employees' fraud, the banks have to pay to the customer hundred times of the locker's annual rent.

LOSS OF TITLE DEEDS

On repayment of entire dues to the bank, the bank is required to return the original property documents deposited in the Bank to the borrower. However, in some cases, the title deeds go missing and not traceable.

RBI had recently issued circular No. RBI/2023-24/60 DoR.MCS.REC.38/01.01.001/2023-24, directing all banks to release all the original moveable/immoveable property documents, deposited with the banks at the time of availing of loans as a security for repayment, in a period of 30 days after the payment of entire loan amount or settlement amount. It is also directed that, if the bank is unable to return the said original documents in the said period of 30 days, the bank must inform the reasons to the customers as to why the said documents could not be released to them. If the delay is on account of the bank, the bank shall pay Rs.5000/- for every day of delay after the said period of 30 days as compensation to the borrower. These directions are effective from 1.12.2023.

CONCLUSION

Therefore, the grievance redressal mechanism in banking industry is robust and customer centric. The RBI is constantly vigilant and issuing directions to the Banks to improve and strengthen the systems and procedures for enhanced customer service. Similarly, Courts have come to the rescue of the Customers if there is deficiency in service by the Banks. MA

2. [MANU/SC/3049/2006]; 3. [(20060 5 SCC 727].

4. .[AIR2002SC2931]; 5. [AIR2016SC86]; 6. [AIR2021SC1193]

MERGER AND ACQUISITION IN INDIAN BANKING: A RETROSPECTIVE ANALYSIS

Abstract

This article provides a thorough examination of mergers and acquisitions (M&A) in the banking sector of India. It examines the effects, difficulties, and future prospects of M&A activity by going into the historical developments, regulatory frameworks, and important case studies. The study focuses on the financial, operational, and strategic aspects of merging organisations and examines how this transformational journey affects financial inclusion and banking services. It seeks to extract essential insights, address critiques, and provide suggestions for a comprehensive comprehension of the M&A environment in the Indian banking sector.

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INTRODUCTION

Mergers and acquisitions (M&A) have become crucial strategies in the ever-changing Indian banking sector, influencing the structure of the business and altering the competitive environment. Throughout the years, the banking sector in India has experienced a sequence of changes, with mergers and acquisitions (M&A) playing a pivotal role in this process of development. The commencement of mergers and acquisitions (M&A) in the Indian banking industry can be attributed to a range of economic and legal changes, particularly during the period after liberalisation. The formation of these strategic alliances, mergers, and acquisitions has been motivated by several objectives, such as the need to improve operational efficiency, increase market share, capitalise on synergies in product portfolios, and adhere to shifting regulatory frameworks. Financial institutions are using M&A as a way to consolidate and become more resilient and adaptable in response to the quickly changing environment and evolving issues. The objective of this retrospective analysis is to examine the historical development of mergers and acquisitions in the Indian banking industry and understand the complexities associated with these transformative initiatives. This analysis aims to provide a thorough knowledge of the reasons, processes, and consequences connected with strategic manoeuvres in M&A. It does so by exploring the roots of M&A in the pre-liberalisation era and tracking its progression through subsequent regulatory changes and economic adjustments. This retrospective analysis seeks to elucidate the diverse effects of mergers and acquisitions on the banking sector in India. In addition to examining the basic financial indicators, the analysis seeks to explore the operational efficiencies gained, the obstacles faced and the strategic factors that influenced the decisions of the merging organisations. Furthermore, it will rigorously evaluate the regulatory frameworks that have governed these transactions, analysing their efficacy and influence on the stability and competitiveness of the banking sector. This article aims to extract significant insights and lessons from previous M&A activity, offering a nuanced viewpoint to stakeholders, policymakers, and industry watchers. Given the ongoing evolution of the Indian banking sector, it is crucial to comprehend the historical path of mergers and acquisitions (M&A) in order to predict future patterns, promote long-lasting expansion, and guarantee the endurance of financial institutions in a constantly shifting economic environment.

HISTORICAL CONTEXT

Economic reforms, regulatory changes, and the constantly shifting financial environment interact intricately to influence the course of mergers and acquisitions (M&A) in the Indian banking sector. In order to fully understand the subtle details of this historical development, it is crucial to analyse the specific stages of M&A activity during both the period before liberalisation and the period after liberalisation.

PRE-LIBERALISATION PERIOD:

Before the Indian economy was liberalised in the early 1990s, the banking sector functioned under strict regulations, with public sector banks being the dominant players. During this era, there were few mergers and acquisitions because of the strict regulatory environment and the dominant socialist economic policies. The main catalysts for mergers and acquisitions during this period revolved mostly around the consolidation of public sector banks and the enhancement of their operational efficiency. The Government frequently initiates mergers to bolster the banking system, improve loan delivery systems, and optimise resource allocation. Significant achievements include the consolidation of New Bank of India and Punjab National Bank through a merger in 1993, as well as the integration of Global Trust Bank and Oriental Bank of Commerce through an amalgamation in 1997.

POST LIBERALISATION PERIOD

The liberalisation of the Indian economy in 1991 was a pivotal moment that involved the removal of restrictions and the establishment of a banking system driven by market forces. The transition triggered a significant increase in M&A transactions as banks aimed to exploit growing opportunities, enhance their market positions, and broaden their service portfolios. The main factors influencing the post-liberalisation era are the need to achieve economies of scale, developments in technology, and the demand for improved financial services. Banks have been compelled to pursue mergers as a strategic growth and competitive measure due to market dynamics and globalisation. The milestones during this period demonstrate the significant transformations and strategic adjustments occurring in the banking industry. The merger of the State Bank of India and its affiliate banks in 2017 was a significant event that resulted in the creation of a large and powerful bank with branches all throughout India. In addition, private sector banks pursued strategic acquisitions in order to enhance their agility and expand their market presence. The acquisition of Centurion Bank by HDFC Bank in 2008 is a notable illustration of such strategic manoeuvres. The M&A market have become more diverse with the introduction of new banking licences and the emergence of payment banks. This has created chances for traditional banks to partner with emergent businesses and utilise innovative technology. Regulatory reforms were crucial in establishing the M&A landscape during both eras. The Reserve Bank of India (RBI) implemented proactive measures to facilitate the creation of a favourable environment by relaxing regulatory restrictions and promoting a more favourable atmosphere for consolidation. The historical development of mergers and acquisitions (M&A) in the Indian banking sector may be understood as a shift from a regulated and closed-off system to a dynamic, competitive and globally interconnected environment. M&A has become a strategic means for expansion and adaptability in this context. The trip reveals a story of strength, flexibility, and proactive planning that still shapes the structure of the Indian banking industry today.

REGULATORY FRAMEWORK GOVERNING M&A

The Reserve Bank of India (RBI) has a pivotal role in supervising and governing the mergers and acquisitions (M&A) activities in the Indian banking industry. The RBI's regulatory framework is crucial for ensuring the stability, effectiveness, and integrity of the banking system as well as for facilitating strategic consolidation and growth.

SUPERVISION BY RBI

The regulatory control commences with the Reserve Bank of India's thorough examination of potential mergers and acquisitions. The central bank assesses the financial stability, logical reasoning, and possible collaborations of the entities concerned. In addition, the RBI evaluates the influence on stakeholders, including depositors, shareholders, and employees, in order to protect the interests of all parties involved.

The Banking Regulation Act of 1949 establishes the legal basis for the RBI's jurisdiction over banking activities, encompassing mergers and acquisitions. This Act grants the RBI the authority to issue instructions and guidelines, ensuring that M&A transactions conform to prudential requirements and do not jeopardise the stability of the banking system.

Over a period of time, the RBI has adjusted its regulatory strategy to conform to the changing requirements of the banking industry. The implementation of the Prompt Corrective Action (PCA) framework exemplifies the Reserve Bank's dedication to preserve the financial soundness of banks. This system imposes constraints on banks exhibiting weak financial indicators, limiting their capacity to participate in mergers and acquisitions until they exhibit signs of enhancement.

EFFECTS OF REGULATORY CHANGES

The regulatory modifications implemented by the RBI have significantly influenced the dynamics of mergers and acquisitions in the Indian banking industry. A significant change has occurred in the form of regulatory relaxation aimed at promoting consolidation and improving the competitiveness of banks. The deregulation of constraints on the consolidation of regional rural banks and the implementation of distinct banking licences are examples of regulatory modifications intended to encourage mergers and acquisitions.

In addition, the RBI has prioritised the alignment of rules with internationally recognised best practices. The implementation of International Financial Reporting Standards (IFRS) and Basel III norms has had an impact on the assessment and sufficiency of valuation and capital in M&A transactions. This alignment not only improves the clarity of financial reporting but also guarantees that merged organisations are robust in the face of economic problems.

Furthermore, the Reserve Bank of India (RBI) has underscored the significance of governance and risk management in mergers and acquisitions deals. Rigorous protocols are implemented to tackle concerns pertaining to corporate governance, information sharing, and thorough investigation, therefore reducing possible hazards linked to mergers.

RBI's regulatory framework is crucial for facilitating M&A activities within the Indian banking sector. The regulatory rules promote financial stability and growth by creating an atmosphere of caution, openness, and responsibility, which ensures that M&A activities are in line with the overall objectives. The ongoing development of these regulations demonstrates the RBI's dedication to adjusting to shifting market dynamics and protecting the interests of all participants in the banking ecosystem.

ANALYSIS OF PROMINENT MERGERS AND ACQUISITIONS

⦿ SBI and its Associate Banks in 2017:

Motivations

The merger of the State Bank of India with its five partner banks—State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore—was driven by a strategic objective to establish a dominant and powerful banking institution. The combination was intended to achieve economies of scale, improve operational efficiency, and utilise a uniform brand identity to strengthen market presence.

Outcomes and Impact:

The merger led to the establishment of a banking behemoth with an extensive network, unmatched client outreach, and a larger portion of the market. The integration of the two entities bolstered SBI's standing on both domestic and global fronts, solidifying its position as one of India's largest and most powerful banks. The merger additionally enabled the implementation of more efficient processes, eliminating unnecessary duplication and improving the overall effectiveness of the banking group.

Challenges and Lessons Learned

The merger process encountered difficulties in terms of aligning technology, managing cultural disparities, and reorganising human resources, despite its strategic benefits. The key takeaways from this example are the significance of thorough preparation, efficient communication, and a systematic approach to integration. The merger of SBI emphasised the necessity of implementing strong change management methods to effectively handle the intricacies involved in combining disparate entities.

⦿ Merger of HDFC Bank and Centurion Bank (2008)

Motivations

The desire to expand its branch network, clientele, and product portfolio drove HDFC Bank's acquisition of Centurion Bank of Punjab. The strategic manoeuvre was intended to strengthen HDFC Bank's standing as a prominent private sector bank in India, broaden its range of commercial activities, and capitalise on the increasing prospects in the financial market.

Outcomes and Impacts

The acquisition greatly enhanced HDFC Bank's market position, especially in North India, where Centurion Bank of Punjab had a dominant presence. The enhanced network facilitated HDFC Bank in providing a wider array of financial goods and services, thus strengthening its standing as a customer-focused banking institution. The merger had a positive impact on the bank's financial performance, leading to continued expansion and enhanced value for shareholders.

Challenges and Lessons Learned

The challenges involved the incorporation of different technological platforms and the alignment of organisational cultures. The instance highlighted the significance of conducting thorough research in assessing cultural compatibility, smooth integration of technology, and a proactive approach to tackling issues.

The merger between HDFC Bank and Centurion Bank of Punjab demonstrated the importance of careful planning and a strategy that prioritises client needs in order to achieve successful integration.

⦿ Merger of ICICI Bank and the Bank of Rajasthan (2010)

Motivations

The strategic objective of ICICI Bank's acquisition of Bank of Rajasthan was to increase its presence in the promising North and West Indian markets. The objective of the merger was to exploit the benefits of combining product offerings, take advantage of economies of scale, and strengthen ICICI Bank's position in the fiercely competitive private banking industry.

Outcomes and Impacts

The acquisition led to the integration of the Bank of Rajasthan's customer base and branch network into ICICI Bank's operations. This acquisition significantly enhanced ICICI Bank's geographical footprint and market dominance, notably in the areas where Bank of Rajasthan held a substantial market share. The pooling of resources and the integration of technologies enhanced the overall effectiveness of the merged organisation.

Challenges and Lessons Learned

The integration encountered difficulties associated with cultural disparities, assimilation of technology, and maintaining consumer loyalty. This scenario emphasised the significance of proactive communication, engaging stakeholders, and implementing integration in a systematic and gradual manner. The lessons highlighted the importance of implementing a thorough cultural integration plan and effective customer retention measures in order to facilitate a seamless transition and maintain long-term growth.

⦿ Merger of Kotak Mahindra Bank and ING Vysya Bank (2015)

Motivations

The strategic goal of Kotak Mahindra Bank was to expand its customer base, product offering, and geographical presence, which led to the acquisition of ING Vysya Bank. The merger sought to exploit the synergies in retail banking, bolster digital capabilities, and establish a financially robust and diversified firm.

Outcomes and Impacts

The merger led to the incorporation of ING Vysya Bank's activities into Kotak Mahindra Bank, becoming a unified organisation with improved size and effectiveness. Kotak Mahindra Bank's market position was bolstered by the addition of new products and a larger client base, notably in South India, where ING Vysya Bank had a notable presence.

Challenges and Lessons Learned

The challenges encompassed the integration of technology, the alignment of cultures, and the harmonisation of business processes. The instance highlighted the significance of a comprehensive integration plan, proactive risk mitigation, and a prioritisation of customer experience. The merger between Kotak Mahindra Bank and ING Vysya Bank underscored the need for strategic foresight and agility in successfully navigating the intricacies of the integration process.

Upon examining these case studies, it becomes apparent that prosperous mergers and acquisitions in the Indian banking industry are distinguished by a distinct strategic vision, careful planning and a flexible attitude towards obstacles. The stories highlight the significance of dealing with cultural disparities, ensuring technological compatibility and prioritising efficient communication during the integration process. Every merger has had a lasting impact on the Indian banking industry, altering the competitive dynamics and contributing to the continuous development of the sector.

EVALUATION OF MERGED ENTITIES' PERFORMANCE

Analysing market share and financial metrics after a merger is essential to determining how well the combined companies performed. Financial health may be assessed by examining variables including profitability, asset quality, and capital adequacy. Market share indicates competitiveness on a regional and national level. Workforce consolidation, cultural misalignment, and technological integration are common challenges. Through overcoming these obstacles, successful mergers create a single organisational culture, cost savings, and operational synergies. Sustained growth, customer happiness, and the achievement of strategic goals are all facilitated by the smooth integration of operations and cultures.

PROBLEMS AND REBUTTALS

Banks face difficulties including staff reorganisation, cultural conflicts, and technological integration throughout merger processes. Common obstacles include potential talent drain, consumer displeasure, and operational disruptions. M&A deal critics frequently focus on concerns about job losses, subpar customer service, and the true value created. Perceived market monopolies may give rise to disputes and worries about diminished competition. The nuances of governance and regulatory compliance are also closely examined. In order to ensure the long-term success and favourable public impression of merger and acquisition activity in the banking sector, it is necessary that these problems and critiques be addressed.

EFFECT ON BANKING SERVICES AND FINANCIAL INCLUSION

The impact of mergers and acquisitions in the banking industry on financial inclusion can be measured in terms of how easily and affordably banking services are made available. Understanding these strategic actions' wider effects on financial inclusion requires evaluating how they alter the services that are available to different socioeconomic sectors.

PROSPECTS FOR THE FUTURE AND SUGGESTIONS

Changes in consumer preferences, technology and regulations will probably have an impact on future M&A in Indian banking. Prioritising strategic planning, thorough due diligence, and stakeholder engagement will help policymakers and banking institutions navigate future M&A activity and guarantee a good influence on the industry.

CONCLUSION

Upon reflection, the analysis emphasises the profound evolution of mergers and acquisitions in the Indian banking sector. By analysing past events, changes in regulations, and significant examples, it becomes evident that mergers and acquisitions have played a crucial role in driving the evolution of industries. The consolidation of companies, albeit difficult, has resulted in improved market dynamics, operational effectiveness and strategic adaptability. Highlighting the significance of acquired knowledge, mergers and acquisitions play a crucial role in influencing the Indian banking sector, promoting flexibility, and guiding financial institutions towards a future characterised by expansion, creativity, and ongoing competitiveness. MA

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UNDERSTANDING MECHANISMS OF EXPECTED CREDIT LOSS (ECL) BASED PROVISIONING OF BANK LOAN

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Abstract

Following the global trend, RBI is going to introduce Expected Credit Loss based provisioning system in Indian banks. In contrast to the present system of provisioning on actual losses, ECL provisioning is a forward-looking approach where provisions are made not only for actual losses but also for losses that may occur in future. It is a scientific technique which will help the banks to capture their credit losses more accurately and to make provisions accordingly. It will make the banks stronger. The system, once implemented, will change bankers' age-old concept on asset classification and provisioning that is in vogue since last three decades. But designing the new system itself is a challenge for the banks which need to be overcome by proper understanding the process, communication and transparency.

INTRODUCTION

RBI on 16th January 2023 released a Discussion Paper for introduction of 'Expected Credit Loss Framework in Provisioning by Banks'. After receipt and examination of the related comments, on 4th October 2023, it constituted a nine-member external working committee chaired by Prof R. Narayanaswamy, former Professor, IIM Bangalore to get independent views. The group will guide the banks in designing a Credit Risk Model for assessment of expected credit loss, suggest methodology to be adopted and recommend factors to be considered.

BACKGROUND

Credit risk is a natural phenomenon in banking business and the resulting loss, if unattended, may lead to bank failure. Provision against loan loss is the most direct and effective measure to mitigate such risk. It is an expense item in banks' income statement where part of bank's profit is set aside to be adjusted later with banks' credit loss.

As per extant rule, banks make provisions against every loan asset that are in default. Default is said to have occurred when contractual repayment from the obligor remains overdue for 90 days or more. The system is called Incurred Credit Loss (ICL) provisioning.

The system has one lacuna. Banks make provision only after the occurrence of default event. In reality, process of credit impairment sets in much before the actual default. But for this, banks make no provisions. In the interim period Banks' profit remains overstated allowing higher dividend payout, showing stronger capital base than actual, encouraging it to take more risky ventures and sending misleading information to its investors, regulators and other stakeholders.

The deficit came into light after the global financial crisis in 2007 in consequence of a series of bank failures. Subsequently leaders of G20 countries, international regulators and standard-setters met together to resolve the issue. ICL provisioning was found out as "Too Little Too Late".

After working in several phases IASB (International Accounting Standard Board) in July 2014 published IFRS9 recommending ECL based provisioning for banks/FIs along with principles for classification and measurements of financial assets and liabilities.

ECL is a forward-looking approach where provisioning to be done not only for actual losses but also for future possible losses. Rules would come into effect on or after January 2018 and would replace IAS39. Simultaneously FASB (Financial Accounting Standard Board) of US came out with its own set of rules, namely CECL, for ECL based provisioning. Most countries have already adopted ECL system. India with China and few others are still awaiting but converging towards it.

ECL FRAMEWORK

A. Classification of Assets

As per IFRS9, under ECL all banks are required to classify their loan assets including lease receivables and trade receivables into three categories. A loan upon origination (sanction or purchase) enters Stage1 and remains there till there is no significant increase in credit risk. A loan is categorized under Stage 2 when significant credit impairment (but not actual default) is noted. Loans come under Stage3 category after default.

Compared to ICL system, Stage 1&2 assets are banks' standard assets while Stage 3 assets are non-performing assets. Banks are now charging specific provisions against NPA-s only. A general provision varying from 0.25 to 1 per cent is made on standard assets which can be treated as Tier 2 capital subject to certain restriction.

B. Provisioning Norms

IFRS 9 requires that banks will make specific provision on all loan assets. For Stage 1 assets 12months expected credit losses are taken for provisioning and for Stage 2 and Stage 3 assets lifetime expected credit losses are taken. Further it is clarified that 12month credit loss for a loan is not the expected cash shortfall in the next 12 months but the credit loss over its entire lifetime weighted by the probability that the loan will default in next 12 months.

C. Revenue Recognition

Interest revenue will be recognized on accrual basis which for Stage 1 and Stage 2 assets are to be calculated on gross carrying amount while for Stage 3 it is to be calculated on net carrying amount (net of loss provision). RBI here differs from IFRS 9 stating that interest revenue for Stage3 assets to be recognized only on actual receipt which is the extant practice also. RBI also differs from IFRS9 in that assets from Stage3 category are not to be upgraded directly to Stage1 but to remain in Stage2 at least for six months before next upgradation.

Presently all scheduled commercial banks and NBFCs having net worth Rs. 250 crore or more will come under the purview of ECL provisioning. To bring large scheduled cooperative banks having net worth beyond a threshold limit is also being considered.

Credit risk is a natural phenomenon in banking business and the resulting loss, if unattended, may lead to bank failure

IFRS 9 VERSUS CECL

Both IFRS9 and CECL follow the same concept of ECL based provisioning. The major difference between the two is that CECL does not make any distinction between Stage 1 and Stage 2 assets. Provisions are required to be made on lifetime ECL for all loans. The process, it argues, is operationally more convenient and ensures higher safety against credit loss. CECL approach emanates mainly from the long-standing tradition of FASB for closely associating loss provision with prudential regulations and also for different business model followed by banks in US.

However, IFRS9 observes that at the time of sanction, credit risks of the loans are duly weighed by the lenders and loans are priced accordingly. Lifetime ECL upon sanction or without any change thereafter tantamount to double-counting of the same risk and thereby penalizing the banks/borrowers.

RBI endorses IFRS 9 because of its wider international acceptability.

CALCULATION OF ECL

IFRS9 does not specify any design or methodology for calculation of ECL. It vests the responsibility with the managements of banks and their regulators.

The difference between ICL and ECL is that while the former works on actual figures only, the latter is a probability weighted estimation of future loss and hence contains an element of uncertainty. Accordingly multiple provisions may be derived for a single loan depending upon the design or methods adopted by the banks, Broadly, the formula for ECL is given as,

ECL= EAD*PD*LGD, where

ECL is Expected Credit Loss

EAD is Exposure at Default

PD is Probability of Default

LGD is Loss Given Default, given as a %age of EAD

But this is the simplest form for ECL where the loan's lifetime equals to one credit cycle only, say one year, and uniform PD throughout the period. Actually, ECL for a loan having lifetime N year is the summation of ECL for each of the N year calculated separately and then discounted to its present value using effective interest rate.

$$\text{ECL}= \sum_{n=1}^{N} \left(ECL1 + ECL2 + \cdots ECL(n) + \cdots ECL(N)\right)$$

$$\text{ECL(n) = EAD(n)*MPD(n)*LGD(n)*1/ } (1+r)^n, \text{ where}$$

EAD(n) is Loan balance in nth year after adjustment of principal and interest repayment

MPD(n) is marginal PD i.e., increase in nth year over previous year's PD,

LGD(n) is LGD in nth year and r is the effective interest rate.

PD of a loan, which lies at the centre of estimation, may vary from >0 to 1, 1 being the value for stage3 assets. Interim values are derived after considering loans' various financial parameters, other qualitative factors like class, sector, region etc to which the loan belongs, banks' past experience with similar loans as also macroeconomic conditions- current and future. PD values will never be equal to zero.

The derivation involves highly sophisticated statistical techniques. Some commonly used methodologies are:

- Historical or Aggregate loss data
- Transition matrix (Rating migration)
- Vintage Analysis
- PD based on credit rating (mapping and scoring)
- Markov chain
- Regression analysis
- Monte Carlo simulation etc.

LGD is modeled by analysing post-default recovery in the past. It is a factor of collateral value, recovery cost, availability of insurance and Government guarantee, time taken for recovery etc. LGD is assessed using Work-out Method, Asset-Pricing Model, and Market LGD and so on.

It is apparent that the overall calculation is quite complex and most banks will lack the expertise to develop an ECL or Credit Risk Model on their own. Further a single model will not serve the purpose and banks will have to design several models to cover its entire loan portfolio.

It is therefore suggested to take a top-down approach at least in the beginning for ECL modelling. Also, RBI in its DP for proposed ECL regime has explicitly emphasized the need for regulatory backstop.

Renowned audit firms like Price-Water-House, Deloitte, Ernst-&Young have already developed/ are developing models for ECL calculation. Many others are in the fray. Drawing analogy from the borrower's external rating process currently in vogue, presumably banks in initial stage will make use of ECL models developed by approved external agency till they acquire knowledge and proficiency for making their own system.

CHALLENGES AHEAD

Building an effective ECL model that will be able to capture current as well as future credit loss is a difficult task. Following are the issues which often come as a barrier.

1. **Data availability**: Sufficient data at bank/FI level reflecting their loss experience, spanned over many years in decade terms, is required to make a reliable model. But most NBFCs and many small banks do not maintain such data. Even if loss data is available, migration data will rarely be available. Moreover, banks are often reluctant to part with their internal granular level data or place them in public domain.
2. **Data reliability**: Banks often take an optimistic view of their borrower's business prospects and project financials position accordingly. Signs of credit impairment may be suppressed because of banker/customer confidential relationship. Banks may simply choose not to disclose the information in fear of loss of reputation, market share etc.
3. **Portfolio Segregation**: For retail loans or small business loans PDs are generally derived on portfolio basis. Loans in a portfolio should have similar credit risk characteristics. Sufficient data may not be found for a single type portfolio. It is possible that to improve PD of a particular bucket some problem loans are dropped and placed in

other category.

4. **Difference in perception**: ECL process leaves wide room for experienced judgement and bias of individual bankers. A minute difference in model's assumption may result in wide variations in provisions across the banks as actually experienced in case of several European banks. Hence BIS repeatedly emphasized the need for transparency by the banks/agencies and documentation of their policies.
5. **Stage-wise classification-** Criteria for transfer from Stage1 to Stage2 is not amply clear and the phrase "significant increase in credit risk" may be interpreted differently by different banks/ agency. Also, IFRS9 tacitly assumes that all loans are having low credit risk at the time of sanction which may not be the cases always. Some jurisdictions have created a special category for credit impaired loans at the point of origination. It is better to lay down specific standards for assets to be classified under stage1.
6. **Macro-economic factors**: IFRS 9 requires banks to include forward-looking information on macro-economic factors for assessment of ECL. Experts feel that such prediction of future could hardly be accurate and quantification of them for PD model would be further difficult,
7. **Model Validation**: It is the process which ensures the model has achieved its intended result. A model with too simplified assumptions may give incorrect result whereas a model with much detail and inflexible design may make it ineffective.
8. **Impact on bank capital and loan pricing:** ECL provisioning is going to impact banks' capital and their loan pricing policy. Surveys conducted globally by Deloitte and others on several ECL compliant banks reveal that most bankers are yet to ascertain the final impact.

CONCLUSION

Early loan loss recognition, as envisaged in ECL provisioning, will improve the reliability of the banks' balance sheets and create a higher loss reserve adding to its financial strength. It will also help to reduce procyclicality at the time of economic boon by capping banks' profit thus checking any unprecedented credit growth.

Last but not the least, new ECL regime will be opening a new vista for practicing CMAs for which they need to be well prepared beforehand. MA

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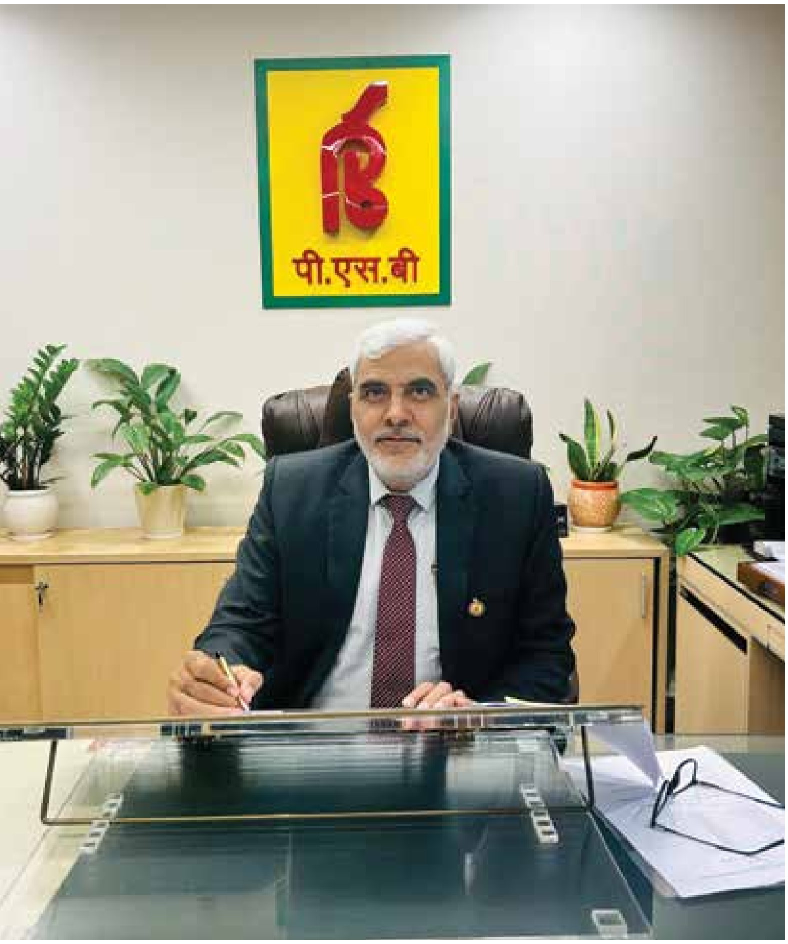
Interview



CMA (Dr.) Ram Jass Yadav

Executive Director
Punjab & Sind Bank, New Delhi

Dr. Ram Jass Yadav started his career with Bank of Baroda in June 1984. He completed his post-graduation in commerce with professional qualifications i.e. ICWA, CS, MBA and doctorate (Ph. D), all with distinction. His diversified experience of Banking in India & overseas such as Operation & Credit Manager, Trainer, Internal auditor, Branch Head, SME-Loan Factory Head, Regional Head, Zonal Head, Corporate office functions, Board level exposure are ample evidence of his wide, intensive and systematic professional grooming in banking industry. He also led largest State Level Bankers Committee (SLBC) of the country at Lucknow with many awards and accolades by the Government. He has several Business Awards for excellence in his leading roles in the Banking in addition to many academic accolades for his outstanding achievement in industry viz. (a) Nine distinction awards for top rank in CAIIB 1988-1989 (b) Macro Research Project award for "Issues in SME Finance" by IIBF, Mumbai in year 2012-13 (c) "Rajbhasha Gaurav Puruskar" for authoring a book on "Inclusive Banking" in 2017 by Hon'ble President of India (d) He has also authored book "Agriculture & MSME-Significant contribution to Self-Reliant India" that is also awarded with "Gaurav Puraskar" by Hon'ble Home Minister of India in 2021.

Q1. We know that, for about 115 years now, Punjab & Sind Bank (PSB) with the vision of *"Where service is the way of life"* is committed towards providing excellent customer service through innovative products and services. Elucidate a few popular welfare schemes getting operated by PSB to excel in better customer service?

Ans-: *For the past 115 years, Punjab and Sind Bank, guided by its motto "Service is a Way of Life," has remained unwavering in its commitment to delivering outstanding customer service through innovative products and services. The bank stands as a testament to a legacy deeply rooted in the values of service, integrity, and excellence.*

Among the bank's noteworthy contributions to societal welfare are several popular welfare schemes that reflect its dedication to fostering financial inclusivity and uplifting communities. Some of these impactful schemes include: Stand up India, Pradhan Mantri Mudra Yojna, PM SVANIDHI SCHEME. Beyond the loans provisions the bank is committed to ensuring the social security of its customers covering Atal Pension Yojna , Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) , and Pradhan Mantri Suraksha Bima Yojna (PMSBY). Apart from this social security schemes Bank is also now offering Insurance with its premier deposit accounts.

Q2. To dedicate for "Sarva Jana Hitai Sarva Jana Sukhai", what are some of the most significant projects which the PSB is involved in recent times as its social commitment towards society?

Ans-: *As the Executive Director of this bank, I am proud to highlight several impactful projects that demonstrate our commitment to "Sarv Jan Hitay, Sarv Jan Sukhay." Our recent initiatives include community development programs, financial literacy campaigns, and sustainable banking practices. Additionally, we've actively supported education , healthcare and various infrastructures projects, fostering a holistic approach to societal well-being. Our dedication to these endeavors* *reflects our steadfast commitment to contributing positively to the communities we serve, aligning with the principles of public welfare and happiness for all. Bank has utilised significant amount of its CSR funds towards the welfare of Divyangjan & Para Olympic Development program.*

Q3. And thinking of your kind of career in banking, which is around four decades now; share with us some of your significant achievements? Also what's the biggest challenge ahead of you that you hope to accomplish before you finish this role?

Ans-: *Over my four-decade career in banking, I was fortunate enough to work spearheading innovative digital banking solutions, leading successful mergers for organizational growth, and establishing robust risk management frameworks. I also had the privilege of leading the largest State Level Bankers Committee (SLBC). Lucknow Uttar Pradesh.*

Over the course of my career, I have encountered numerous transformations and challenges within the banking industry. One notable recent challenge has been the consolidation of banks, a significant undertaking that reshapes the banking landscape. Amidst the uncertainties brought on by the COVID-19 pandemic, the entire industry faced dilemmas and uncertainty regarding the future of the economy. Navigating through such a dynamic and evolving landscape has been a testament to adaptability.

Looking ahead, my focus is on navigating the evolving landscape of fintech, ensuring our institution remains at the forefront of technological advancements. I aim to enhance financial inclusion, particularly in underserved communities, and further strengthen our bank's sustainability initiatives. Balancing innovation with risk management & good governance will be crucial as we embrace the future of banking, contributing to both the success of the organization and the well-being of our stakeholders.

Q4. Punjab & Sind Bank is aiming for 2,000 branches and as many ATMs in the country by March 2026. Can you briefly explain its prospective effect on branding, growth and expansion of your esteemed institution?

Ans-: *The ambitious plan to establish 2000 branches and ATMs nationwide by 2026 signifies a strategic leap for our bank. From a branding perspective, it reinforces our commitment to widespread accessibility and customer convenience, positioning us as a reliable financial partner across diverse communities.*

In terms of growth, this expansion facilitates increased market penetration, tapping into previously untapped regions and demographics. It strengthens our market presence, fostering trust and loyalty among existing customers while attracting new ones.

Operationally, the extended network of branches and ATMs not only amplifies customer engagement but also supports the digital banking ecosystem. Besides this, Bank is expanding its BC Network to reach & serve last mile citizen of the country. This synergy enhances the overall customer experience, contributing to our bank's growth trajectory.

Overall, this expansion aligns with our vision for sustained growth, nationwide impact, and solidifies our position as a leading financial institution committed to serving the diverse needs of our customers.

Q5. How do you want the bank to be positioned in the market in the next 5 years?

Ans-: *In the next five years, my vision for our relatively small bank is to be positioned as a dynamic and customer-centric financial institution that punches above its weight. I aspire for our bank to be recognized for innovation, agility, and personalized service.*

Digital Prowess: *Leverage technology to create a seamless and user-friendly digital banking experience. Invest in mobile banking apps, online services, and other digital channels to cater to the evolving preferences of customers.*

Community Focus: *Emphasize our commitment to local communities. Establish partnerships and initiatives that address specific needs, reinforcing our bank's role as a trusted partner in the community.*

Customer-Centric Approach: *Prioritize customer satisfaction through personalized services, quick response times, and a customer-centric culture. Build relationships that go beyond transactions, fostering loyalty and advocacy.*

Risk Management & Governance: *Implement robust risk management practices to ensure the stability and security of the bank. governance ensures that banks operate in a stable, transparent, and ethical manner. This is crucial for maintaining trust and credibility, especially in a competitive landscape.*

Agile Operations: *Foster an agile organizational culture that can swiftly adapt to market changes. This flexibility will enable us to respond promptly to emerging trends and customer demands.*

By embodying these principles, I envision our bank as a resilient and innovative player in the financial sector, delivering value to both customers and stakeholders. Despite our size, I believe that a strategic focus on these aspects will enable us to carve out a distinctive and influential presence in the market.

Q6. What one piece of advice would you give to the young CMA professionals?

Ans-: *My advice to young CMA professionals would be to continually invest in your professional development. Stay abreast of industry trends, enhance your skills through ongoing education, and actively seek opportunities to broaden your knowledge. Embrace a mindset of lifelong learning, as the financial landscape is dynamic, and your adaptability will be key to long-term success in your career. Additionally, cultivate strong communication skills, as the ability to convey complex financial insights in a clear and concise manner is invaluable in the business world.*

Q7. What are the various ways your organization can integrate with our Institute for the diverse avenues in professional development matters?

Ans-: *Our organization can integrate with ICMAI for professional development through collaborative courses, training programs, and research partnerships. Additionally, initiatives such as internships, guest lectures, joint conferences, shared resources, online learning platforms, and mentorship programs can further enhance the learning experience and career opportunities for students and professionals specially in Banking sector.* MA

BRSR *Lite*

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Abstract

While the BRSR has been devised for listed businesses, the BRSR Lite is a tool devised to enable smaller businesses to capture the environmental and social impact on business. This article captures the salient features of the BRSR Lite.

Introduction - Committee on Business Responsibility

In November 2018, a *Committee on Business Responsibility* for finalising Business Responsibility Reporting formats for listed and unlisted companies under the National Guidelines for Responsible Business Conduct (NGRBC) was constituted. The Committee comprised SEBI, MCA, the three professional institutes and the IICA. The Committee extensively and minutely deliberated proposed formats as well as had discussions with *NITI Aayog*, sustainability heads of companies and representatives from the MSME sector.

BRSR and BRSR Lite

The Committee examined the NGRBC-BRR framework within the broader context of the United Nations Guiding Principles (UNGPs), Sustainable Development Goals (SDGs) of the UN and other widely accepted non-financial/sustainability reporting frameworks.

After the deliberations, the Committee recommended that the Business Responsibility Report be called the Business Responsibility and Sustainability Report (BRSR). The Committee also proposed two formats for disclosures: a comprehensive format and a *Lite* version.

Phased implementation

The Committee was of the view that implementation of the reporting requirements should be done in a gradual and phased manner –

i. top 1000 companies by market capitalisation in case of listed entities or as prescribed by SEBI and
ii. in case of unlisted entities, the MCA may extend the same above specified thresholds of turnover and/or paid-up capital.

Further, the Committee recommends that smaller unlisted companies below this threshold may, to begin with, adopt a *lite* version of the format, on a voluntary basis.

Why BRSR *Lite*?

The feedback received by the committee suggested the need for a simpler version of the format for smaller companies. Accordingly mindful of the ease of doing business and the burden and cost of compliance by companies, the Committee developed the formats to be simple, so as not be onerous or repetitive. The information sought in the formats is a mix of quantitative and qualitative data.

The committee felt that Quantitative data allows for easy measurement and comparability across companies, sectors, and in time while Qualitative data helps capture the unique ways in which organisations have implemented and embedded responsible business conduct.

The pared down *lite* version was proposed by the Committee taking into account the following:

i. the fact that at the time of the report, only the top 500 listed companies by market capitalisation have the experience of business responsibility reporting.
ii. The fact that other companies may be unfamiliar with any form of sustainability reporting and the proposed BRSR would perhaps be their first effort

at developing a sustainability report.

Benefits of BRSR *Lite*

Disclosures needed under BRSR Lite:

An indicative list of disclosures required under the BRSR Lite is as under:

SECTION A GENERAL DISCLOSURES

- Company details
- Products/services Top 3 Products/Services sold by the company by Turnover (including both manufactured and traded):
- Operations
- Location of top 3 plants (in case of manufacturing businesses) or operations/offices (in case of non-manufacturing) in India by contribution to turnover
- Details as at the end of Financial Year:
  a. Employees (including differently abled):
  b. Participation/Inclusion/Representation of women (including differently abled):
- Holding, Subsidiary and Associate Companies (including joint ventures)
- Contribution of exports to total turnover of the Company in percentage
- Describe the mechanisms in place to receive and respond to consumer complaints and feedback
- Consumer complaints in respect of Data privacy
- Whether CSR is applicable as per section 135 – if so, amount spent, amount spent in local area etc.

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

- Company's policy/policies that cover each principle and its core elements of the NGRBCs
- Do the enlisted policies extend to your value chain partners
- Details of Review of NGRBCs by the Company
- Stakeholder Engagement

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

The major requirements of disclosures as per the National Guidelines for Responsible Business Conduct (NGRBCs) are follows

Principle 1: Business entities should conduct themselves with integrity and in a transparent, ethical and accountable manner.

- Fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings with regulators/ law enforcement agencies
- Complaints / cases of bribery/corruption received/ registered in the financial year
- Details of disclosure of interest involving members of Board

Principle 2: Business entities should provide services or goods in a manner that is safe and sustainable.

- Life Cycle Assessments (LCA) for any or all of its top 3 brands/ products manufactured
- R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes
- Processes in place to safely collect, reuse, recycle and dispose after sale and at the end of life of the company's products, separately for (a) Plastics (including packaging) (b) E-waste and (c) other waste

Principle 3: Business entities should appreciate and promote the well-being of its employees, including those working in their value chains.

- Details of measures for the well-being of employees (including differently abled)
- Mechanism available to receive and redress grievances for the following categories of employees and workmen
- Complaints made by employees and workmen
- Safety related incidents during the current Financial Year

Principle 4: Business entities must respect and be responsive to the interests of their stakeholders.

- Stakeholder groups identified as key for the company and the frequency of engagement with each stakeholder group

Principle 5: Business entities should appreciate and promote human rights

- Details of remuneration/salary/wages (including differently abled)
- Focal point (Individual/ Committee) responsible for addressing human rights impacts or issues

caused or contributed to by the business

- Internal mechanisms in place to redress grievances related to human rights issues

Principle 6: Business entities should appreciate and make efforts to protect and restore the environment

- Details of energy and water consumption by the company
- Air emissions and liquid discharges per unit of production for the 3 major facilities of the company as reported to regulatory authorities

Principle 7: Business entities, when influencing public or regulatory policy in any way, should do so in a responsible and transparent manner.

- Number of affiliations with trade and industry chambers/ associations

Principle 8: Business entities should promote equitable development and inclusive growth

- Information on CSR projects undertaken by your company in Describe the mechanisms to receive and redress grievances of the community.
- Have the benefits derived of the various intellectual properties owned or acquired by your company based on traditional knowledge been shared equitably?

Principle 9: Business entities should provide value to their consumers in a responsible manner.

- Consumer complaints and feedback.

The *Lite* version of the BRSR format -

i. makes it easier for all companies to begin reporting on sustainability reporting related issues.
ii. has the Essential and Leadership category of questions, but fewer in number,
iii. has fewer elements than the comprehensive version and
iv. seeks information which such companies should be able to provide
v. allows Small Companies to get a foothold of reporting under BRSR
vi. allows for a smoother transition to the Regular BRSR
vii. reporting using BRSR-Lite is also cost effective as compared to the regular BRSR, given that the reporting requirement is not as comprehensive and detailed as the Regular BRSR.
viii. encourages Indian companies to grow sustainably and ethically, as well as to familiarize them with global standards of sustainability reporting.

Further the BRSR *Lite* is expected to serve as a guide for unlisted companies to promote the NGRBCs in business i.e., to:

- Conduct and govern themselves with transparency, ethics and accountability
- Engage and provide value to the customers in a responsible way.
- Promote the well-being of all employees and human rights.
- Provide goods or services that are safe and sustainable throughout their lifecycle.
- Respect the interests of all stakeholders and be responsive to their needs.
- Protect, respect and make efforts to restore the environment
- Support inclusive growth and equitable development for all its stakeholders.

Conclusion

Responsible business means embedding accountability in business. Initially the BRR and now the BRSR have been used as tools to showcase non-financial information on responsibility of the business towards stakeholders, environment and society. While the BRSR is a significant large step for listed entities to report on responsible business, there is a need for other companies also to report similar information, even if the same is a pared manner. This will help the country to measure how responsible its businesses are and also aid in piloting the country's net zero ambitions by 2070. The BRSR *Lite* is a small step for unlisted entities to provide information. In fact, the BRSR *Lite* can also be used by entities other than the top 1000 entities by market capitalisation to commence making non—financial disclosures on business responsibility and sustainability indicators as regards their business. It is a significant tool that can be adopted by such entities. MA

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1. *Report of the Committee on Business Responsibility Reporting of MINISTRY OF CORPORATE AFFAIRS*

DIGITAL TRANSFORMATION OF BANKING AND SERVICE DELIVERY PLATFORMS WITH BLOCKCHAIN TECHNOLOGY

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Synopsis

The clarion call of Industry 4.0 for banks is to implement digitally transformed processes to attain competitive advantages, risk management, and provide delightful digital experiences to stakeholders. Globally Blockchain technology has proved to be one of the enablers for achieving such objectives with the ultimate aim of shared value creation and inclusive finance. This paper deals with the major multifaceted dimensions of banks making strategic decisions for adopting and applying Blockchain befitting the internal and external realities of their respective business ecosystems. The author has also dared to write a couple of thoughts for garlanding the global banking systems with this powerful technology.

Acknowledgment

This is the 50th monthly paper of mine for this 'Digital Transformation Column' of the coveted Journal of the Institute. The author wants to record his gratitude and indebtedness to the Institute and its concerned officials for providing such a prolonged opportunity to contribute. He is also grateful to CMAs and all other readers for their renewed inspiration, kind words of encouragement, comments, and critiques.

Image Source: *https://cointelegraph.com/news/china-banking-body-to-develop-multi-use-blockchain-platform-with-major-banks*

Introduction

Last month's paper on Neo Banks[1] may lead many knowledge seekers to further study features, adoption, and applications of Blockchain technology from the perspectives of a bank's both internal and external stakeholders. Any traditional bank can adopt any one or both approaches towards neo banking, viz., wrapping up legacy operations with integrated digital technology-driven services provided by unlicensed external partners. Or develop their own digitalised systems to render new and unique services going beyond the boundaries of traditional policies, and SOPs.

The author's study of global use cases reveals that applications of Blockchain technology are effective enablers for digital transformation of banking operations with new and unique businesses and revenue models. Moreover, its applications can speed up many traditional banking operations with transparency, cost-effectiveness, immutability, and enhanced security. Thus, it can attain and enhance capabilities for rendering neo banking services.

The theme of the author's 21st Paper[2] was interplay of strategies and technologies for customers' delight in banking industry. Two more Papers[3&4] have been written on emerging dimensions of Blockchain technology and Smart Contracts[5] and their applications. Due to shortage of space, it will not be possible to repeat those aspects in this paper. Readers, if need be, may please refer to those papers to gather more about various dimensions of Blockchain, which is synonymously known as Distributed Ledger Technology (DLT), Smart Contracts, etc. for better understanding of the present paper.

Objective

The predominant objective of this paper is to deal with the multifaceted major dimensions of decision-making for adoption and applications of Blockchain technology by traditional banks for digitalisation, digital transformation of operations, and adding new/unique services to stakeholders. The paper will also narrate several illustrative applications of Blockchain by large banks for attaining competitive advantages, cost effectiveness, and providing delightful experiences to customers. Certain thoughts have also been included to remove the barriers in adoption of Blockchain by banks across the world.

Major Features of Blockchain from Bankers' Perspectives

Blockchain technology-based platforms (BTPs) are predominantly driven and auto-governed by digitally scripted Smart Contracts (SCs) embedded into BTPs. Such SCs facilitate conducting intended transactions by and between participants. All activities through BTPs are transparently performed in strict compliance with all applicable provisions of laws, regulations, taxation, global commercial codes like Incoterms for export-import, accounting standards, etc. The related provisions are scripted in the SCs for compliance and popup alerts. Such BTPs, powered and driven by SCs, have stood the test of time through real-time running of hundreds of globally implemented use cases. Digitalised processes with Blockchain can be designed and implemented in the following three network environments:

- Public Network - Wide open for participation by all in say issue of bonds by banks and subsequent trading,
- Restricted or Hybrid Network - Entities and their authorised participants dealing with the intended transactions only can join e. g., for settlement forex transactions inter se, and
- Enterprise or Self Blockchain - Such BTPs are created within an organisation for specific purposes, e.g., safe storage and handling of title documents by a bank for freehold and leasehold real estate properties, rented premises, and other important documents.

However, access and functional rights for all types of BTPs are granted only on a need-to-work basis after completion of 'Know your Participant' (KYP) process duly evidenced by prescribed documents. A participant can be an individual or the authorised representative of any organisation. In this KYP process, the system generally uses:

- AI-powered 'Optical Character Recognition Tool (OCRT) - To avoid human intervention while filling up credentials and other details in the soft copy of forms, etc.
- Auto verification of authenticity of supporting documents - By digitally enquiring into the issuing authority's platform, e. g. UIDAI for an Aadhaar Card, or the Income Tax Department for PAN in India.

Blockchain-based solutions are built with the assumption of **No Trust** assuming that none of the participants can be trusted. The solution per design ensures that all transactions are conducted with total transparency and in cent percent compliance with all legal and regulatory requirements. Thus, Blockchain ensures establishment of only one version of truth for any transaction. All transactions are immutable and cannot be changed without initiating another transaction for correction, if need be, and consented by the affected party(ies). Such a concept is critically important in the contemporary global and domestic business ecosystem, plagued with ever-increasing numbers of frauds and litigations.

Source of image: https://www.facebook.com/HandsTogetherUs/. Texts are inserted by the author.

All BTPs are operated by each participant with two keys auto generated and encrypted by the system. Each authorised participant enters the platform with her/his 'Private Key'. However, the BTP displays the participant's 'Public Key' while announcing related transactions to maintain privacy. The following are some of the major features of Blockchain technology:

1. Internet-based platform for initiating and completing P2P and E2E transactions,
2. Embedded Smart Contract with pre-provisioned compliance requirements,
3. Decentralised Data Storage Mechanism (DDSM) with Decentralised Ledger (DL) for each participant. Each of the participant's computing nodes can store all transactional records and documents of all participants. The present generation of BTPs can store those in an encrypted centralised library with wallets for each participant sent to their respective nodes.
4. Transparency with pseudonymity is ensured with Public Key,
5. No need for any Central Authority to maintain master and transaction data, if so designed,
6. All transactions are encrypted with complex algorithms that can dynamically be changed,
7. Every transaction is authenticated by one or more nodes other than the initiator,
8. An authenticated transaction data is pooled into the chain of blocks of transactions,
9. Each block is encrypted with a cryptographed hash function and can't be changed,
10. Programmed with cryptographed computational logic and algorithmic rules,
11. All transactions and stored documents can easily be retrieved,
12. BTPs can be upgraded with a Zero Knowledge Proof (ZKP) algorithm to establish the truthfulness of any transaction without disclosing any information, and
13. Cryptographed DDSM renders the system almost non-hackable,
14. A layer of tools crafted using AI, ML, DL, and BDA can be added on top of any BTP for conducting analyses and drawing insights from data, generated by the system and related documentation.

The above features establish confidence and comfort amongst all users. The technology and solution design proactively takes care of several risks and turns the solution into a great enabler for Risk Enabled Performance Management (REPM).

Adoption of Blockchain Technology by Bank

Besides many tangible and intangible benefits, Blockchain is a resourceful technology for cost savings. However, it should not indiscriminately be adopted by any entity. Considering the above features of Blockchain and BPTs the author suggests the following set of questions that must be answered before deciding on its adoption. Understanding the business and facts-driven answers to these questions would help make the right decision for adopting Blockchain technology and BTP by all organisations irrespective of nature, and particularly by banks:

Questions Before Adopting Blockchain Technology Solutions	Answer and Adoption Decision	
1. Will there be a **Large No. of Participants** from business ecosystems?	Yes	Adopt
2. Is the establishment of **Trust** between parties of critical importance?	Yes	Adopt
3. Are all the parties and the existing tech-based systems **trustworthy?**	Yes	Do not adopt
4. Is it critical to **Record & Retain** transaction details and documents?	No	Do not adopt
5. Are **Authentic identity** of all parties and **Fraud Prevention** essential?	Yes	Adopt
6. Are **Transparency** and **Irreversibility** of transactions essential?	No	Do not adopt
7. Do you need the **Database** and an attached **AI Layer** for analyses?	No	Do not adopt
8. Does the database and transactional system need **Shared Writing**?	No	Do not adopt
9. Are **Control Functions** and **Statutory Compliances** essential?	Yes	Adopt
10. Are **Provenance, Immutability,** and **Data Governance** critical?	Yes	Adopt
11. Are transactions to be also conducted by the **Public** after KYC is done?	Yes	Public Blockchain
12. Are transactions to be performed by restricted **Interfirm** parties?	Yes	Restricted Blockchain
13. Are transactions to be performed only by **Intrafirm** participants?	Yes	Enterprise Blockchain

If the answer to any question, listed under serial numbers 1-10 above, is the reverse of Yes or No, the decision will also be the reverse of what is given against each question. The decision for adoption would also depend on availability of skilled manpower, and affordability of the entity based on a cost-benefit analysis for launching and running the BTP. However, such expenses can, if so decided, suitably be recovered from participants, particularly when Blockchain is provided as a Service (BaaS)

Banks and FinTech entities, as the axiom says, can survive only on the foundation of trust. In the contemporary world with overwhelming developments and applications of digital technologies banks can always establish and maintain trust and truthfulness by applications of Blockchain. Research scholar R. K. Jena (2022)[6], through his work using empirical data, concluded that "*... facilitating conditions, performance expectancy, and initial trust, are the significant antecedents to predicting the bankers' intention to use Blockchain in banking transactions. The study also established the significant mediating role of initial trust in predicting usage intention to use Blockchain.*"

Significance of Blockchain for Banking Industry

Global netizens have started believing the statement of Bill Gates, "Banking is necessary, banks are not." Therefore, both digitalisation and digital transformation for crafting new and unique business and revenue models are pressing necessities for gaining competitive advantages and avoiding physical contact with customers. The above narratives on major features establish that Blockchain is one of the most dependable digital technologies for multiple applications by banks with reduced human interventions.

Hisam O Mbaidin (2023)[7] et al in their cerebral research work on applications of Blockchain for banking sector have concluded that *"Implantation of smart contracts, risk management, risk mitigation and faster payment are the opportunities for the banking sectors of developing countries to increase trust and transparency in their financial systems as well as formalization of their economy. .... upon the adoption of Blockchain technologies, there will be ease in financial transactions and transfers of money for financial institutions.*

While commenting on the use and impact of Blockchain in banking industry DBS Bank in two of its publications[8A&B] has mentioned that. "*Traditional banking systems require intermediaries such as clearinghouses, custodians, and other third-party service providers, ... However, with Blockchain technology, these intermediaries can be reduced, allowing for faster and more cost-effective transactions. This increased efficiency can lead to significant cost savings for banks and their customers. .... Blockchain technology has the potential to transform the banking industry by providing increased security, efficiency, and cost savings.".*

Beyond digital assets, another key innovation that this technology has enabled is Decentralised Finance (DeFi), where tokenisation and the use of smart contracts allow peer-to-peer financial transactions without the need for intermediaries, based on self-governance by the DeFi *community."* The following data published in May 2022 by the Research Department of Statista, a global statistical organisation of eminence, reveals the actual and projected Blockchain market size for banking and financial services business from 2019 to 2026:

Blockchain use in banking and financial services market size worldwide in 2018 and 2019 with a forecast to 2026

Source: https://www.statista.com/statistics/1229290/Blockchain -in-banking-and-financial-services-market-size/

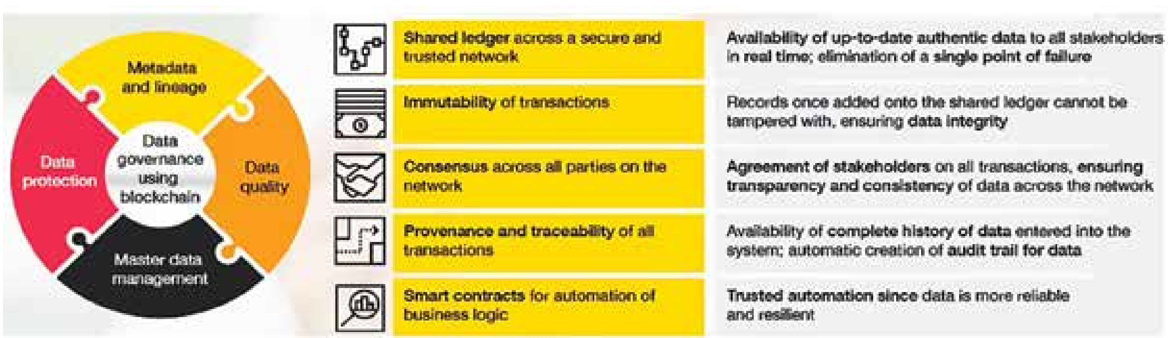
The above statistics portray that continuous growth in adoption of Blockchain by banking and financial services sector promises all potential for the market size to increase from USD 0.28 Billion in 2018 to USD 22.46 billion with a CAGR of 72.99%. Such a growth potential indicates the versatile capabilities of Blockchain technology and its usefulness for the global banking industry.

Applications of Blockchain for Banking Operations and Services

The previous two sections convincingly establish that Blockchain and BTPs are appropriately suitable for and can help meet the expectations of different stakeholders of any bank. They resort to applications of Blockchain or DLT for various internal and external stakeholder-centric activities as have illustratively and briefly been stated below. Names of the concerned banks for certain use cases have been stated as examples. However, it should not be construed that only the named banks use it. Again, some of such applications have uniquely been developed by certain banks or their technology partners/associate startups which have still not been widely adopted by others.

Blockchain for Banking Operations and Service

It would be pertinent to start with **Data Governance**. It is of critical importance from the perspective of all stakeholders, data protection, privacy, and related compliances with all statutory provisions. Moreover, data is the new digital gold of the ongoing Industry 4.0 era. The AI Layer with multivarious tools, attached to any BTP, can facilitate deep drive data analytics which can help make strategic decisions and initiate new business and revenue models. The following graphics of PwC would help understand the subject better and reduce narratives.



Source: https://www.pwc.in/industries/financial-services/fintech/point-of-view/financial-services-data-and-analytics/september-22.html

PwC has affirmed that Blockchain helps governance of data comprising Metadata, Transactional Data, Master Data, Data Quality, and Data Protection. The narratives in the above graphics also confirm the other features and advantages that can be derived by applications of Blockchain which are extremely relevant and essential for various facets of data governance. The following are some of the other applications of Blockchain for internal activities:

- Valuable Document Management: Digitally preserve and handle valuable documents for freehold moveable and immovable properties, leasehold and rented premises, other valuable assets, agreements with third parties other than customers,
- Liquidity Management: J.P Morgan addresses liquidity mismatches in the bank's loan funds,
- Systems Access Control: A Blockchain-based process can control and monitor all accesses to all systems and reduce many maladies stemming from unauthorised accesses and duration.

Services to Customers and Other External Stakeholders

- KYC Process and Fraud Prevention: OCBC bank uses BTP for conducting, authentication, and onboarding customers/other users before commencing service delivery. IBM has developed a common platform for KYC which all banks can use by establishing interoperability,
- Custodial Services for Virtual Digital Assets: Swedish Central Bank and HSBC use specially designed BTPs as a digital vault for storing virtual digital assets,
- Issuance, Monitoring and Closure of BG, L/C, and Letter of Comfort: This is another useful application by many banks around the world.
- Cross-border Payments: Santander uses a Blockchain-based system for cross-border payments,
- Issue of Bonds and Other Financial Instruments: This is a very common application.
- Tokenisation of Securities: The capability of BTPs to tokenise securities and ownership management thereof helps bankers render neo banking services to customers.

Inter Bank Services

- Trade Finance: Fifteen Indian Banks initiated actions to start a Blockchain platform for trade finance transactions by replacing the existing paper-heavy legacy process of foreign trade transactions and financing thereof,
- Confirmation of Beneficiary Bank Information: BTPs are being used by J.P. MorganSM and its partner banks, including banks of Taiwan for this important function.
- Forex Transactions: The use of BTPs for conducting forex transactions, reconciliation, and periodical settlement is a common application across foreign banks.
- Loan Syndication: BTPs are used for syndication of loans when one bank alone cannot or does not want to undertake any customer's entire requirement, etc.

Central Bank Digital Currencies (CBDC):

Globally central banks of most countries, that have launched or working on pilot projects for launching CBDC, including India, use Blockchain platforms for both retail and wholesale CBDCs for individual and inter-bank transactions respectively.

The above is an illustrative and not comprehensive list of applications of Blockchain or DLT. Related information has been gathered from various publications[9A-9E], references of which have been provided below for readers to gather more knowledge.

Hurdles in Applications of Blockchain Technology

Banks across the world mostly implement digitally transformed processes with reduced human interventions. Any bank's objective must be fraud prevention and delivering outstanding digital experiences to all stakeholders, besides speed of delivery and cost reduction. The pertinent question is, therefore, that despite so many advantages, why Blockchain technology has so far not been adopted by all banks across the world?

It is an established position that, unlike AI and RPA, the speed of adopting Blockchain is relatively slow. This is predominantly because of fear of the unknown, gaps in understanding, mistrust, and absence of a globally acceptable code of standards. There is not even a globally acclaimed multilateral agency to work for sensitisation of one and all about the multifarious utilities of this powerful technology and spreading application-oriented knowledge to popularise it. Banks have started adopting this technology by observing the competitive advantages and benefits that are being derived by their large courageous counterparts who have moved the first step forward.

Besides these, the following are some of the major reasons for slower adoption and application of Blockchain technology by banks.

- Shortage of knowledgeable and trained technologists for building Blockchain-based solutions befitting the requirements, policies, specifications, and business realities of each bank,
- Making the right strategic decision at the right time with the right initial capital cost for launching BTPs befitting the need of the ecosystem and seamless integration thereof with the other ICT systems of the bank and concerned stakeholders.
- Interoperability between BTPs of two or more banks is still a challenge because of compatibility issues between Smart Contracts and scripted software, non-availability of suitable APIs, software for which can also be encrypted,
- CBDCs of most of the countries are yet to be launched/stabilised which are important for financial settlement remaining within the boundaries of each BTP or cross-border payments for Exim BTPs. Because of this many solution providers have issued their brand of cryptocurrency which customers have to buy or sell to complete transactions. Readers are aware of the issues related to cryptocurrencies.

Conclusion

It is not enough for a few large banks to work with Blockchain-based systems. Proliferation of Blockchain as a foundational technology must be considered as a revolutionary movement for garlanding the entire global banking systems with this Blockchain. This will help share both resultant tangible and intangible benefits with all stakeholders and ensure inclusive finance. For this multilateral agencies and central banks of all sovereign countries must do all that are needed. Cybercriminals, equipped with the power of quantum computing, can play disastrous spoil sport for banks and their stakeholders. The author would once more reiterate his request for sovereign governments to per design vigilantly regulate and control the production, buying, selling, reselling, export, and import of quantum computers with the objective that those do not fall into the hands of hacktivists and cybercriminals. MA

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GENDER DIVERSITY IN THE BOARDROOMS AND FINANCIAL PERFORMANCE OF A FIRM - A LITERATURE REVIEW

Abstract

This research conducts a thorough literature analysis to investigate the impact of gender diversity in the boardroom on the financial performance of organizations. The literature review reveals that there is no clear consensus regarding the effect of gender diversity on the financial performance of businesses. Additionally, an attempt has been made in this research to examine the various quota systems that have been implemented in different nations to enhance the status of gender diversity.

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INTRODUCTION

Gender diversity (GD) in the corporate boardroom is a topic of concern for all stakeholders. Initially, it was considered as a social matter, but now it is acknowledged as a significant corporate strategy and corporate governance concern (*Terjesen, Singh, and Sealy, 2009*). Women are prone to bringing forth novel approaches in addressing complex issues and the development of strategies (*Francoeur & Labelle, 2008*). This particular standpoint on gender diversity renders it a sensible policy, even if it does not necessarily lead to an improvement in the company's financial performance

OBJECTIVE

1. To investigate the influence of GD in the corporate Boards (CB) on the firm's financial performance (FFP) within various nations.
2. To study the various mandatory quota laws regarding GD introduced by different countries

METHODOLOGY

A lot of research has been done on the topic of GD in the corporate boards in almost all parts of the world. This research is aimed to examine the existing body of literature concerning the influence on FFP. All research papers selected were from different countries to study the impact of differences in the regulatory environment and cultural differences prevalent in the country. Search engine Google Scholar was the basis for searching the papers. Research papers published during the period 2000 to 2020 were considered for the present study.

LITERATURE REVIEW

The results of investigations examining the correlation between board diversity and FFP lack definitive conclusions. A multitude of empirical studies indicate that a substantial representation of women in top management positions bears a marked influence on the working and output of the firm; however, contrasting results can also be seen. Diverse perspectives have emerged from various research endeavors, conducted in disparate regions across the globe. The objective of this research is to critically evaluate the existing literature concerning this subject matter, drawing upon the works of numerous researchers who have conducted studies in various parts of the world.

STUDIES SHOWING POSITIVE RELATIONSHIP BETWEEN GD AND FFP

In 2003, *Carter, Simpson & Simkins* performed a survey of publicly traded corporations and found a positive correlation between the percentage of women on the CB and the firm's performance. In the same year, *Erhardt, Charles & Werbel* also found a positive correlation. Many other researches were conducted during the period 2006 to 2014 which demonstrated a substantial affirmative relationship between GD and FFP.

STUDIES SHOWING NEGATIVE RELATIONSHIP BETWEEN GD AND FFP

There are numerous instances of research that have reported a detrimental impact of GD on FFP. One such instance of negative impact was the study done by *Casper Rose* in 2007. The fact that board members who do not belong to the traditional "old boy's club" may decide to adopt the norms and behaviors of other board members to gain the respect of high-ranking decision-makers is one possible explanation for the lack of significance between diversity as measured by Tobin's Q and FFP. Therefore, it is possible that the advantages of having WD won't manifest or show up in the selected performance indicators.

STUDIES SHOWING A MIXED OR NIL INFLUENCE BETWEEN GD AND FFP

Divergent findings have been reported in several researches. Further research has revealed that FFM is unaffected by GD in senior management. According to *Galbreath J.* (2016), there is an indirect correlation between having women on board and FFM. Gender diversity may only improve performance in companies which lack corporate governance, according to recent research. The reason for this is that additional monitoring and oversight can be provided by having women directors (WD) on the board (*Adams and Ferreira 2009; Gul, Srinidhi and Ng., C.,2011).*

TABLE -1

SUMMARY OF SOME OF THE STUDIES DONE ON THE TOPIC OF GENDER DIVERSITY ON CORPORATE BOARD ACROSS THE WORLD

Country	Author/ Researcher	Year of Research	Result	Remarks
Australia	Bonn	2004	The study demonstrated a favourable correlation between the proportion of female directors and performance. It seems that having a diverse board of directors has a beneficial effect on how well the Australian businesses operate.	One possible explanation for this phenomenon is that Australian companies select female directors for their boards based on their remarkable qualities or qualifications. The aforementioned characteristics and abilities help to improve the overall efficacy of the enterprises.
Denmark	Rose	2007	No relation exists	The potential explanation could be that the unorthodox members of the Board have adopted the conduct of conventional board members.

India	Dankwano, R. N., & Hassan, Z.	2018	The study done in India in 2018 has proved that the presence of WD on the CB has a notable adverse effect on the return on assets (ROA). Additionally, the analysis has shown that the return on equity (ROE) is significantly and positively impacted by an increase in the number of WD.	
Italy	Groening	2019	The research aids in bridging the gap in GD by illustrating that investors express greater satisfaction with firms that have a higher representation of women.	
Norway	Ahern	2012	Mandatory quota was introduced. Value of firm reduced after the introduction of quota law	Companies with no female directors were severally affected after the introduction of compulsory percentage. The firms with at least one WD suffered less
Turkey	Kılıç, K.M., &Kuzey, Cemil	2015-2016	The observed results indicate that having more women on boards of directors can improve the financial success of the companies that they represent.	
United Kingdom	Pasaribu, P.	2017	There exists scarcity of empirical support for the assertion that WD possess the ability to enhance the overall efficacy of the enterprises.	It is plausible that one potential explanation for this limited support is the implementation of quotas, which obligates firms to appoint a greater number of female directors.
Vietnam	Tuan Nguyen	2017	The research study reveals that the inclusion of GD within the CB yields a substantial enhancement in the FFP	

Source: Prepared by the author

QUOTA SYSTEM FOR GENDER DIVERSITY - IMPACT OF REGULATION

What is the concept of the quota system for achieving gender diversity? The quota system entails the obligatory employment of a predetermined percentage of women as stipulated by the law. Norway was the pioneer in implementing the quota system for gender diversity within its listed companies in the year 2006. It was decreed for the enterprises owned by the Government that by 2008, at least 40 per cent of the directors on their CB have to be women. Furthermore, the legislation stipulated if the companies fail to comply with these requirements they would have to pay penalties or there will be possibility of the company being dissolved.

Subsequently, various nations have implemented gender quotas in an effort to enhance the advancement of diversity on CB. Consequently, the existence of WD on these CB has experienced a noticeable increase.

COUNTRIES HAVING MANDATORY QUOTA FOR GENDER DIVERSITY IN THE CB

S.No.	Country	**Board Quota** (per cent)	Compliance Date/ Effective From
1	Austria	30	January 2018. “Supervisory boards of listed stock companies, and of companies with more than 1000 employees whose boards consist of at least six seats.”
2	Belgium	33	January 2012

3	France	40	Transition period effective January 2011.The law will be applicable to “Listed companies and companies with more than 500 employees or revenues over 50 million euros”
4	Germany	30	January 2016
5	Greece	25	July, 2021
6	Iceland	40	September, 2013
7	India	At least one Woman Director in all listed companies. One independent women director in top 1000 companies based on market capitalization.	April 2015 for appointment of women director. April 2020 for appointment of independent women director
8	Italy	40	January 2020
9	Norway	40	Adapted in 2003 requiring full compliance by 2008
10	Portugal	33%	January 2020

Source: CS Gender 3000 in 2021 Report

CONCLUSION

There is no denial of the fact that women face discrimination on being appointed on CB. Also, it is proved in many studies that the presence of WD on the CB enhances the output in several ways. To overcome or reduce this imbalance of gender several countries have introduced the concept of compulsory appointment of WD through legislation. After the introduction of the law and penalty for not following the law, the number of WD in the CB has definitely increased. But is the law being followed in its true spirit or it is only for the purpose of compliance? This is a question which only time can tell.

SCOPE FOR FUTURE STUDIES

There is a lot of scope for future studies related to countries where no such study has been undertaken or a long time gap exists since the last study. Also in countries where some sort of mandatory quota has been introduced, analysis can be done to study the impact before and after the introduction of mandatory quota. MA

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BUDGETING IN CAPITAL GOODS INDUSTRY

Abstract

In this I would like to give you a bird eye view of the budgeting process which will be most suitable for the capital goods industry. Budgeting is a crucial document/data where detailed study of the projected period is being done. Budgeting is a first step which is used as a strategic tool in business controlling, it starts with revenue forecasting & ends with business expansion. Profitability as well cash flow management is crucial aspects which are taken care in the process of budgeting. The process of budgeting ensures financial performance in a dynamic economic scenario.

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Budgeting is a strategic tool that helps manufacturing industries to plan, allocate resources, and monitor financial performance. A Cost & Management Accountant (CMA) plays a crucial role in the budgeting process of the manufacturing industry by providing valuable cost information and analysis that enables accurate budgeting, cost control, and effective decision-making. This article explores the significant role of CMA in the budgeting process of the manufacturing industry and its impact on financial stability and operational efficiency. Budgeting is the blueprint of business; it enables management to get a feel that where business will be in defined period, hence it's a crucial step toward a healthy financial cycle of any of the organization.

Whether the organization is planning for expansion, how revenue will grow, where bottom line will stand; answers to all these depend on the demand for the forecasted period.

Budgets are yardsticks; budgeted numbers are used as measures for controlling, because these are compared with actual. The better the visibility higher will be the accuracy of the budget.

Most used budgeting method is **z**ero-**b**ased **b**udgeting; it starts with the assumption that all department budgets are zero and must be rebuilt from scratch. Relevant managers need to keep justification ready for single expense; none of the expenditures are automatically "Okayed" while setting budgets.

ROLE OF CMA IN THIS PERSPECTIVE

1. Accurate Cost Estimation

The role for CMA is to assure accuracy while estimating costs associated with production activities by analyzing historical cost data, cost behavior patterns, and production requirements. CMA helps in forecasting and budgeting various cost elements, such as raw materials, direct labour, overheads, and manufacturing expenses. Accurate cost estimation ensures that budgets are realistic, enabling effective resource allocation and financial planning.

2. Product Costing And Pricing Decisions

CMA facilitates accurate product costing, which is essential for setting competitive prices in the industry. By analyzing direct and indirect costs associated with each product or product line. This information is then utilized in pricing decisions, ensuring that prices cover costs while remaining competitive in the market. Effective product costing and pricing contribute to revenue generation, profitability, and overall financial success.

3. Budgeting For Capital Expenditures

Considering the demand for existing products as well as new product launches, the resources are evaluated & CAPEX is proposed. Where significant investments in machinery, equipment, and infrastructure are proposed, CMA provides critical insights into the costs, benefits, and financial implications of capital expenditure projects. CMA ensures viability of the investments / capital expenditures, & that is financially viable and aligns with the company's strategic objectives.

4. Operational Efficiency And Resource Allocation

CMA enables assessment and optimization of operational efficiency during the budgeting process. This analysis assists in making informed decisions regarding resource allocation, capacity planning, and production optimization, resulting in improved operational efficiency and cost-effectiveness.

5. Performance Measurement And Accountability

Budgeting provides a framework for performance measurement and accountability within industry. By setting budgeted targets and comparing them with actual results, CMA helps evaluate the performance of departments, teams, and individuals. This evaluation fosters accountability, encourages cost-conscious behavior, and promotes a culture of continuous improvement throughout the organization.

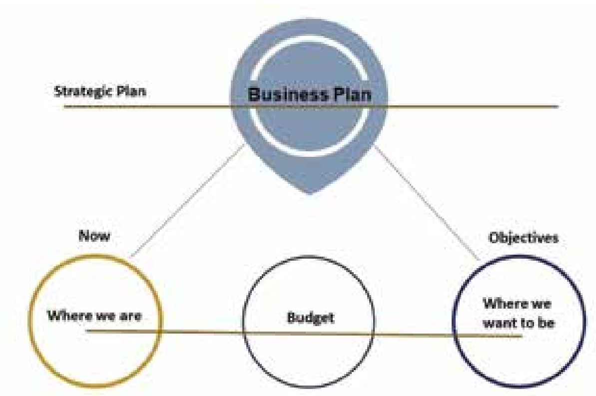
6. Cost Control And Variance Analysis

CMA plays a vital role in cost control during the budgeting process. By comparing actual costs with budgeted costs through variance analysis, CMA helps identify areas of cost overruns or savings. This analysis enables management to take corrective actions, implement cost reduction strategies, and ensure that actual costs align with budgeted targets.

PREREQUISITES OF BUDGET

1. Budgeted numbers are for specific period.
2. It's prepared in monetary terms.
3. Budget is a kind of standard and its purpose is to attain given objectives.

Translating Strategy into Targets and Budgets



Primary goals of Budgeting

- Revenue & Profit Forecasting
- Set Standards
- Expenses Control
- Decision Making
- Financial Planning & Sustainability
- Feasibility of New Launches
- Goal Setting
- Cash-Flow Management

Broad categories of the Budgets.

- Operating Budgets
- Capital Budget
- Financial Budget

Process of Budgeting

Budgeting process for generally begins four to six months before the start of the financial year, while some may take an entire fiscal year to complete. Most organizations set budgets and undertake variance analysis monthly.

Starting from the initial planning stage, the company goes through a series of stages to finally implement the budget.

Operating budget preparation for material cost & other direct cost estimation is the key process.

Key steps:

- Demand Forecasting
- Operating Budget Preparation
- Overheads Estimation
- Working Capital Estimation
- Capex Estimation
- Ratio Analysis

Demand Forecasting is the crucial task which will be starting point. Demand forecasting can better help you to understand what your customers want and when they want it, so you can make more informed business supply decisions.

In case of capital goods industry orders are booked in advance i.e. generally ranging between 7 to 12 months, hence revenues numbers can be forecasted basis order booking. There are few orders which can be booked & billed in the same Financial Year, but this is subject to projects on-hold & Cancellations of the orders. This scenario is also possible where the industries have established supply chain, in such case they will have better visibility. Other than capital goods & where the industries don't have established supply chain, that case demand forecasting is not going to accurate all the time, but by using historical order data, discussions with customers, sales managers can predict better surges and lulls in your sales. This can help you determine how to best prepare your budget and develop a pricing strategy as well as plan and schedule your product production.

Demands in projected period depict profit margins, operating costs, capital expenditure, inventory management, and the cash flow.

In case of estimation based on volumes, Sales Revenue to be calculates as: FORECASTED VOLUME OF PRODUCT X PRODUCT SELLING PRICE.

Material Cost is the major cost component in most of the organizations. Computation of material cost is completely depending on the demand forecasting. Accurate the demand forecasting, accurate will be the material cost for projected period. Material consumption is calculated basis existing BILL OF MATERIALS & WEIGHTED AVERAGE RATES + INFLATION.

In the case of organization having fixed or settled product ranges, one can easily have better visibility of demand. If the demand is dynamic, then consumption can be calculated basis family-wise consumption pattern during previous year(s). For material rates estimation, purchase rate contracts can be done for rates for first case where the volumes are accurate & in case of second case procurement volumes can be contracted basis some conditions.

Budgeted material cost is used as a base for calculating material cost variance is being calculated during execution period & stakeholders need explain the variance.

Yield per cent is always a topic of brainstorming with stakeholders from production department. Management of any organization is eager to increase yield percentage; on the other hand the management may give target of reduced process waste at the time of budgeting, but aggressive yield % may give us negative variance during execution period.

Material cost is calculated as: REQUIRED VOLUME X CONTRACTED RATES X STANDARD YIELD (per cent)

After material cost, the second most important cost element is conversion cost.

Conversion cost is calculated considering the estimated cost for the period divided by production hours/tonnage/number of units. Conversion cost elements are segregated into two parts one is fixed cost & other is variable cost.

Variable cost includes:

- Consumables & Tools-
    - a. Forecasting of the Item wise quantities to be consumed for budgeted production.
    - b. Forecasted rates basis inflation in budgeted period.
- Electricity cost, considering below-
    - a. To be computed basis KWH computed for budgeted production.
    - b. Rate change for budgeted period
    - c. Initiatives for green energy such as electricity generation from Solar &Windmill.
- Direct labour cost, consists of contractual labour/ employees -
    - d. Labour requirement (basis historical data) for budgeted production.
    - e. Rate revision

Fixed cost includes:

- Employee cost for permanent workers & relevant staff (COST CENTER WISE EMPLOYEES X CTC) Below factors to be considered while calculating employee cost:
    - a. New employees to be added during the budgeted period.
    - b. Annual increments to be considered for existing employee.
    - c. Specific employee welfare/benefits expenses planned in specific period.
    - d. Workmen wage agreements.
- Depreciation (Existing + New Investment), below factors to be considered for computation:
    - a. Depreciation to be computed on existing fixed assets
    - b. New assets addition to be added to depreciation basis its investment plan & capitalization period.
- Any other exceptional cost which is specific to the period.

Considering the above fixed & variable cost elements, conversion cost is calculated with primary & secondary distribution of overheads (absorption costing). We need to identify costs related to production as well as non-production cost centres. The variable conversion cost is calculated basis planned production for budgeted period & fixed conversion cost to be calculated basis normal capacity. Costing/controlling manager needs to segregate these numbers into quarters & months for cost controlling as well as for measurement of performances.

Other Direct Costs i.e. sales commission, outward freight cost, liquidated damages etc. to be estimated with basis. Such as freight cost can be estimated considering geography wise sales & in case there is better visibility then contracts can be done for forecasted period.

Administrative and Selling & Distribution Overheads are mostly part of fixed cost but some of the elements may be semi-variable. In that case historical trend as well as expenses forecasting data as received from various stakeholders is taken into consideration. Various discussions are happening with stakeholders and management to review overheads. Finalization of overheads is the last element as far as forecasted P&L is concerned.

FORECASTED BALANCE SHEET

Working Capital Management: Cash-flow computation is most important part, for healthy business cycle appropriate current ratio is required to maintain. Working capital estimation for budgeted period is a challenging task because it is depending on the collection plan, average collection cycle, payment cycle for creditors as well capital expenditure plan. Working capital estimation gives direction to the stakeholder to keep target of Budgeted Amount against which the actual results can be tracked. Working capital & cash flow forecasting is majorly depending on accuracy of monthly/quarterly revenue forecasting.

Capex Estimation for forecasted period is submitted to Finance/Costing Department for confirmation of commercial viability. CMAs are playing vital role in CAPEX evaluation for forecasted period. The role of Costing/Controlling manager to make sure the expenses proposed are with competitive quotes & also to make sure industrial requirement. CAPEX plan is also impacting Cash-Flow & ultimately on Working Capital Management. CMA needs to ensure correctness of the proposed CAPEX, each of the proposals to be evaluated case to case basis & arrive payback period as well as IRR of the Investments proposed in Budget.

Ratio Analysis Spikes can be measured and tracked through Ratio Analysis. Ratio Analysis provides comparatives with historical data, it enables management to make a judgements and the controlling manager can do reasoning analysis for abnormal ratios. Ratio Analysis is to be done for profit & loss account as well as for balance sheet items. There are certain ideal ratios which can be used for comparison with industrial standards.

CONCLUSION

Cost & Management Accountant (CMA) plays a vital role in the budgeting process. By providing accurate cost estimation, facilitating cost control and variance analysis, enabling effective product costing, and pricing decisions, optimizing operational efficiency, and promoting performance measurement and accountability, the CMA contributes to the financial stability and operational success of manufacturing companies. He/She ensures that the resources are allocated efficiently, costs are controlled effectively, and tracks financial targets, ultimately enabling the management to enhance the competitiveness and profitability of the manufacturing industry. MA

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AUGMENTING THE CHANGING LANDSCAPE OF FINANCE ORGANISATION THROUGH PRACTICAL INSIGHTS AND METRICS FROM VALMIKI'S RAMAYANA

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Abstract

A finance organisation is a fulcrum that manages risks' impact and enhances organisational throughput. This establishment is undergoing rapid changes in expectations internally and externally. This journey has multiple challenges and practical insights are needed from time-tested civilisations.

This study explores and provides implementable doctrines from Indian Knowledge Systems (IKS), specifically Vālmīki's Rāmāyaṇa. This qualitative study has applied principles of textual analysis, grounded theory, and hermeneutics.

The initial findings provide specific policy statements and trackable metrics (key performance indicators) for each of the four divisions of the finance organisation viz execution level, controllership, business partnering and finance leadership. Ultimately, the paper encourages the exploration of an indigenous framework for finance governance based on IKS that aligns with the mindset and ethos of Indian companies and their customers.

CONTEXT

The Global Risks Report 2023, published by the World Economic Forum, lists few challenges corporations face. Termed a 'polycrisis' by experts, it includes COVID-19 aftermath, economic recession, a war between nations, supply chain disruptions, inflation, and climate change repercussions. The finance organisation is the pivot department which fortifies the organisation from such challenges. Finance leaders are looking for practical insights from civilizations which have been economically prosperous over an extended timeframe. Based on Angus Maddison's estimates, before the 18th century, India and China were the two largest economies by gross domestic product (GDP) output. In Indian history, *Rāmarājya* has always been envisaged as the ideal of governance based on social justice, non-violence, and self-reliance. (Desai Meghnad, 2011). Vālmīki records in Rāmāyaṇa that Ayodhyā was a benchmark for any aspiring state with maximum literacy, high net-worth individuals and citizens with a high dharma-quotient (VR[1] 1.6.6,7 and 9).Hence there is a need to study the financial principles of Rāmarājya and derive practical insights useful for contemporary organisations. Through this study, the authors have inferred finance policy statements from specific incidents, conversations, and verses from Rāmāyaṇa. These statements have been converted to key performance indicators, which can be assigned to finance team members and tracked regularly. The impact of adherence to such principles can be measured.

PROBLEM & RESEARCH GAP

There are three problems in unearthing the practical financial insights from Rāmarājya. The first problem is that the 'Arthaveda', which is mentioned in Vālmīki Rāmāyaṇa and which was purportedly followed in Rāmarajya, is unavailable today. Hence we need to approach the various references in Rāmāyaṇa inductively. The second issue is that while managerial effectiveness (*B. Muniapan & Satpathy, 2010*), leadership qualities (*B. A. / L. Muniapan,* 2007), modern management lessons (*Vutukuru& Naga Pawan Yallapragada*, 2012), strategic management approach (*Singh, Prof, & Singh, 2015*) and similar areas have been studied, there is a minimal study on financial and accounting aspects from Vālmīki Rāmāyaṇa. The third concern is the need for researchers to have a stronger technical core (*Scapens,* 2006) and to provide relevant and valuable insights which can be practically implemented *(Baldvinsdottir, Mitchell, & Nørreklit,* 2010) in today's workspace.

Typical Finance Organisation Model

There are four prominent roles in a typical finance organisation, viz.,(i) the officer (execution), (ii) controller, (iii) business partner and (iv) the finance leader. Each role has distinct responsibilities, objectives, and challenges.

TABLE 1: FOUR ROLES OF A TYPICAL FINANCE ORGANISATION AND THEIR FEATURES:

Accountant	Controller	Business Partner	Chief Finance Leader
Typical Designations: Financial or Management or Cost or Tax accountant or Treasury Officer	Finance or Cost or Compliance or Business or Treasury Controller	Finance or Management Business Partner	Chief Finance Officer or Finance Director or General Manager: Finance
Role: Transactional	Managerial Oversight	Trusteeship	Stewardship
Core Responsibility: Preparing, analysing and interpreting financial and accounting information, complying with applicable standards	Review of financial& management statements, ensuring accurate &timely reporting, overall financial management and control	Interfacing between finance & business, analysing data, and providing the right decision inputs to increase the business throughput	Getting market perspective, providing financial-business strategy to C-suite organisation, ensuring effective use of financial resources & Risk Management
Typical Challenges: • Ensuring accuracy • Not bowing to pressure for collusion	• Ensuring transparent & accurate reporting • Ethical conduct and fraud prevention	• Understanding overall business and partner's goals • Analysis & giving the right information for decision-making.	• Strategic thinking • Risk Management • Getting an external perspective • Managing stakeholders • Meeting business goals

Note: This is only an archetypal representation, and there may be sub-categories or variations in the above structure. Roles like internal auditor have not been included due to independent reporting to the audit committee.

RESEARCH METHODOLOGY AND APPROACH

Principles of textual analysis, grounded theory, and hermeneutics have been applied in this qualitative inductive research. The finance governance model is being researched through the concept of *Kośa*in the '*Sapta-prakṛtayaḥ'*,

[1]VR refers to VālmīkiRāmāyaṇa. The numbering convention represents the Kāṇḍa (Division), Sarga(chapter) and Śloka (verse) reference. The respective metric has been derived based on the verse reference provided.

i.e., the seven elements of sovereignty. Specific verses, incidents, conversations, and characters in Vālmīki Rāmāyaṇa are selected through textual analysis and coded through grounded theory. Applying principles of interpretation in hermeneutics, the financial aspects are unearthed and converted to typical policy statements and key performance indicators.

The 5th, 6th and 7th Chapters in Bālakāṇḍa of Vālmīki Rāmāyaṇa talk about a large successful city Ayodhyā, its ministers and the qualities of a king. 1st to 3rdChapters (Qualities of Rama & Democracy), 67thChapter (kingless state), 76thChapter (Vows of Bharata), 100thsarga (Overall Governance) in Ayodhyākāṇḍa, and 33rd c] Chapter in both Araṇya & Kiṣkindhakāṇḍa are noteworthy for financial, legal and Governance aspects. Based on these few metrics may be derived and assigned as key performance indicators for an employee in the finance organisation.

Illustrative Metrics for an Accountant or Officer

i. ‘Zero’ Trikaraṇa conflicts (conflicting instances between thoughts-words and actions)

ii. ‘Zero’ instances of bowing to pressure and performing inappropriate activities. (VR.2.39.14)

iii. Zero issues in stock management - categorisation of stocks, inventorying, matching of physical with accounting documents regularly.(VR.2.36.7)

iv. Hundred per cent of expenses should have supporting calculations

v. Hundred per cent of expenses should be based on approvals.(VR.2.39.14)

vi. Hundred per cent on-time disbursement of wages and distribution of food provisions. (VR.2.100.32,33)

vii. Hundred per cent satpātraṃ spending (prescribed). (VR.2.100.54,55)

viii. 0 per cent apātraṃ spending (prohibited). (VR.2.100.54,55)

Illustrative Metrics for a Controller based on Rāmāyaṇa principles

i. Hundred per cent optimum funding on security and controls. (Through knowledge of finance and security, optimum spending must be achieved). (VR 2.100.14)

ii. Income > expenditure by multiple times. i.e., Income = Expenditure * X (X>=2). (VR 2.100.54)

iii. Returns > Investment. i.e., Returns = Effort * X times. (X>=2). (VR 2.100.19)

iv. ‘Zero’ per cent cost overrun on projects (due to delay in implementation). (VR 2.100.19)

v. Hundred per cent accurate pricing of products & services (including taxes & duties). (VR 2.100.28)

vi. Principal endowment = K(constant)+X. There should only be additions to the principal amount and no withdrawals for operational purposes. (VR4.65.25)

Illustrative metrics for a Finance Business Partner or equivalent role

i. The highest number of customers (in comparison to competitors). (VR 1.5.5)

ii. > 99 per cent happy customers and stakeholders, including employees. (VR 1.5.7)

iii. Zero per cent reduction in market share,

iv. ‘Zero’ number of times, losing the market leadership position. (Kosala was the most prominent kingdom with citizens being happy). (VR 1.5.5)

v. Hundred per cent accurate and timely ‘dividend distribution’ to all stakeholders and well-wishers (not only to shareholders). (VR 2.100.75)

vi. Hundred per cent accurate and timely ‘Dakshina’ distribution to experts and service providers. (VR 1.14.48)

Sample Metrics for the Chief Finance Leader

i. Hundred per cent well-being of all. (VR 2.100.10)

ii. Hundred per cent recruitment based on a defined ‘competency matrix’. (VR 2.100.15)

iii. Hundred per cent adherence to an activity-based timetable. (VR 2.100.17)

iv. Hundred per cent alignment to trivarga goals. (VR 2.100.62)

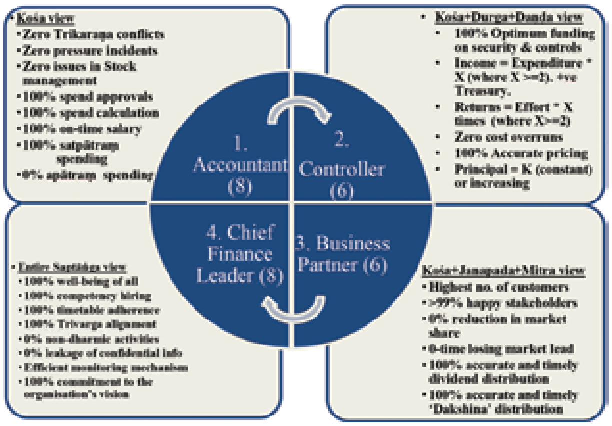
v. Zero per cent0% leakage of confidential information. (VR 2.100.16,18,20,21,49,66,71)

vi. Zero per cent non-dharmic activities or decisions. (VR 1.5.4)

vii. Efficient monitoring mechanism of internal and external forces. (VR 2.100.36)

viii. Hundred per cent Commitment to the vision of the organisation. (VR 2.100.74)

The following picture captures the four aspects of finance department with their Saptāṅga-view and the illustrative metrics from Vālmīki’s Rāmāyaṇa**:** (Picture 1)



These metrics can be measured through a combination of self-assessment questionnaires, peer reviews, managers' feedback, stakeholders' surveys, periodical stock counts, expense audit, comparing with industry metrics, cost-benefit analysis, pricing condition analysis, endowment spend analysis, employees' happiness surveys, vouching, review, observation, corroborative inquiry, other audit procedures, variance and trend analysis.

OVERALL DISCUSSION POINTS

1. *Saptāṅga* is a popular concept for corporate governance and has been derived from Kauṭilya's Arthaśāstra (*Pillai, Radhakrishna,* 2010). However, it is not a new paradigm that Kauṭilya has introduced in his Arthaśāstra. Evidence herewith shows that Saptāṅga has been in practice since the times of Rāmāyaṇa. This exploratory study shows that Saptāṅga has been an essential component of the Vedic-Arthaśāstra (Arthaveda), which is unavailable today.
2. The *Kośa*a spect of *Saptāṅga* has been studied through incidents, conversations, and verses from Vālmīki Rāmāyaṇa. 28key performance indicators for finance organizations have been extracted, which can be piloted in a few companies.
3. '*Trivarga'* refers to the goals of Dharma, Artha and Kāma. By pursuing Dharma, merit (puṇya) and wealth are earned. Such wealth is used for fulfilling Dhārmic desires. This again creates merit and wealth, which is ploughed back for Dhārmic activities. This creates a virtuous cycle. Rāmāyaṇa reinforces this concept that 'Dharma' is the foundation for Artha and Kāma. Without Dharma, Artha or Kāma cannot sustain.

NEXT STEPS & CONCLUSION

1. An in-depth study of all other components of *Saptāṅga* can be carried out to gather insights to enhance contemporary finance &accounting practices.
2. Study of other similar texts like *Mahābhārata, 18 Purāṇas, Pañcatantra, Hitopadeśa, Kāmandaka-nītisāra, Manusmṛti,* etc. would help develop the entire curriculum for studying Indian financial management.
3. An indigenous framework for finance based on *Saptāṅga* that aligns with the mindset and ethos of Indian companies and their customers must be developed and implemented.
4. Combining the time-tested, large-cohort-tested, multiple-scenario-tested knowledge of the East with the modern structured presentation of the West would provide insights for solving existing organisational challenges in finance and related areas. MA

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DIGITAL OBJECT IDENTIFIER (DOI)

Issue: March - 2023 [Vol. 58 No. III]

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EMERGING CONTOURS OF COST REPORTING: A SYSTEM EMBEDDED APPROACH	CMA M. Gopalakrishnan CMA S. Vaidehi	58	Mar-23	3	75-80	10.33516/maj.v58i3.75-80p
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DOES SPIN-OFF AFFECT CORPORATE FINANCIAL PERFORMANCE?	CMA (Dr.) Debdas Rakshit Samrat Banerjee	58	Mar-23	3	89-92	10.33516/maj.v58i3.89-92p
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DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISE SECTOR: A STUDY ON WEST BENGAL	Sarodiya Dutta Dr. Bibekananda Raychaudhuri Arabinda Bhattacharya	58	Mar-23	3	102-105	10.33516/maj.v58i3.102-105p
STRATEGIC COMPETITIVE ANALYSIS OF INDIAN ROBOTICS AND AUTOMATION ORGANIZATIONS	Dr. Vijay Kumar Dharmadhikari Aditya M Medhi Dr. Parimal C. Basak	58	Mar-23	3	106-109	10.33516/maj.v58i3.106-109p
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Down The Memory Lane

January, 2014

CMA S. C Mohanty, President with Shri Surya Narayan Patro, Minister, Revenue and Disaster Management, Odisha and Shri G. Srinivasan, CMD, New India Assurance Co. Ltd. at the MoU signing ceremony on the inaugural day of the 55th National Cost Convention-2014, January-23, 2014.

January, 2004

Shri Panchanan Kanungo, Minister of Finance, Government of Orissa, inaugurates the 26th Eastern India Regional Cost Conference at Bhubaneswar. Others seen: Dr. K.L Jaisingh, President, ICWAI; N Swain, Chairman, Conference Committee; N. Mishra, Chairman, Cuttack-Bhubaneswar Chapter; S.P. Padhi, Secretary of the Chapter and B.P. Mahapatra, Chairman, EIRC.

Cochin Chapter representatives receive A Category Best Chapter Awards during Regional Cost Convention at Madurai. Seen from left: B.V. Ramanamurthy, CCM & Past President; S. Gopalan, SIRC, Chairman, P.D. Esthappanu, SIRC Member; C. Balachandran, Chapter, Vice Chairman; S.K. Satheesh, Jiju Francis and P.S.M. Hameed, SIRC Vice-Chairman.

Down The Memory Lane

January, 1994

Shri Biju Patnaik, Chief Minister of Orissa, is formally releasing The Management Accountant, Official Organ of the ICWAI, at the Golden Jubilee inaugural function. B.D. Bose, President and V.R. Iyer, Vice President of ICWAI look on.

Mother Teresa blessing the gathering at Golden Jubilee inaugural function, others present were Shri Biju Patnaik, Chief Minister of Orissa and V.R. Iyer, Vice President of ICWAI look on.

January, 1984

Shri C. Gopala Reddy, IAS, addressing the gathering at ICWAI Scheme of Training Programme on "Cost Audit and Performance Audit" for the Officers of the State Accounts Department, Government of Karnataka, from 2.1.84 to 13.1.84.

January, 1974

Shri M. Srinivasa Rao handing over the Monograph "Margins & Profits" to the President.

Source: Extracted from the various issues of The Management Accountant Journal

EASTERN INDIA REGIONAL COUNCIL

EIRC organized a Career Awareness Programme at Santragachi Kedarnath Institution for Girls on 30th September 2023. EIRC also organized another Career Awareness Programme at Mahadevananda Mahavidyalaya, Barrackpore on 22nd September 2023 and CMA P.K.Chandra Faculty addressed the students and highlighted the CMA Course and its prospects. Career Awareness Programme organized at Goenka College of Commerce and Business Administration on 9th October 2023. CMA Ranajit Ghosh, Faculty addressed the students and highlighted the CMA Course and its prospects.

A CEP on "Sonic Therapeutic Interest for High Performance and Sustained Success" was organised by EIRC under the initiative of the PD committee on 30th September, 2023 at J. N. BOSE Auditorium. Dr. Vasudev Das, Chairman, Board of Directors – Volunteer Island Justice Initiative Long Island, NY was the key Speaker. CMA Mahesh Shah and CMA Biswarup Basu, Past Presidents ICMAI, CMA Chittaranjan Chattopadhyay and CMA Avijit Goswami CCM, ICMAI, CMA Arati Ganguly , Secretary, EIRC-ICMAI, CMA Abhijit Dutta, Chairman- PD committee, EIRC-ICMAI, CMA Pallab Bhattacharyya, Past Chairman, EIRC-ICMAI were present during the occasion and addressed the members. CMA Avijit Goswami CCM delivered the welcome address.

Another CEP on "Cost Audit and Challenges" was organised on 17th November, 2023 at EIRC

Premises. CMA Somnath Mukherjee , Former Central Council Member, ICMAI was the key Speaker. CMA Chittaranjan Chattopadhyay and CMA (Dr.) K Ch A V S N Murthy, CCM, ICMAI, CMA Subhasish Chakraborty, Vice- Chairman , EIRC-ICMAI, CMA Arati Ganguly, Secretary, EIRC-ICMAI, CMA Abhijit Dutta, Chairman- PD committee, EIRC-ICMAI, CMA Kallol Mukherjee, RCM-EIRC were present & also graced the occasion and addressed the members. CMA Abhijit Dutta, Chairman- PD committee, EIRC-ICMAI delivered the welcome address. The session was very interactive and an overwhelming response was received from the members.

EIRC had organized a CEP on "Panel Discussion on Risk Based Internal Audit & Internal Control- Recent Trends, Challenges & Way- forward" on 29th November, 2023 at J. N. BOSE Auditorium. CMA Kallol Mitra, CGM- Internal Audit, Indian Oil Corporation LTD., CMA Aditya Sen, GM (F&A) - Internal Audit, West Bengal State Electricity Distribution Corporation LTD., Shri Ravi Kr. Gupta, GM – Finance Hindustan Copper LTD. & CMA Niladri Dutta, Practicing Cost Accountant & Past President of the Institute of Internal Auditors India, Calcutta Chapter were key speakers. CMA Mahesh Shah and CMA Biswarup Basu, Past Presidents ICMAI, CMA Chittaranjan Chattopadhyay, CCM, ICMAI, CMA Subhasish Chakraborty, Vice- Chairman , EIRC-ICMAI, CMA Arati Ganguly, Secretary, EIRC-ICMAI, CMA Abhijit Dutta, Chairman- PD committee, EIRC-ICMAI, CMA Kallol Mukherjee, RCM-EIRC were present during the occasion and addressed the members. CMA Abhijit Dutta, Chairman- PD committee, EIRC-ICMAI delivered the welcome address. CMA Arati Ganguly, Secretary, EIRC-ICMAI offered the Vote of Thanks. All the panelists gave an in-depth insight of the topic.

Eastern India Regional Council (EIRC) of the Institute organized 12 days Pre-Placement Orientation from 10 - 20th October 2023 at J. N. Bose Auditorium.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

The Chapter organized an evening talk on "Section 90 of Companies Act Implications & Compliances" at CMA Bhawan on 29.11.2023. CMA Pranab Kumar Mohanty, Director (Finance), OHPC Ltd. inaugurated and graced as events "Chief Guest", CMA Bibhuti Bhusan Nayak, Vice President, ICMAI graced as "Guest of Honour" and CMA Damodar Mishra, Treasurer, ICMAI-EIRC graced as " Special Guest". CS. Bidhan Chandra Debata, Practicing Company Secretary, Bhubaneswar delivered in detail in the topic as "Resource Person". As a token of Honour and recognition, the Chapter felicitated to CMA Pranab Kumar Mohanty being a member of the Chapter and elevated recently to the post of Director (Finance), OHPC Ltd. Also felicitated to CS. Bidhan Chandra Debata, Practicing Company Secretary for his first visit to ICMAI-Bhubaneswar Chapter.CMA Surya Narayan Tripathy, Chairman of the Chapter delivered welcome address, CMA Barada Prasan Nayak, Chairman, PD Committee delivered the keynote address and facilitated entire program; CMA Ramesh Chandra Patra, Secretary of the Chapter addressed and extended formal vote of thanks.

The Chapter had organized an evening talk on "Recent Events in GST- Impact on Business & Industry" at CMA Bhawan on 09.12.2023. CMA Niranjan Swain, Past Chairman, ICMAI-EIRC & Chapter, Advocate, Orissa High Court and Tax Consultant discussed in detail on various issues such as GST Law changes effective from 1st October, 2023, significant developments under GST Laws post 52nd GST Council meeting and other related provisions having an impact on ailment and utilization of ITC as "Resource Person". CMA Surya Narayan Tripathy, Chairman of the Chapter delivered welcome address, CMA Barada Prasan Nayak, Chairman, PD Committee delivered the keynote address and facilitated the entire program, CMA Ramesh Chandra Patra, Secretary of the Chapter also addressed on the occasion and CMA Sarat Kumar Behera, Vice Chairman of the Chapter extended formal Vote of Thanks.

NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA FARIDABAD CHAPTER

The Chapter, in association with the Co-operative Development Board, successfully organized a program on "Sahkar se Samriddhi," focusing on CMAs role in Cooperative sector & GST Annual Returns & Reconciliation held on 09 Dec, 2023 at Mahalaxmi Palace Hotel, Faridabad. CMA Varun Sukhija, Chairman Faridabad Chapter gave the Welcome Address to the members present in the programme & apprised about the topic on the Prime Minister's Vision "Sahkar se Samriddhi". Shri Mohan Mishra, the Chief Guest, shared insightful perspectives on Co-operative Development and the crucial role of Cost Accountants in this sector. Keynote speakers Shri Sudhir Kumar Sharma and CMA Navneet Kumar Jain, CCM, provided valuable insights in the first session.

The second session, dedicated to GST Returns & Reconciliation, whereat Assistant Commissioner, CGST, Faridabad was the Guest of Honour. Key speakers CMA Nitish Kalra & CMA (Dr.) Anil Suneja shared their remarkable insights on GST. The event received positive feedback from a large gathering of members from the NCR region. NIRC Chairman CMA S N Mittal & Team were also present. CMA Varun Sukhija, Chairman Faridabad Chapter, CMA (Dr.) Anil Suneja, Vice Chairman, CMA Ajay Yadav, Secretary, CMA Lalit Kumar, Treasurer, CMA Yashpal Singh, Executive Member from the Managing Committee Faridabad Chapter were present & hosted the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

The Chapter organised extended campus placement on 5th December 2023 at its premises for June 2023 for Final passed students in June 2023 exam. OAN Industries Pvt. Ltd. (Chemical manufacturing Company), Choice Finserve Pvt. Ltd. (NBFC) and DOCYT (AI Powered accounting automation software Company) participated in this Placement drive.

The Chapter organised a mock test of two hours duration for CMA Foundation students on 9th December 2023 at its premises. More than 100 students appearing for CMA Foundation examination on 17th December 2023 attended this Test. Students appreciated the initiative taken by Jaipur Chapter which helped them in facing the examination with confidence. After the mock test, a motivational seminar was arranged for the above students in which CMA Harendra Kumar Pareek, Chairman of the Chapter explained in detail various points to be taken care of in the main exam and gave various tips for success. Students were also informed about various opportunities available to them after qualifying in the CMA Final exam. In the seminar, CMA Deeptanshu Pareek, Treasurer, shared his professional experience and motivated them for joining CMA course.

The Chapter organised a seminar on 10th December, 2023 on the topic "Inventory Valuation" and "Health Talk". Chairman of the Chapter CMA Harendra Kumar Pareek at the outset welcomed all the Guests and participants. In the first technical session the key speaker CMA Navneet Kumar Jain, Central Council Member & Practicing Cost Accountant explained in detail the topic "Inventory Valuation". He told that CMAs have important role in inventory valuation as they have been authorised for inventory valuation under section 142 (2A) of the Income Tax Act 1961. In the second technical session, the key speaker Dr. Sunil Dhand explained about the causes and remedies for Diabetes & Thyroid. The program was attended by CMA Rakesh Yadav, Vice Chairman - NIRC, CMA Deepak Kumar Khandelwal, Secretary, CMA Deeptanshu Pareek, Treasurer and Executive Members CMA Sandeep Chouhan, CMA Govind Sharma and CMA Vertika Tadi.

SOUTHERN INDIA REGIONAL COUNCIL

Valediction program of oral coaching classes of Certificate in Accounting Technicians (CAT) Course Under Directorate General Resettlement, Department of Ex-Servicemen Welfare (Ministry of Defence, Govt. of India) organised by Directorate of CAT of the Institute commenced at the SIRC Premises on 2nd November, 2023.

A professional development program on "Practical Aspects of GST" was organized on 04.11.2023 at SIRC Premises. The Chief Guest was Mr. M.R. Sivaraman, I.A.S., Former Revenue Secretary, Government of India & Executive Director, IMF. The resource person was

CA Sumit Kedia.

Sri Ramachandra Institute of Higher Education and Research in association with Southern India Regional Council of the Institute organised the 1st Finance Conclave, Changes in the Business Landscape: Commerce and Finance Education Conclave at SRIHER Campus on 07.11.2023.

A professional development program on the subject "New Income Tax Regime versus Old Income Tax Regime" was organized on 10.11.2023 at SIRC Premises. The Chief Guest was Shri. P. Selvaganesh, I.R.S., Principal Chief Commissioner of Income Tax, Central Circle, Chennai. The resource person was Dr. (CA) Abhishek Murali, Secretary, SIRC of ICAI (2020-21), President, All India Taxpayers' Association,(AITPA) (2021-22).

Members in Industry & Placement Committee in association with SIRC organised CMA Campus Placement program 2023 for qualified Cost Accountants of June 2023 on 21st – 23rd November 2023 in which PSUs, MNCs and Corporates like Vedanta Limited, ITC Limited- Foods, ITC- Hotels, ITC Limited – Agri Business Division, Ford Motor Pvt. Ltd., BEML Limited, Genpact, Schneider Electric, ABB Global Industries and Services Private Limited, RSM Astute Consulting Pvt. Ltd., AFCONS Infrastructure Ltd., Minda Corporation Limited, Masterminds Commerce Institute Pvt. Ltd., participated. Around 300 candidates applied for this Campus Drive out of which 100 were selected. Earlier, Pre-Placement Orientation Programme as planned was also conducted for the candidates from 11th to 21st October 2023, to impart the required 'skill sets' for facing the interview well and grab the job opportunities offered by well-known Corporates with high pay package.

A professional development program on "Valuation Methodologies & Techniques, Role of Registered Valuers & Professional opportunities" was held on 22.11.2023 at SIRC premises. The resource person was CMA (Dr.) S.K. Gupta, Managing Director, Registered Valuers Organization, ICMAI, CEO Social Auditors Organization, ICMAI, COO International ADR Chamber, ICMAI.

The SIRC Chapters Meet was conducted on 26th November 2023 at Vijayawada Chapter.

The CAT Course under Directorate General Resettlement, Department of Ex- Servicemen Welfare, (Ministry of Defence, Govt. of India) organised by Directorate of CAT, ICMAI - SIRC was inaugurated on 28th November,2023 at Hotel North Gate, Madurai.

A Grievance Redressal programme was conducted on 29th November, 2023 at SIRC Premises.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TIRUCHIRAPALLI CHAPTER

The Chapter organized a Career Counselling programme at SRM Arts & Science College, Tiruchirappalli on 19/10/2023. Managing Committee Members Shri P Manoharan, Chairman and Shri M Mohan Raja, Treasurer made presentations about

CMA course, its importance, objectives and the role of CMAs in the current scenario. They outlined the various avenues available to CMAs for employment in manufacturing industry, banking, insurance and other service sectors and in Practice within India and abroad.

The Chapter organized another Career Counselling programme at Thanthai Periyar Government Arts and Science College, Tiruchirappalli on 28/10/2023. Managing Committee Member Shri A.Aarifkhan made presentations about CMA course, its importance, objectives and the role of CMAs in the current scenario. They outlined the various avenues available to CMAs for employment in manufacturing industry, banking, insurance and other service sector and in Practice with in India and abroad.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PALAKKAD CHAPTER

The Palakkad Chapter won the Kerala CMA Champions League (All Kerala CMA Chapters' Cricket Tournament) conducted on 17th December 2023 at Prime Indoor Cricket Turf, Edappally, Kochi. The event was organized by Cochin Chapter. Members of Trivandrum, Cochin, Thrissur, Palakkad and Kozhikode-Malappuram Chapters participated in the Tournament. Shri P. Sivakumar, President of Ernakulam District Cricket Association handed over the Trophy in the presence of CMA Thomas T V, Chairman-CMA Cochin Chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA MYSURU CHAPTER

The Chapter organized a GST Crash Course on 16.12.2023 at Seshadripuram Degree College, Mysore. CMA (Dr.) Trinesha T R Chairman, CMA M Ashok Kumar, Vice Chairman, CMA Ravi Kumar B Secretary and CMA Purushotham R. MC Member. Special Invitee: Dr. Srinivas K.R. Founder and Director, FINTAAC Institute India Pvt., Ltd., CMA (Dr.) Trinesha T.R. spoke regarding the importance of GST and how it helps the nation and individuals and how it affects the economy of

the nation, how it helps the student to get into a good job with a good salary after their completion of the Degree. The programme started with invocation followed by Inauguration by watering the plant, welcome address by the college, keynote address by CMA (Dr.) Trinesha T.R. Chairman and addresses by CMA M. Ashok Kumar Vice Chairman and CMA B.Ravi Kumar Secretary.

The Chapter conducted an event on backpack bag distribution to students who joined for June-24 term exams on 09.12.2023 at the Chapter premises. CMA M. Ashok Kumar Vice Chairman addressed the students of Final, Inter, and foundation courses who joined the course newly for the July 24 exam batch regarding the importance of the CMA course. He also gave tips to the students on how to read and prepare for the exams. The programme started with a welcome address and introduction of dignitaries by Manager R. Ravi followed by the Vice Chairman's speech and distribution of bags to the students by the Vice Chairman. Final year student Mr. Pratheek M. who cleared both the groups of inter in the first attempt, spoke about his effort, preparation and experience and gave details of pattern of the question paper and how to study and prepare for exams. A vote of thanks was proposed by R. Ravi Manager of the Chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA MADURAI CHAPTER

The Chapter and Directorate of CAT of the Institute jointly arranged an inaugural function for the commencement of the Certificate in Accounting Technicians (CAT) Course under Department of Ex-Servicemen Welfare (Ministry of Defence, Govt. of India) on 28.11.2023. The program started with the lighting of lamp, rendering of the Tamil Thai Vazhthu and Institute Moto Song. CMA (Dr.) V.Murali, Council Member, ICMAI was the Chief Guest, CMA Divya Abhishek, Chairperson, SIRC of ICMAI was the guest of honor CMA (Dr.) S Kumararajan, coordinator CAT DGR course and member academic committee, welcomed the gathering and expressed the need for this kind of course to the defence personnel. CMA R. Sarath Babu, Chairman academic committee introduced the dignitaries. The inaugural address was by Brigadier Rohit Mehta, Additional Director General, South Zone, DGR from Pune and the presidential address was by CMA Rajendra Singh Bhati, Chairman, CAT, ICMAI in virtual mode which was telecasted. CMA Divya Abhishek addressed the participants about the importance of the course and the opportunities available. CMA (Dr.) V.Murali in his address shared his thoughts on this skill based course and answered the questions from the participants. The participants numbering about 50 consisting of defence personnel, CMAs dignitaries, staff and students. CMA A. Selvam, MC member proposed the vote of thanks. The program ended with the national anthem.

A career awareness program on CMA course was organized by the Department of Commerce, Ananda College, Devakottai on 15th November 2023. On behalf of the Chapter, CMA R Sarath Babu, Chairman Academics, CMA (Dr.) S Kumararajan, Member Academics participated in the program. Prof. M. Siva Balaji, Head-PG Department of Commerce, the coordinator for the program welcomed the gathering and CMA (Dr.) S. Kumararajan addressed the students and expressed the importance of CMA course and the opportunities available. CMA R Sarath Babu explained the CMA course curriculum & Fees details and about the campus placements. The doubts raised by the students were also clarified on the spot. The highlight of this career awareness program was that the Ananda College, Devakottai entered into MOU with the Madurai Chapter regarding conduct of Foundation course in their premises itself. The MOU was signed by Rev. Dr. S.Sebastian, Secretary, Ananda College & Rev.Fr. Dr.S. John Vasantha Kumar, Principal, Ananda College representing the college and by CMA R Sarath Babu, Chairman, Academics representing the Madurai Chapter of ICMAI.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TRIVANDRUM CHAPTER

The Chapter in association with ICMAI - Kozhikode Malappuram Chapter conducted a webinar on “Value addition through Cost Audit Mechanism” in Microsoft Teams Platform on 20th October 2023. The programme was inaugurated by CMA H Padmanabhan, Former Vice President, ICMAI and CMA Sankalp Wadhwa, CASB Member was the key speaker. The meeting was chaired by CMA Sarat Nair U, Chairman, ICMAI-Trivandrum Chapter, CMA Pranav Jayan, Treasurer, ICMAI- Trivandrum Chapter was the host and CMA Shireen C, Chairperson, ICMAI Kozhikode Malappuram Chapter proposed the Vote Thanks.

The Chapter conducted a webinar “CHAT GPT AI Tools for Professionals” in two sessions on 1st and 2nd December 2023. The programme was inaugurated by CMA Nidhish Raju Secretary, ICMAI-Trivandrum Chapter and the session was handled by CA Deepak Gupta. Large number of members & students attended the programme.

The Chapter organized a factory visit for Intermediate and Final students from 02.11.2023 to 03.11.2023 at HLL Lifecare Ltd, Peroorkkada, Thiruvananthapuram. Around 50 students visited the factory at Peroorkada, Trivandrum.

The Chapter organised a Medical Camp in association with HLL Hindlabs from 4th November 2023 to 26th November 2023. The camp was inaugurated by CMA H Padmanabhan, Former Vice President, ICMAI. CMA

Sarat Nair U Chairman, CMA Nidhish Raju Secretary, CMA Vishnu M V Nair Vice Chairman, CMA Pranav Jayan Treasurer, CMA Rejeesh V S, MC Member, Sri. Vinod, Student Member, Members & Staff were present. The Camp was conducted especially for Members and their dependents and staff members of Trivandrum Chapter.

The Chapter organised an Industry Oriented Training Program for Final students from 4th November 2023 to 11th November 2023. Felicitation to the winners of June 2023 Examination was also done during the Inaugural session.

The Chapter celebrated Constitution day on 24th November 2023.

The Chapter conducted a motivational session "Meet the Champions" for the Intermediate & Final Students on 02.10.2023. CMA Pranav Jayan Treasurer, CMA Prasanth Kumar M S Academic Coaching & Infrastructure Committee Chairman, ICMAI Trivandrum Chapter, CMA Rajeev M R, winner of Best CFO Award 2023 and Sri. Vinod M, Student Member, ICMAI Trivandrum Chapter etc. handled the interactive sessions.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BENGALURU CHAPTER

The "Golden Jubilee Commemoration Lecture on Future of Finance" was held at the Chapter Premiseson 27.11.2023. CMA (Dr.) Madhavi Lokhande , President - Institute of Management Accountants, CMA Devarajulu B – Chairman BCCA, CMA Rajesh Devi Reddy – Treasurer & PD Chairman BCCA, CMA Girish K – Treasure SIRC, CMA Suresh R Gunjalli – CCM were the speakers.

CMA (Dr.) H R Subramanya Memorial Lecture – "Indian Culture &Tradition" was held at the Capitol Hotel, Bengaluru on 06.12.2023. CMA(CA) Vishwanatha A , Practicing Chartered Accountant, CMA Devarajulu B – Chairman BCCA, CMA Abhijeet S Jain – Secretary BCCA, CMA Rajesh Devi Reddy – Treasurer & PD Chairman BCCA, CMA Girish K – Treasure SIRC, CMA Suresh R Gunjalli – CCM were the speakers.

CFO SAMVAAD - An Interaction with the CMA - CFO" was held at the Chapter premises on 09.12.2023. Former Chairman BCCA CMA Kedarnath Choudhury, Group CFO Stellapps Technologies, CMA Devarajulu B – Chairman BCCA, CMA Abhijeet S Jain – Secretary BCCA, CMA Rajesh Devi Reddy – Treasurer & PD Chairman BCCA, CMA Girish K – Treasure SIRC, CMA N R Kaushik, Former Chairman BCCA were the speakers.

Practitioners' Forum Programme on "Social Stock Exchange & Social impact Assessors Professional Opportunities for CMAs" was held at the Chapter premises on 18.12.2023

CMA (Dr.) S.K.Gupta , Md ICMAI Registered Valuers Organization, CEO, ICMAI Social Auditors Organization, COO, ICMAI International ADR Chamber, CMA Devarajulu B, Chairman BCCA, CMA Santosh Kalburgi , PF Chairman, CMA G N Venkatraman , Former President ICMAI were the speakers.

GST Course Inauguration was done at ASC Degree College, Rajainagar, Bengaluru on 02.12.2023. CMA Devarajulu B – Chairman BCCA, CMA Girish

Kambadarya – SIRC Treasurer, CMA Abhijeet S Jain – Secretary BCCA were the speakers.

A Memorandum for empanelment of Cost Accountants for inventory valuation u/s 142(2a) of Income Tax, 1961" was submitted to Mr Srinivas Rao IRS, Commissioner of Income Tax on 01.12.2023.

CMA Devarajulu B – Chairman BCCA, CMA Rajesh Devi Reddy, Treasurer BCCA, CMA Girish K, Treasurer SIRC, CMA T K Jaganath , Practicing Cost Accountant were the speakers.

Two Career Counseling Programmes were organized by the Chapter at Bellary on 28.11.1983

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

A PD program organized by Coimbatore Chapter on 29th November 2023 to give an update to members about the new Act on Digital Personal Data Protection. CS (Dr.) Madhusudhanan C.V, a practicing Company Secretary and Partner KSR & Co, was the Chief Guest and speaker. Coimbatore Chapter Chairman CMA (Dr.) R.Maheswaran gave a warm welcome to the gatherings including the Chief Guest and other Members. CMA A. Hariharasubramanian, MC Member introduced the Speaker. CS (Dr.) Madhusudhanan C.V spoke on the new Act which is being notified towards the protection of personal data of any person on any digital media. The speaker highlighted the importance of personal data and the way it is being misutilized in the social media these days and also the damages caused to anyone who has received such data for a purpose.

The Chapter conducted a Career Awareness Program in KSR College of Arts and Science, Tiruchengode, on 15th November, 2023 to make the students aware of the professional courses and how the CMA profession is gaining importance in the industry in terms of management support for decision making, Cost consciousness etc. Mr. R. Jagadeesan, Management Committee Member from the Coimbatore Chapter of ICMAI addressed the students. Model exams for Foundation, Intermediate & Final students were conducted by Coimbatore Chapter from 21st November to 25th November 2023. Around 60 students participated in the model exam. Papers were corrected and faculties advised the students on presentation and score more marks.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AHMEDABAD CHAPTER

The pooling of players for CMA Cricket League 2023-24 was organized by the Chapter on 3rd Dec'2023 at the AMA. In the inaugural session, the Sports committee chairman of Chapter CMA Sunil Tejwani shared the dais with immediate past Sports Committee Chairman CMA Kushal Desai and Secretary of Chapter CMA Bhaumik Gajjar. CMA Sunil Tejwani and CMA Kushal Desai addressed the gathering. Secretary of Chapter CMA Bhaumik Gajjar proposed a vote of thanks to the dignitaries on dais. There were sponsors of the tournament, Managing Committee Members, Past Chairman of Ahmedabad Chapter, captains of eight registered teams along with retained players and individual registered players participated in the program. The program was followed by lunch.

Ahmedabad Chapter participated in a live television program "Hello Karkirdi" as part of career counseling on 12/12/2023. Chapter Chairman CMA Uttam Bhandari briefed about the Cost Accounting course, method of cost accounting, concepts cost accounting, and scope of cost accountants in professional life and many more aspects of Cost Accounting course. The program was live telecast and interested candidates raised their questions by live phone calls and CMA Uttam Bhandari replied to the queries / questions raised by caller. The program was very interactive.

CMA Cricket League 2023-24 Tournament had been organized by the Chapter at Ahmedabad Cricket Center, Jivan Sathi Party Plot, Opp. M K Farm, Nr. Science City Road, Bhadaj, Ahmedabad on 23rd& 24th December-2023. In the tournament, eight teams were included in two groups. The tournament was inaugurated by CMA Sunil Tejwani, Chairman of Sports Committee, CMA Uttam Bhandari, Chairman of Chapter, CMA Bhaumik Gajjar, Secretary of Chapter and CMA Mitesh Prajapati, Jt. Secretary and Treasurer of Chapter on 23rd December'2023. Members, students and sponsorer of tournament were also present in the inaugural session. There were two groups having four teams each. The league matches were played on 23rd and 24th December-2023 and in Group A Vedant Valcanos and Sheladia Swingers whereas in Group B Treco Titans and Tennam Tigers were semifinalist in Men league.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAGPUR CHAPTER

In order to commemorate National Farmers' Day, the Chapter conducted a workshop on "Agriculture and CMAs" on 23rd December 2023. The workshop was presided over by Past President CMA P. V. Bhattad and keynote address was delivered by CMA (Dr.) Sreehari Chava, Member, Agricultural Cost Management Board. The deliberations ran through the evolution of agriculture in Indian context, development of agriculture post-independence and the strategic approach being pursued by the Government of India towards augmentation of the farmers' income. It has been emphasized that the CMA approach which looks for value addition for each and every activity would facilitate and enhance the impact of strategic approach. Agri cost ascertainment, Agri cost analysis, Agri cost control, Agri cost reduction and Agri cost optimization are considered as the necessary steps in the direction of Agri cost transformation. The need for adopting the activity based methods in place of traditional methods would enable the derivation of a compatible MSP. CMA P. S. Patil, Chairman, other office bearers of Nagpur Chapter and several members participated in the workshop.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PUNE CHAPTER

The Chapter organized a condolence meeting on 27th November 2023 at CMA Bhawan to offer condolences to the departed soul for CMA Sham Wagh, Senior member of the Chapter. Large number of members attended the meeting.

In view of the weather condition in Chennai due to Cyclone Michaung the 6th Meeting of "Sustainability Standards Board" scheduled to be held on 9th December, 2023 and 2nd Meeting of the International Affairs Committee (2023-24) scheduled to be held on 10th December, 2023 was held at the Pune Chapter.

The Chapter arranged a Webinar on "Cyber Compliance" on 23rd December 2023 through GOOGLE MEET video conferencing tool. The speaker was Dr. Harold D'Costa, President - Cyber Security Corporation, CEO - Intelligent Quotient Security System since February 2006, IQSS featured in top 10 Security companies in the country and eminent CIO of India for 2018, 2019, 2020 & 2021. He was a resource person in 28 International Conferences and was also part of Global Cyber Security Summit in India. Recently he addressed Ministry of Cambodia officials on Cyber Crime and Security on 12th December 2023. CMA Rahul Chincholkar, Treasurer of ICMAI-Pune Chapter welcomed and introduced the speaker and the participants. The Lecture was lucid and informative large number of members attended the programme. The Vote of Thanks was proposed by CMA Rahul Chincholkar, Treasurer of ICMAI-Pune Chapter.

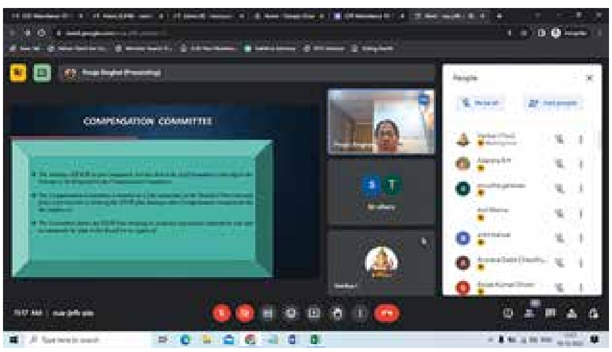
ICMAI Pune Chapter arranged Career Counseling Program, at Maharashtra Mandal's Chandrashekar Agashe College of Commerce, at Gultekadi, for 11th and HSC students on 26th December 2023 . Principal Ms. Sangita Bhide coordinated the arrangements. CMA Abhay Deodhar, Member of ICMAI-Pune Chapter was the main speaker for Career Counseling Program. He shared his experience & describes the importance for CMA Course for bright future. Mr. Sandip Joshi, staff member of Pune Chapter explained the Course structure documents required fees structure and related aspect. .

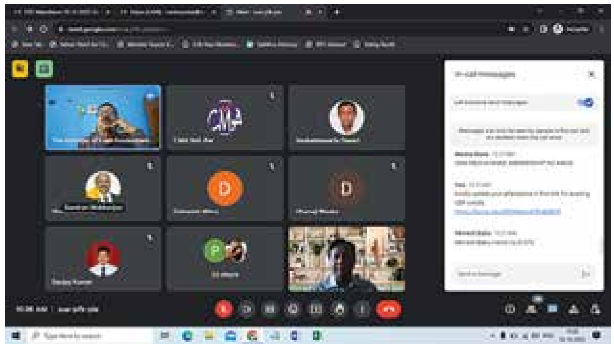
The Chapter arranged a Career Counseling Program, at Modern College of Arts, Science and Commerce, for students on 27th December 2023 Prof. Rasika Datey was the coordinator for this programme Vice Principal Dr.Gaikwad Sir welcomed & felicitated CMA Abhay Deodhar Member of ICMAI-Pune Chapter and CMA Amey Tikale, Managing Committee Member of ICMAI- Pune Chapter were the faculty for the session & Staff members from Pune Chapter administration Mr. Sandip Joshi was also present. Vice Principal Dr. Gaikwad Sir of Modern College welcomed & felicitated the faculties. Speakers explained to the participants about the CMA Course which is statutorily recognized by the parliament and how it enriches with higher degree of employable skills and guarantees life-long employability, requirement of Professional Accountants to serve the requirement of the Indian Economy. CMA Course converge accountants from 'Ledgers of Business' to "Leaders of Business" and act as a Strategic decision maker. CMA Abhay Deodhar shared his experience & describes the importance for CMA Course for bright future in Costing. CMA Amey Tikale talked about the job opportunities in industry, academics and in practice as cost auditor, GST Consultant, Taxation, Internal Auditor, Recovery Consultant in banking sector etc. Lecture was very informative for the students. He also explained the Course structure in brief to the students like documents required, fees structure to the students.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAVI MUMBAI CHAPTER

The Chapter conducted a Career Counselling Session on 30th November 2023 at Western College of Commerce, Sanpada. The speakers were CMA B N Sapkal, Chairman of the Chapter, CMA Vaidyanathan Iyer, Past Chairman and CMA Arup Bagui, Secretary and PD Committee Chairman. The speakers articulated the salient features of the CMA Course and explained that CMA Course is going Global and there is tremendous value added with this qualification. They briefed the students and other faculties present, on the New Syllabus 2022, Admission formalities within the cut-off date of 31-01-24 for June 2024 exams, Oral Coaching course curriculum and Skills Training comprising of SAP, Microsoft Word, Excel, Power point, Cambridge University CSS and E-Filing Training which will be organized for the benefit of the students as part of the curriculum. An Online demo of the Admission process on our portal www.icmai.in was presented to the students to enable them to enrol for admissions online by keeping the scan copies of the documents ready and selecting the relevant options. The students interacted well and were informed that with CMA Qualification one can work in the industry or independently start practice as a PCMA in various fields. The HOD Junior College Ms Jayshree Ameen and the Principal Ms Nithya Varghese provided excellent support and co-operation for conducting career counselling for more than 200 Junior college students.

The Chapter conducted a webinar on "Significant Beneficial Ownership and ESOP" on 10th Dec'23. CMA Arup Bagui, Secretary and Chairman of PD Committee of the Chapter welcomed the speaker Ms. Pooja (Gupta) Singhal, Practicing Company Secretary and certified trainer in POSHCMA Pramod Kumar Sabot, Assistant Company Secretary of Konkan Railway Corporation introduced the speaker. The speaker highlighted the importance of preparation of policy document on ESOP with utmost care so that the interest of the employees is protected even during change of investors, merger, retirement of employee etc. CMA Vaidyanathan Iyer, Immediate past Chairman of the Chapter proposed the Vote of Thanks.





THE INSTITUTE OF COST ACCOUNTANTS OF INDIA INDORE-DEWAS CHAPTER

Chairman of Counseling Committee of Indore-Dewas Chapter of ICMAI, CMA Yash Vagrecha along-with Managing Committee Member CMA Ravindra Dubey visited Saraswati Shishu Mandir (Higher Secondary School) Sai Nath Colony, Indore on 22/12/23. They had a meeting with Principal Shrimati Sangita Chouhan and discussed the scope of CMA profession, eligibility for admission in CMA Course, course contained etc. She was of the opinion that the students were aware about the other professional courses they were not so aware about the CMA Course. She advised regular counseling programs in various schools/colleges to make the students as well as teachers well aware about the CMA course.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SURAT-SOUTH GUJARAT CHAPTER

Greeting visits on occasion of Diwali & New Year to Surat Academic Association, Kataragam Tuition Class Association, and Varachha Tuition Class Association by CMA Bharat Savani-(Chairman), CMA Kishor Vaghela-(Hon. Secretary) & CMA Ashvin Kumar Amabaliya (MC Member) for better branding of CMA Institute and this is an Initiative taken by the chapter first time ever. Greeting visits on occasion of Diwali & New Year to Editor of Gujarat Guardian News, Editor of

Rajasthan Patrika News and Editor of Times of India News by CMA Bharat Savani-(Chairman), CMA Kishor Vaghela- (Hon. Secretary) for covering all the press meet and CMA Examination result news two times in a year. A visit to Managing Director of The Surat Peoples Co. Op. Bank and The Surat District Co. Op Bank by CMA Bharat Savani-(Chairman), CMA Kishor Vaghela-(Hon. Secretary) & CMA Ashvinkumar Amabaliya (MC Member) for providing 15-month articleship as a management trainee to the students in Banking Sector which will help students to get into Banking sector easily. Greeting visits to GJEPC (Gems & Jewellery Export Promotion Council) Regional Chairman, Mr. Ajay Managukiya by CMA Bharat Savani-(Chairman), CMA Kishor Vaghela- (Hon. Secretary) & CMA Ashvinkumar Amabaliya (MC Member) for providing 15-month articleship as a management trainee to students in Gems & Jewellery Sector which will help students to get into Gems & Jewellery sector easily.

The Chapter hosted a CEP on 2nd December 2023, on the theme "Refund under GST." CMA Ajay Sangani, a renowned Practicing Cost Accountant, was the keynote speaker. CMA Bharat Savani-(Chairman), CMA Kishor Vaghela- (Hon. Secretary) felicitated CMA Ajay Sangani.

The Chapter hosted another CEP on 9th December 2023, on the theme "GST Appeal." CA Manoj Makhania-Expert in Income Tax & GST Litigations was the keynote speaker. CMA Bharat Savani-(Chairman), felicitated to CA Manoj Makhania. Around 15 participants were in attendance, benefiting greatly from the insightful session.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AURANGABAD CHAPTER

The Chapter conducted a Work shop on "Financial Analytical Quotients in Business Analytics". CMA Jayant Galande –Practicing Cost Accountant addressed the workshop. Chapter treasurer CMA Pravin Mohani welcomed the speaker CMA Jayant Galande and introduced him. CMA Suresh Pimple presented him a bouquet. The speaker focused on the usefulness and importance of financial analytical quotients which indicates a financial health of the companies and businesses. He explained how to study Profit and Loss Account and Balance sheet and the relation of between items in Profit & Loss Accounts and Balance Sheet in the context of financial Quotients. Treasurer of Chapter CMA Pravin Mohani coordinated the programme. Training Committee member CMA Parag Rane proposed Vote of Thanks. Senior members CMA M R Pandit , CMA R D Khandalkar were present on this occasion.

Direct & Indirect Tax Updates - December 2023

DIRECT TAXES

- **Notification No. 102/2023 Dated 5th December 2023:** In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, 'Godavari River Management Board, Hyderabad' (PAN AAAGG1473Q), a Board constituted by Central Government in pursuance of section 85 of the Andhra Pradesh Re-Organization Act, 2014, in respect of the following specified income arising to the said Authority, as follows:

  (a) Grants/Subsidies received from Central Government (b) Grants/Subsidies received from State Governments of Andhra Pradesh and Telangana and (c) Interest from bank deposits, including savings account.

  This notification shall be effective subject to the conditions that Godavari River Management Board, Hyderabad - (a) shall not engage in any commercial activity (b) activities and the nature of the specified income shall remain unchanged throughout the financial years and (c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

- **Notification No. 103/2023 Dated 18th December 2023:** In exercise of the powers conferred by clause (xii) of sub-section (5) of section 11 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962: In the Income-tax Rules, 1962, in rule 17C, after clause (ix), the following clause shall be inserted, namely: "(x) investment by way of acquiring units of POWERGRID Infrastructure Investment Trust."

- **Notification No. 104/2023 Dated 19th December 2023:** In exercise of the powers conferred by sub-section (2) of section 92CB read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962, in rule 10TA for clause (f), the following clause shall be substituted, namely: (i) '(f) "intra-group loan" means loan advanced to an associated enterprise being a non-resident. (ii) in clause (j), for sub-clause (vi), the following sub-clause shall be substituted, namely: "loss on transfer of assets or investments other than assets, on which depreciation is included in the operating expense;" (iii) in clause (k), for sub-clause (iii), the following sub-clause shall be substituted, namely: "income on transfer of assets or investments other than assets, on which depreciation is included in the operating expense"

- **Notification No. 105/2023 Dated 22nd December 2023:** In exercise of the powers conferred by section 139 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend Income-tax Rules, 1962. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), in rule 12 (i) in sub-rule (1), in the opening portion, for the figure "2023", the figure "2024" shall be substituted (ii) in sub-rule (5), for the figures "2022", the figures "2023" shall be substituted.

- **Notification No. 106/2023 Dated 27th December 2023:** In exercise of the powers conferred by sub-clause (iv) of clause (c) of Explanation 1 to clause (23FE) of section 10 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Act), the Central Government hereby specifies the pension fund, namely, Ravenna Investments Holding B.V (PAN: AAMCR8596D), (hereinafter referred to as the assessee) as the specified person for the purposes of the said clause in respect of the eligible investment made by it in India on or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 (hereinafter referred to as the said investments) subject to the fulfillment of the conditions. Violation of any of the conditions as stipulated in clause (23FE) of section 10 of the Act and this notification shall render the assessee ineligible for the tax exemption.

- **Circular No. 20/2023 Dated 28th December 2023:** Guidelines under sub section (4) of Section 194O of Income Tax Act 1962 mandating that E commerce operator shall deduct tax at specified rate.

INDIRECT TAXES

GST

- **Notification No. 55/2023 CENTRAL TAX Dated 20th December 2023:** In exercise of the powers conferred by sub-section (6) of section 39 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner, on the recommendations of the Council, hereby extends the due date for furnishing the return in FORM GSTR-3Bfor the month of November, 2023 till the twenty-seventh day of December, 2023, for the registered persons whose principal place of business is in the districts of Chennai, Tiruvallur, Chengalpattu and Kancheepuram in the state of Tamil Nadu and are required to furnish return under sub-section (1) of section 39 read with clause (i) of sub-rule (1) of rule 61 of the Central Goods and Services Tax Rules, 2017.

- **Notification No. 56/2023 CENTRAL TAX Dated 28th December 2023:** Seeks to extend dates of specified compliances in exercise of powers under section 168A of CGST Act : (i) for the financial year 2018-19, up to the 30th day of April, 2024 (ii) for the financial year 2019-20, up to the 31st day of August, 2024.

CUSTOMS

- **Notification No. 64/2023 - Customs Dated 7th December 2023**: Seeks to exempt imports of Yellow Peas [HS 0713 10 10] from applicable BCD and AIDC up to 31.03.2024. In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) read with section 124 of the Finance Act, 2021 (13 of 2021), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the goods of the description specified in column (3) of the Table " yellow peas", falling under the tariff item of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the 'Customs Tariff Act'), specified in the corresponding entry in column (2) of the said Table, when imported into India, from the whole of the duty of customs leviable thereon under the First Schedule to the Customs Tariff Act and from the whole of the Agriculture Infrastructure and Development Cess leviable thereon under the said section of the Finance Act, 2021(13 of 2021).
- **Notification No. 65/2023 - Customs Dated 21st December 2023:** Seeks to amend notification No. 49/2021 - Customs, dated 13.10.2021, in order to extend nil Agriculture Infrastructure and Development Cess [AIDC] on Lentils (Mosur) up to and inclusive of the 31st March, 2025.
- **Notification No. 66/2023 - Customs Dated 22nd December 2023:** Seeks to further amend No. 22/2022-Customs, dated the 30th April, 2022 to enable gold imports by valid TRQ holders under India UAE CEPA. In the said notification, in the Annexure, in the Table, for Condition No. 2 and the entries relating thereto, the following Condition No. 2 and entries shall be substituted:

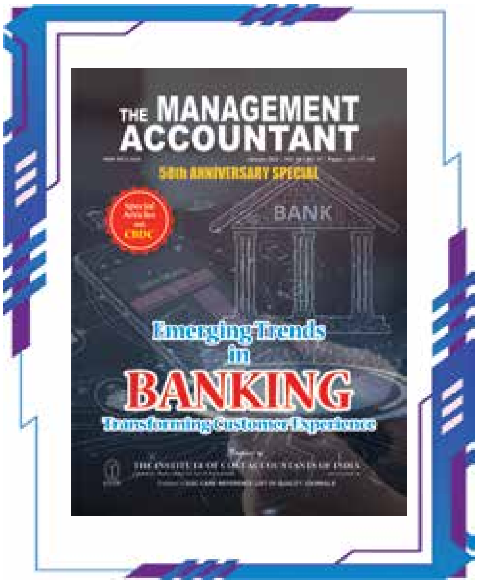
"2"	(a) Importer- Exporter Code (IEC), mentioned in Tariff Rate Quota (TRQ)authorization specified in clause (b) of Condition No. 1, shall be Importer Exporter Code (IEC) of (i) nominated agencies as notified by Reserve Bank of India(RBI)(in case of banks), (ii) nominated agencies as notified by Directorate General of Foreign Trade (DGFT)(for other agencies) (iii) qualified jewelers (as notified by International Financial Services Centres Authority(IFSCA)) through India International Bullion Exchange (IIBX), or (iv) Valid India UAE TRQ Holders as notified by IFSCA through India International Bullion Exchange (IIBX) against the TRQ and can obtain physical delivery of their imports through IFSCA registered vaults located in SEZs as per guidelines prescribed by the IFSCA. (b) the importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 Provided that Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 shall not be applicable if the importer and the TRQ Holder are the same entity."

- **Notification No. 67/2023 - Customs Dated 29th December 2023:** Seeks to amend Notification No. 96/2008 Customs dated 13.08.2008. In the said notification, in the Schedule, after serial number 37 and the entries relating thereto, the following serial number and entry shall be inserted: Name of the country Democratic Republic of Congo Serial No 38.

CENTRAL EXCISE

- **Notification No. 41/2023 - Central Excise Dated 18th December 2023:** Seeks to amend No. 18/2022-Central Excise, dated the 19th July, 2022 to reduce the Special Additional Excise Duty on production of Petroleum Crude and increase the Special Additional Excise Duty on export of ATF. In the said notification, in the Table, (i) against S. No. 1, for the entry in column (4), the entry "Rs. 1300 per tonne" shall be substituted (ii) against S. No. 2, for the entry in column (4), the entry "Rs. 1 per litre" shall be substituted. This notification shall come into force on the19th day of December, 2023.
- **Notification No. 42/2023 - Central Excise Dated 18th December 2023:** Seeks to further amend No. 04/2022-Central Excise, dated the 30th June, 2022, to reduce the Special Additional Excise Duty on export of Diesel. In the said notification, in the Table, (i) against S.No.2, for the entry in column (4), the entry "Rs.0.50 per litre" shall be substituted. This notification shall come into force on the19th day of December, 2023.

Sources: incometax.gov.in, cbic.gov.in

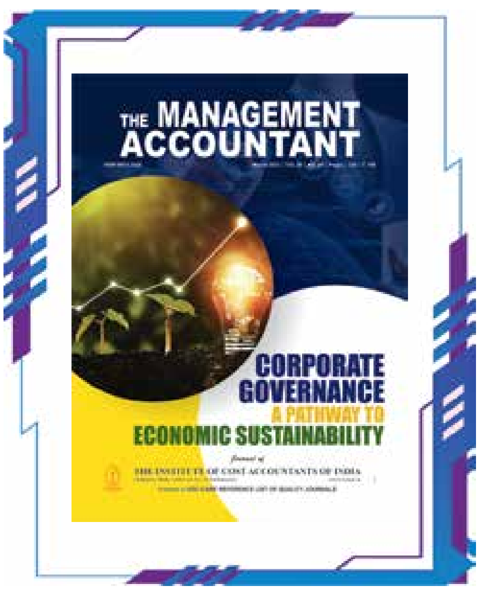


January - Emerging Trends in Banking: Transforming Customer Experience

Technology has always been the greatest enabler for the banking and financial services industry to grow in depth and breadth. Digitalization have completely transformed the banking industry in terms of efficiency and effectiveness. However, in the context of waning of Web 2.0 and the advent of Web 3.0, the banking industry is at the verge of yet another transformation in form, banking in metaverse, which promises to offer limitless opportunities for the banks. To make this 58th Anniversary special issue more productive and stimulating, Special Articles on Central Bank Digital Currency (CBDC) has been added. The Reserve Bank of India (RBI) has announced the launch of the first pilot for the retail CBDC (e₹-R) on December 1, 2022. CBDC is aimed to complement, rather than replace, current forms of money and is envisaged to provide an additional payment avenue to users, not to replace the existing payment systems. Supported by state-of-the-art payment systems of India that are affordable, accessible, convenient, efficient, safe and secure, the Digital Rupee (e₹) system will further strengthen India's digital economy, make the monetary and payment systems more efficient and contribute to furthering financial inclusion.

February - Infrastructure Investment in Emerging Markets: Trends and Challenges

Infrastructure has been singled out as the key driver of growth in most developing economies. For India to take forward its celebrated growth trajectory even in the aftermath of the Covid-19 pandemic, and the global headwinds exacerbated by unabated geopolitical tensions, the country needs to step up its investment in the core economic infrastructure areas viz. roads, railways, ports, and the like. Over the last few years, India has witnessed tremendous and envious progress in infrastructure, particularly in the construction of road networks. The ambitious dream of realizing an economy of the size of US$5 trillion by 2025 makes it necessary for the country to scale up its infra invest at least to the tune of US$1.4 trillion. Further, the issue of sustainability, undoubtedly is an eternal as well as an inevitable need. Our Institute, since its inception, is making timely endeavours to match the pace of sustainability issues and create awareness among our students, members and other stakeholders. However, considering the increasing speciality in the subject globally, a need was felt to constitute a Sustainability Standards Board (SSB). Hereafter, the Board, decided to come out with an exclusive section in The Management Accountant Journal titled "Sustainability Leaf" from this issue.

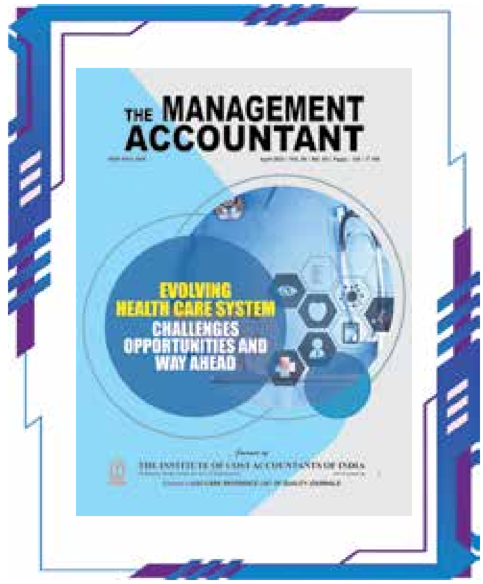


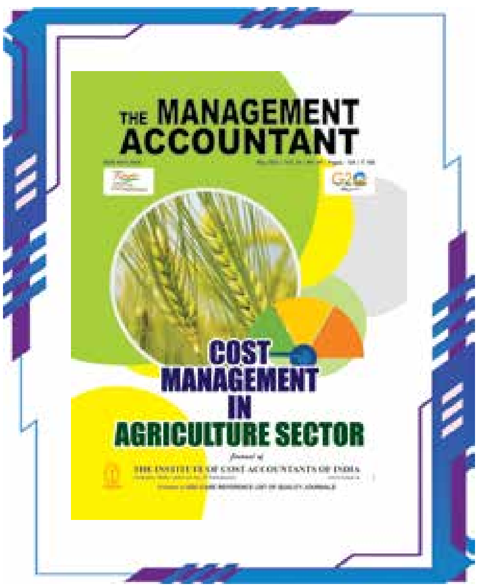
March - Corporate Governance: A pathway to Economic Sustainability

This Special Issue aims to shed light on the importance of corporate governance, which is a pathway for corporate social responsibility and innovation in achieving sustainable business development goals. Corporate sustainability governance has emerged as a management system that merges and balances the interests of all three pillars of sustainable development – economic, environmental and social within the operational boundaries of the organization. Corporate sustainability is understood as the ability of companies to positively influence environmental, social and economic development through their governance practices and market presence. The concept of sustainability to achieve corporate performance in the long term, however, sustainability is not integrated into individual business process especially by small and medium enterprises.

April - Evolving Health Care System: Challenges, Opportunities and Way Ahead

From the beginning of 2020 the world is facing unprecedented challenges from Covid 19 pandemic which has accelerated and prioritized the growth of health care system. Consequently, there has been a telemedicine boom which has made high-level health care facilities accessible to people in remote and tribal areas of the country. During COVID-19, people found it unsafe and challenging to get in-person appointments for chronic diseases and other illnesses. Healthcare providers in India took that opportunity and invested in telehealth and telemedicine, whose adoption is expected to grow. Personalized healthcare has been seen as one of the ways the Indian healthcare system can transform as it enables disease prevention. The core purpose of the personalized approach is to offer patient-specific solutions to specific concerns associated with the patient. Mental health has also become a priority for many healthcare providers in India. This has caught the Indian Government's attention and in the 2022-23 Budget the Finance Minister had announced certain measures to help address the issue, including the launch of a national tele-mental health program. Biomedical waste management in India is again a critical issue that requires the attention of the Government, healthcare facilities, and the general public. The proper disposal of biomedical waste is essential to prevent the spread of infectious diseases and to ensure the safety of healthcare workers and the general public.



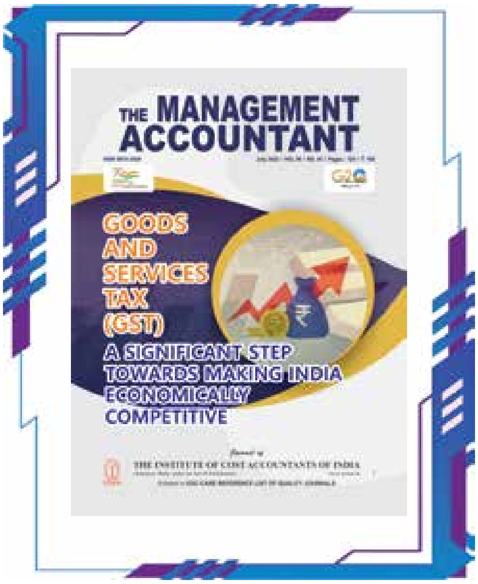


May - Cost Management in Agriculture Sector

Over the years, more particularly during the last couple of decades, India has been experiencing agrarian distress. The primary reasons attributable to the distress are low level of farmers' income and year to year fluctuations in the said income. This re-emphasises the necessity to satisfactorily equip the farmers with technological, credit, storage and marketing interventions. The Government has given major thrust to these factors in the current year's Budget. The numerous elements in the Budget support farmer's welfare and agricultural development. It appears that the Union Budget 2023-24 is focusing on regenerative agriculture, inclusive growth, improved access to agriculture credit, and better-quality agriculture inputs, digitization, and technological development. However, there is a lot more to be done in the areas of providing direct market access to the farmers by strengthening the supply chain and enhancing the incomes of the farmers.

June - Changing Landscape of Management Accounting

Various methods of management accounting are in common use and have become even more important in the dynamic world we live in. Technology has boosted the financial performance of businesses through the hassle-free and less frantic task of recording transactions. As manual and error-prone tasks are eliminated, emerging technologies are taking the charge of spearheading accounting practices. Management Accountants constitute an important part of an organization's decision-making process. They can ensure that businesses make well-informed decisions. Financial analysis of management information is provided by management accountants. This is accomplished through preparing, developing, and analysing financial data towards enabling apt strategic and operational decisions to be made by the organization.

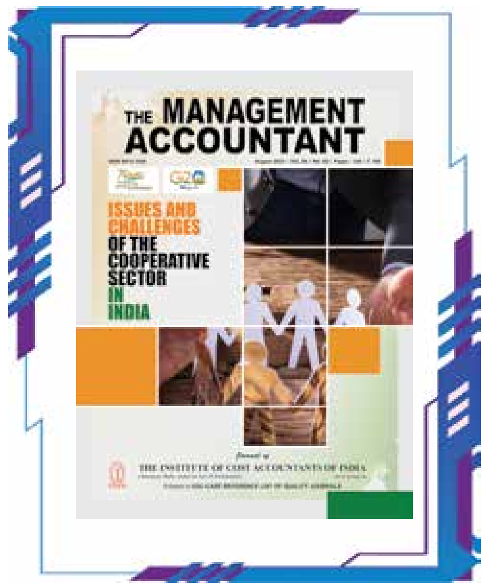


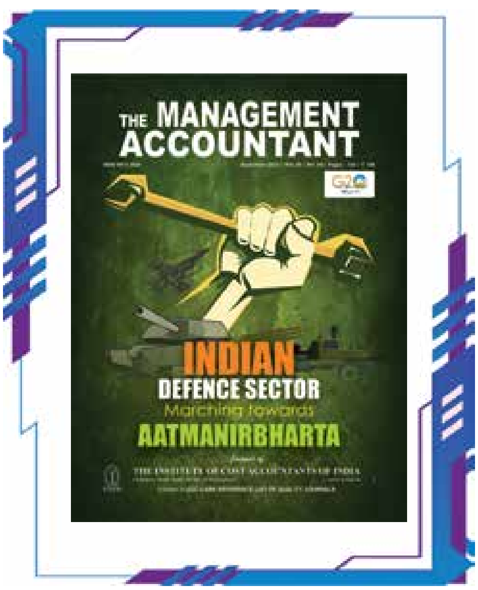
July - Goods and Services Tax (GST): A significant step towards making India Economically Competitive

As we all know, Goods and Service Tax (GST) is a one nation one tax. The main purpose of introducing GST is not to replace the various prevailing complex indirect taxes with a single comprehensive legislation and to remove the cascading effect and also to bring about uniformity in the tax structure, reducing double taxation effect, effective utilization of tax credit, seamless flow of tax credit in the supply chain and reducing the burden of tax on the end customer. After the introduction of GST in the year 2017, the Government had taken various measures to improve the overall GST regime, bringing in more and more transparency. By this a host of growing businesses have been brought under a formal economy and made tax compliant. Along with the digitalization of processes, payments and electronic mode of maintaining the records, the scope of errors and frauds have been significantly reduced and all the loopholes are addressed with the measures taken by the Government from time to time.

August - Issues and Challenges of the Cooperative Sector in India

Cooperative societies, especially cooperative credit societies and cooperative banks, have always played an important part in the socioeconomic development of the country even before independence. Over the years, the Government has been taking legislative and policy measures to enable development of the sector. At present, there is a dual control structure over the cooperative banking sector with matters relating to their incorporation and regulation mainly coming under the State Governments and with the banking aspects under the RBI's purview. The dissonance created by this is being sought to be minimised through legislative measures like amendments to the Banking Regulation Act, 1949 and through RBI's initiatives. A deeper oversight by the RBI, especially in fraud risk management, may help the sector and protect the depositors even better. Further, spreading awareness among the members on their democratic rights may improve accountability and transparency in the functioning of cooperatives. The National Cooperative Database being created by the Government may be a right step in this direction. As the cooperative banking sector has immense potential to bring about inclusive development, the Government and the regulators must leave no stone unturned to remedy the problems faced by the sector and to encourage its unhindered development.



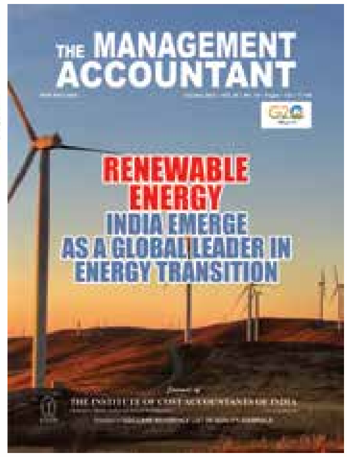


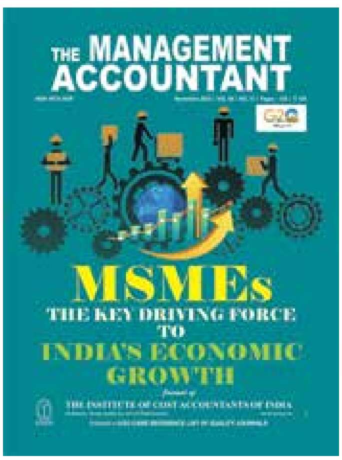
September - Indian Defence Sector: Marching towards Aatmanirbharta

The Indian defence industry has grown tremendously and with the implementation of the Atmanirbhar Bharat programme, it has become even more robust and goal oriented. This is done through a two pronged strategy of maintaining and building a strong soft power image with distant neighbours in various parts of the world, as well as through diplomatic engagement with those neighbours. India's defence readiness necessitates a balanced approach that considers cost-effectiveness without compromising national security. From a Cost and Management Accountant perspective, the adoption of cost analysis, budgeting, performance measurement, ABC technique, cost control, risk management, and life cycle costing can enhance defence readiness in a cost-effective manner. By optimizing resource allocation, identifying cost-saving opportunities, and ensuring financial stability, CMAs contribute significantly to India's defence preparedness while maintaining fiscal prudence. It is through the collaboration of financial experts, military strategists, and policymakers that a cost-effective and robust defence apparatus can be achieved.

October - Renewable Energy: India emerge as a Global Leader in Energy Transition

India has been rapidly developing its renewable energy sector in recent years. The Government of India has done a commendable and exemplary task by developing initiatives in adopting renewable energy sources including wind, solar, and geothermal power to achieve efficiency. It is imperative that people adapt themselves in the changing conditions of the times. Startups are playing a critical role in accelerating the adoption of renewable energy sources. Like, Bengaluru's Uravu Labs generates "water from air" using 100 percent renewable energy sources like solar, waste heat from industries and biomass. India's first solar-powered electric car, Eva, is the brainchild of Vayve Mobility, Pune. The single-door fully automatic car is designed keeping in mind the convenience required to drive in crowded cities. Eva is battery driven with an optional solar roof panel, which charges the battery when the car is parked in the open or when it's being driven. On2Cook India Pvt Ltd, built a cooking device that combines the benefits of cooking on a microwave and a stove and can save 70 percent time and 50 percent energy. 'Mamidala e-Bikes' startup makes affordable kits to turn normal cycles into electric cycles. Indi Energy makes low-cost, safe, high-performance sodium-ion batteries from agricultural waste — like paddy straw, sugarcane bagasse, coconut shells, or cattle manure and earth-abundant materials like sodium.





November - MSMEs: the key driving force to India's Economic Growth

Globalization has definitely thrown open many opportunities to almost all enterprises, irrespective of the size. However, the opportunities come along with challenges also and MSMEs being the backbone of Indian economy, cannot afford to lose their competitive edge just for the sake of inertia against technology adoption. Prime Minister Narendra Modi's aspiration for India to achieve $5 Trillion economy by 2025 is a highly ambitious endeavour, with the ultimate goal of becoming the world's third-largest economy. The Government's confidence in this vision is rooted in India's historical economic performance and current trajectory. It is now incumbent upon the MSMEs to harness their strength and potential with the help of GeM, for making significant contributions to propel the nation towards the $ 5 Trillion economy milestone and securing its position as the world's third largest economy. Currently GeM majorly supports procurements for Central Ministry, CPSEs, Central & State affiliate bodies along with Railways and Defense. In addition to that there are many more sectors like Electronics & Telecom, Electricity, Renewables & Pharmaceuticals etc. where the potentials are to be explored.

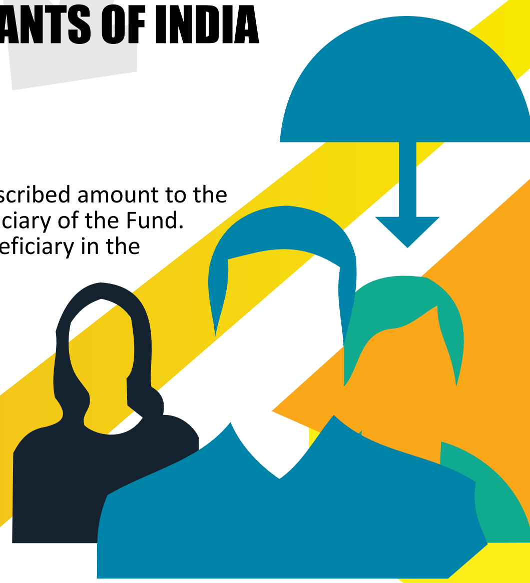
December - Corporate Social Responsibility (CSR) Ecosystem in India: Trends, Challenges and Ways Forward

For balancing the interest of corporates, the Government and public at large, voluntary CSR activities (i.e CSR beyond mandatory limit) may be allowed as business expenditure / deduction under 80 G of the Income Tax Act to encourage corporates to undertake more socio-economic activities particularly in local areas of the corporates, while ensuring the transparency of such transactions. CSR is a noble cause, but not insulated from unethical and corrupt practices. Several cases of malpractices and frauds have been reported in public domain on mis-utilisation of CSR funds, inflating CSR expending etc. These issues need to be addressed to preserve the essence of the enactment. If voluntary CSR expenses are allowed as eligible business expenses or deduction plainly, there could be the possibility of mis-utilisation of this window by way of inflating CSR project cost. To address this, project cost measurement and reporting need to be standardised.

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016



OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-

BENEFITS

- ***Income Tax Benefit under section 80G***
- ***Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.***
- ***Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.***

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
- Any other disease that may be considered by the Board of Trustees to be critical in nature.

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Posted at Mumbai Patrika Channel Sorting Office, Mumbai – 400 001
Posting Dates: 11th, 12th & 13th day of each English month only
Date of Publication 10th of every month

RNI NO. 12032/1966