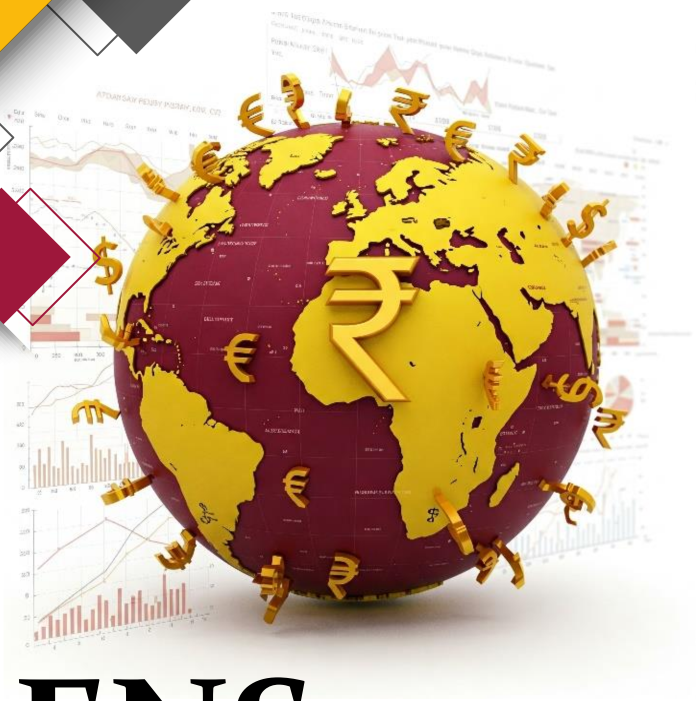

PNB ECO LENS

MONTHLY BULLETIN

पीएनबी इकोलेंस मासिक बुलेटिन

APRIL 2025

अप्रैल 2025

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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For any feedback or valuable suggestions: *Reach us at eicsmead@pnb.co.in*

FOREWORD

**FROM THE DESK OF
MANAGING DIRECTOR & CEO**

PNB ECOLENS, our in-house monthly publication, has reached its three-year milestone—a remarkable achievement that reflects the collective efforts of our dedicated team. This informative and educational magazine continues to capture the dynamic evolution of economic and banking scenarios, offering valuable insights to readers.

As we mark this occasion, it is worth acknowledging that the global economy has shown some real resilience with inflation moving downwards. However, some signs of weakness have emerged, driven by heightened uncertainties owing to tariff related issues, On the domestic front, India's real GDP grew by 6.2% in Q3 FY25 (October-December 2024), spurred by reviving investment sentiments and declining inflation which reinforces a promising outlook for India’s growth path.

The evolving scenario across India’s economic landscape presents significant opportunities for growth and demand across sectors. The banking industry, a cornerstone of economic development, has shown exceptional progress in business performance, profitability, asset quality, and capital adequacy. Looking ahead, the sector's success will depend not only on financial performance but also on delivering superior customer service and expanding digital footprints.

PNB ECOLENS remains committed to chronicling these economic and banking trends, serving as a comprehensive information and insights. We renew our dedication to making the publication even more engaging and thought-provoking. We are pleased to share that we have introduced a section on Thematic Research in the April’25 edition which will provide in-depth analysis on the subject pertaining to Economy and Banking.

I extend my heartfelt congratulations to the entire PNB ECOLENS team and express sincere gratitude to our readers and contributors for their steadfast support, valuable engagement, and thoughtful feedback. Together, we shall continue to grow and inspire.

With Best Wishes,
Ashok Chandra

FROM THE DESK OF EXECUTIVE DIRECTOR

I am delighted to share this anniversary edition to PNB Parivar as we celebrate the third year anniversary of our Bank's in-house economic magazine – PNB ECOLENS.

Over the past three years, ECOLENS has established itself as a beacon of economic insights and analysis. Every month, ECOLENS provides us the latest economic development, market trends, analysis of policy, financial events, industry outlook and informative articles to enhance the knowledge. A Financial sector professional must always stay updated about the latest economic, banking and financial events around the globe and its likely impact and ECOLENS comes in handy for this requirement.

This anniversary edition of PNB ECOLENS is all the more special as it includes participation from our bank employees through the Article Writing Competition organized by SMEAD Division, HO. The competition provides a platform for our bank officials to showcase their talent and knowledge. I wholeheartedly congratulate the winners and all those shared their contents with us.

I extend my heartfelt congratulations to our team and gratitude to readers who have contributed to the magazine's success over the years. Your unwavering support and valuable feedback drive us to strive harder and continue setting new benchmarks in economic analysis.

Together, let us move forward with the same zeal and vision that has brought us here, ensuring ECOLENS continues to be a reliable source of information for all the economic and banking developments in this ever-dynamic world.

I sincerely Thank You for being a part of this journey. Here's to many more years of shared knowledge, progress and success.

"An Investment in knowledge always pays the best interest"

- *Benjamin Franklin*

With Best Wishes,

D. Surendran

FROM THE DESK OF GENERAL MANAGER

As PNB ECOLENS completes its third year of publication, it brings me immense pride and satisfaction to witness the journey of this monthly economic bulletin as it continues to evolve, inspire, and inform. What began as an ambitious initiative to share curated economic insights has now blossomed into a vibrant platform for intellectual engagement and strategic thought leadership.

On the occasion of our third anniversary, I extend my heartfelt gratitude to our readers, contributors, and editorial team whose unwavering support and enthusiasm have been the cornerstone of our success. Your continued encouragement fuels our passion for excellence and innovation.

Over the past year, PNB ECOLENS has continued to capture the pulse of the economy with analytical depth and clarity. Whether unpacking macroeconomic shifts, evaluating sectoral dynamics, or interpreting regulatory developments, we have remained committed to providing our readers with timely and relevant perspectives. The addition of new features, such as thematic reports and data-driven visuals, has further enriched the reading experience.

True to our spirit of collaboration, this edition once again features contributions from across the Bank through our annual Article Writing Competition, celebrating the diversity of thought and the analytical rigour of our team members. The response and participation have been truly heartening, reaffirming our collective commitment to knowledge-sharing.

As we step into our fourth year, our vision remains steadfast—to serve as a trusted companion in your economic exploration and to spark meaningful conversations on emerging challenges and opportunities. With every edition, we aim to not only inform but also empower.

As we step into another year, we reaffirm our commitment to excellence, impactful insights and meaningful engagement through PNB ECOLENS.

With Best Wishes,

Ajay Kumar Singh

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Outlook for FY 2025-26

Resilient Growth in FY’2024-25

Global uncertainties were heightened in FY’2024-25 due to change of administration in US, ongoing wars and escalated trade tensions. The Indian economy also faced the brunt though continued to demonstrate strength amidst these global headwinds. The economy is expected to grow at around 6.5 percent as per the NSO estimates for FY’2024-25 supported by recovery in private consumption. On supply side, growth was supported by service sector and recovery in agriculture sector.

This financial year also witnessed moderation in the Banking industry. The credit growth slowed down as Banks faced liquidity crunch and tried to manage their high Credit Deposit ratios. Though Banks in India continued to remain profitable and well capitalized.

Economic Growth

The growth momentum of Indian economy is anticipated to remain healthy in FY’26 as well with a projected GDP growth of 6.5 – 6.7%. The growth will be supported by improvement in agriculture sector due to healthy rabi crop prospects and projected normal monsoon this year. Industrial activity in India is also expected to recover. The service sector will continue to be key driver of economic growth.

Among the key drivers on demand side, household consumption is expected to remain upbeat aided by the tax relief in the Union Budget 2025-26, cooling inflation and anticipated rate cuts by RBI. Due to exemption of income upto Rs.12 lakhs from earlier Rs.7 lakhs under the new tax regime, it will leave approx. Rs.1 lakh crores in the hands of taxpayer that is expected to boost consumption and demand in the economy.

Fixed Investment by corporates is also expected to recover supported by higher capacity utilization levels, lower interest rates and healthy balance sheets of banks and corporates. Government’s continued emphasis on capital expenditure and resilient services exports will further drive the improvement of India’s economic momentum.

India's macro stability risks are expected to remain largely contained in FY26 with headline inflation to decelerate towards 4-4.5% on yearly basis, aggregate fiscal deficit to narrow further to 4.4% of GDP and current account deficit to remain contained (well below 2% of GDP) despite concerns of regional trade slowdown. Stable inflation and a favorable fiscal policy position will further support RBI to continue with the rate cut cycle. RBI is expected to cut the primary rate by 50-75 bps to take repo rate at 5.5 – 5.75% by the end of fiscal year.

The Trump administration has imposed a blanket 26% tariff on imports from India, a decision that has led to significant market reactions and economic concerns. Though, India’s exports in the most vulnerable sectors amount to only 1.1% of India’s GDP. India's trade surplus with the US is not significantly large so Trump’s tariff is unlikely to have a major negative impact on the overall Indian economy.

On the whole, India will continue to retain its tag of the fastest growing economy in the world.

Banking Sector

Credit growth in the Financial Year 2024-25 has been one of the weakest in the last three years as growth of the economy slowed down, liquidity was scarce and Banks tried to moderate their high credit deposit ratios.

Rising government and private capex in FY'26 may lead to increased demand for corporate credit. The commencement of a rate-cut cycle will further aid credit growth. Unsecured lending, which has been a major growth driver for some banks, is expected to be curtailed due to tighter regulations. Credit growth is expected to be in the range of 12-13% in FY'26.

Deposit growth for the banking system is expected to moderate to 10-11% in FY'26. Banks will continue to face competition for deposit accretion, especially for low-cost current account savings account (CASA) deposits.

The past two fiscal years exposed a worrying mismatch: credit expansion outpaced deposit growth, creating liquidity pressures for banks. Though this imbalance has eased due to a slowdown in credit demand, low deposit growth remains a structural issue. Banks must find ways to bolster deposit mobilization to support healthy credit growth without jeopardizing liquidity.

Banks are likely to witness pressure on their Net Interest Margins going forward as RBI continues with its rate easing cycle. The advances of banks will be immediately repriced at lower rate as they are linked to External Benchmark. Deposits will be repriced at lower rate with a lag and many Banks are having a larger share of term deposits in higher interest rate buckets.

Asset quality remains a bright spot for the banking sector, with gross non-performing assets (GNPA) at a 12-year low of 2.6 per cent and net non-performing assets (NNPA) at 0.6 per cent in the first half of FY25. However, stress is emerging in unsecured retail loans, including personal loans, credit cards, and microfinance. Misconducts in these segments have risen, especially among self-employed individuals and younger borrowers with informal income sources. Conversely, secured loans, such as mortgages and vehicle finance, continue to perform well, accounting for 58.9 per cent of retail lending. This balance helps limit the overall impact of delinquencies on the banking system.

The banks will need to evolve corresponding fresh strategies to cut costs to maintain profitability while at the same time achieving consistent deposit and advanced growth

Adoption of new technologies based on Artificial Intelligence and Machine Learning for promoting new products and services, as well as in the domain of credit monitoring and fraud prevention, is another area requiring attention of banks in 2025. Collaboration with fintechs is also expected to emerge as a long-term strategy for sustainable growth

All the banks are expected to remain well capitalized in FY'26 and some banks are expected to raise capital to meet the high credit demand.

The Indian banking sector's resilience in 2025 will depend on its ability to navigate economic challenges, manage liquidity pressures, and embrace technological innovations.

Virendra Prakash Bansal

Deputy General Manager

2. RISING GLOBAL DEBT AND ITS REPERCUSSIONS

Backdrop:

Rising global debt, the total amount of debt a country owes to all creditors–both public and private, has emerged as a critical economic challenge worldwide. While borrowing plays a crucial role in financing development and economic expansion, excessive debt burdens can strain national economies, particularly when repayment costs surge due to rising interest rates and economic downturns. The growth trajectory of global debt over the past 15 years reflects that rapid accumulation, crisis-driven fiscal interventions, and mounting repayment pressures that are now shaping economic policies worldwide.

The global financial crisis of 2008 marked a turning point in external debt accumulation. Governments in advanced economies ramped up borrowing to stabilize financial markets, while emerging economies leveraged debt to finance infrastructure and social development. However, it was the COVID-19 pandemic that pushed debt levels to unprecedented heights. According to the International Debt Report 2024 by the World Bank, Low and Middle-Income Countries (LMICs) alone added over $633 billion to their debt stock in 2023, pushing their total debt burden to a record $8.8 trillion. The increase was even more pronounced for the poorest nations, with external debt surging by 17.9% since 2020.

Reasons for spurt in Global External Debt and consequences:

This rapid accumulation of debt in recent years has been driven by several factors. The pandemic years saw governments across the globe implementing large-scale stimulus programs, from direct cash transfers to businesses and individuals to large public investment projects aimed at boosting demand. All these factors contributed towards significant rise in sovereign debt, much of it external, as developing countries increasingly turned to multilateral institutions and international financial markets for funding. There was a tectonic shift in the economic landscape after pandemic with inflation surging due to supply chain disruptions, pent-up demand, and high energy prices. To counter this, central banks in most major economies, particularly the U.S. Federal Reserve, adopted aggressive monetary tightening policies, leading to a sharp increase in global interest rates as well.

This policy shift had significant consequences for nations with high levels of external debt, especially those whose borrowings were denominated in foreign currencies such as the U.S. dollar. Higher interest rates meant rising debt servicing costs, straining national budgets and leaving governments with less fiscal space to allocate toward developmental expenditures. The impact of this high external debt is multifaceted. According to recent estimates, debt servicing charges for LMICs reached a record $971 billion in 2023, marking a staggering 19.7% increase from the previous year. As a result, an increasing share of government revenue is now being allocated to interest payments, diverting crucial funds away from essential sectors such as healthcare, education, and infrastructure development. This not only stifles long-term growth prospects but also exacerbates social inequalities.

Another major consequence of rising external debt is the growing risk of debt distress. Many vulnerable economies, particularly in Africa and Latin America, are now facing an unsustainable debt burden, raising concerns about potential defaults. Debt restructuring programs, often led by the International Monetary Fund (IMF) and World Bank, have become increasingly common, as nations struggle to meet their repayment obligations. However, these restructuring efforts often come with stringent fiscal consolidation requirements, forcing governments to implement austerity measures that can lead to economic slowdowns and social unrest.

India’s Status:

In the broader context of global debt sustainability, India stands out as a relatively stable player. Unlike many emerging markets that have been heavily reliant on external debt, India has maintained a cautious approach, ensuring that its debt-to-GDP ratio remains within manageable limits. India's External Debt remains stable with external debt to GDP ratio at 19.4% at the end of September 2024. The country has also benefitted from strong domestic savings and a well-diversified debt portfolio, reducing its vulnerability to external shocks.

Way forward:

Looking ahead, managing the global external debt crisis requires a multi-pronged approach. First and foremost, there is an urgent need for enhanced debt transparency. Governments and international financial institutions must improve reporting standards to ensure greater clarity in financial obligations. This will help prevent hidden liabilities and improve risk assessment mechanisms for both lenders and borrowers. Additionally, countries must adopt more sustainable borrowing strategies, prioritizing concessional financing from multilateral lenders over expensive commercial borrowing.

Policy coordination will also play a crucial role in addressing global debt challenges. International financial institutions, creditor nations, and borrowing countries must work together to develop more effective debt restructuring frameworks. This includes exploring options such as longer repayment periods, lower interest rates, and debt-for-development swaps, where debt relief is provided in exchange for investments in critical areas such as climate change mitigation and social infrastructure.

At the same time, structural economic reforms will be essential in ensuring long-term debt sustainability. Countries must focus on boosting domestic revenue generation through tax reforms, improving ease of doing business, and fostering economic diversification to reduce dependence on external borrowing. Enhancing productivity and promoting investments in high-growth sectors will be key to reducing fiscal deficits and strengthening overall economic resilience.

The global external debt landscape has become increasingly complex, with rising borrowing costs and macroeconomic uncertainties posing significant challenges for policymakers. While debt remains an essential tool for economic development, its management must be prudent to ensure sustainability.

Smriti Behl
Officer (Economics)
SMEAD, Head Office

3. RECIPROCAL TARIFFS: RISKS, OPPORTUNITIES, & STRATEGIC RESPONSE

Reciprocal tariffs imposed by the U.S. administration marks a seismic shift in global trade dynamics by intensifying trade protectionism leading to slower global growth. Oxford Economics estimates a 50 bps hit to global GDP in 2025, intensifying to 100 bps by 2026, disproportionately affecting export-reliant economies. The IMF warns that a universal 10% rise in U.S. tariffs, coupled with retaliatory moves by China and the Eurozone, could shave 0.5% off global GDP by 2026 half of this decline stems from negative sentiment shocks tied to heightened policy uncertainty.

Unlike previous rounds of protectionism, these measures are broader in scope and sharper in intent impacting over 60 countries and targets a wide range of US imports like steel, aluminum, automobiles, electronics, and agricultural products, textiles, and others. While, pharmaceuticals, semiconductors, petroleum products and gold have been exempted, owing to their strategic importance.

Persistently high and growing US trade deficit was the core at these measures - $1.2 trillion in CY24, up 13.2% YoY. The reciprocal tariff framework, aimed apparently at restoring fairness, is now reshaping global supply chains and economic forecasts.

For the reciprocal tariff calculation, a country's trade deficit with the U.S. is divided by the value of its imports to the US. The resulting ratio is then halved to derive the proposed tariff rate. This method effectively links the extent of trade imbalance to the level of reciprocal duty imposed.

Table 1: US Trade Deficit, Imports and Resulting Reciprocal Tariff

Region/Country	US Trade Deficit (in USD Bn) - 2024	US Imports (in USD Bn) - 2024	Reciprocal Tariff Imposed
China^	295.4	438.9	34%
European Union	235.6	605.8	20%
Vietnam	123.5	136.6	46%
Taiwan	73.9	116.3	32%
Japan	68.5	148.2	24%
South Korea	66.0	131.5	25%
India	**45.7**	**87.4**	**26%**
Thailand	45.6	63.3	36%
Switzerland	38.4	63.4	31%
Malaysia	24.8	52.5	24%
Indonesia	17.9	28.1	32%
Bangladesh	6.2	8.4	37%
Total Trade Deficit	**1,202.2**	**3,267.4**	-

Source: US Census Bureau; White House; ^China's total tariff stands at 54% (20% earlier)

Among key trading partners, Vietnam, Thailand, Taiwan, and Indonesia have seen some of the highest tariff rates, ranging from 32% to 46%. China's tariff has been raised to 54%, combining a new 34% reciprocal duty with the existing 20% rate, while on India a new tariff rate of 26% is imposed. Among developed economies, Switzerland (31%), Japan (24%), South Korea (25%), and the Eurozone (20%) have seen some of the highest increases.

India's Trade Exposure to Tariffed Sectors

India's exposure to the reciprocal tariffs is relatively moderate on the surface, but the implications run deeper when viewed through the lens of sectoral sensitivities and shifting trade flows. Most of India's exports to the U.S. fall outside the core set of goods attracting steep tariff hikes (table 2). The country's top performers pharmaceuticals, textiles, gems and jewelry, and light engineering products either face low U.S. tariffs already or remain untouched in the latest round. Unlike economies such as Vietnam or China, which send large volumes of electronics and intermediate goods targeted under the new rules, India's trade basket is more diversified and less centered on tariff-sensitive categories.

Table 2: Top 10 Commodity Exports from India to the US in FY24 (USD Billion)

Sn.	Commodity	Amount (USD Billion)
1	Drugs, pharmaceuticals & fine chemicals	11.41
2	Gems & Jewellery	10.13
3	Petroleum products	7.52
4	Transport equipment	6.79
5	Pearls, precious, semiprecious stones	6.64
6	Agricultural & allied products	6.29
7	Telecom instruments	6.24
8	Textiles (excluding readymade garments)	5.98
9	Ferrous and non-ferrous metals	5.88
10	Readymade garments	5.41

However, the story isn't entirely risk-free. Some Indian products that do operate on tight margins like apparel, leather goods, and some auto components could feel the pinch if tariffs edge up even slightly. For such segments, even a 1–2 percentage point increase in duties can erode price competitiveness, especially when rivals are offering similar quality at similar cost. Indian firms in these sectors might face tougher competition, not just from within Asia, but also from Latin American producers who enjoy better trade preferences.

Interestingly, India might stand to gain in areas where global supply chains are being redrawn. As the U.S. seeks alternatives to China for strategic and political reasons, some of that displaced demand could drift toward Indian suppliers. Products like chemical intermediates, electronics sub-assemblies, and cotton garments could benefit from such trade diversion provided Indian exporters can respond with speed, scale, and reliability.

Crucially, India's position is also shaped by what isn't being taxed. Key industries like pharma, semicon, and clean energy components are, so far, exempt from the tariff sweep. These sectors represent areas where India has both policy support through Production-Linked Incentive schemes and long-term global relevance. Their exclusion from tariff hikes may actually strengthen India's standing as a preferred alternative supplier in the U.S.'s broader reorientation strategy.

From a policy perspective, while the current hit appears manageable, India cannot afford complacency. Trade negotiations with the U.S. will need to focus on locking in certainty for critical exports, while also pushing for market access in services and digital trade areas where tariffs aren't the issue, but regulatory alignment is. Additionally, improving domestic value-addition, reducing input dependencies, and enhancing port and logistics efficiency will help Indian exporters stay competitive, regardless of how tariff landscapes shift globally.

Going forward, India's merchandise exports to the US are expected to fall by $5.8 billion in 2025 (GTRI estimate) with key sectors like seafood, gold, electronics, and vehicles facing steep declines. However, gains in textiles, ceramics, chemicals, and pharmaceuticals may offset some losses. India's competitive position against players like China, Mexico, and Canada along with adaptation by Indian exporters will be critical to mitigate these impacts.

4. UTILIZATION OF AFFORDABLE HOUSING FACILITY THROUGH GREEN FINANCIAL SERVICES

1st

India in her upcoming 25-year strategic planning horizon to achieve the goal of 'Viksit Bharat' by 2047, has been pre-dominantly working on achieving the 'Sustainable Development Goals (SDGs)' by 2030. In adherence to Reserve Bank of India's (RBI) strong insistence to embrace Green Banking and Green Information Technology initiatives, Punjab National Bank has also adapted several 'Green Banking' techniques to promote an inclusive green economy which involves financing two core aspects- firstly, what is already environment-friendly today (green finance) and secondly, what is transitioning to be environment-friendly performance levels over time (transition finance). In fact, such green finance bestowed out of green investments (involving Green Deposits and Green Bonds) has helped our Bank in deployment of different climate adaptation programs by targeting 'market/infrastructure gaps' caused by unforeseen climate events. Consequently, our Bank had introduced, "**Electrical Audit**" in January' 2011 to not only safeguard its institutional properties but to also address 'Scope 2 Green House Gas (GHG) emissions generated from purchased and acquired electricity by the Bank. Another, 'Go Green' initiative, in the form of "**PNB Palaash**" was launched by our Bank in July' 2023. Apart from these green investment initiatives, some notable green credit facilities introduced by our Bank comprises of: **PNB Green Car scheme, PNB SATAT (Bio Gas) scheme, PNB Saur Urja Yojna (PNB Solar Energy scheme)** etc.

Among the 17 (seventeen) Sustainable Development Goals (SDGs) embraced by India in 2015, the 11th SDG aims for "Sustainable Cities and Communities", with special emphasises on 'Safe and Affordable Housing' and upgradation of slum areas. India's flagship scheme of proving affordable housing like the Pradhan Mantri Awas Yojna (PMAY) is directly aligned with this 11th SDG. In this context of financing affordable housing loan, PNB Housing finance (a subsidiary concern of our bank) through its network of more than 160 'Roshni' branches has achieved an in-house sourcing of almost 70% in 2023-2024 with disbursement of Rs.1653 crore under 'Roshni Home Loans' in 2023-2024 (*Annual Report PNB Housing Finance 2023-2024)*. An upsurge in the demand for such affordable houses equally attracts high environmental opportunity cost and hence, sustainable lending of the PMAY scheme calls for comprehensive green housing finance to enable numerous families to have their own affordable houses.

Perhaps, green housing finance is regarded as a subset of Environmental, Social and Governance (ESG) and Sustainable Banking initiatives as it encompasses lending services by offering Green bonds, low-carbon loans, carbon credits and ESG-compliant development projects in India. Green housing finance not only leads to ecological balance restoration but also encourages the following aspects:

- **Reduced GHG emissions:** Reduction of practical usage of harmful construction related practices and reduction of project cost in long run.
- **Opportunity on offsetting carbon credits:** Both lender firms and individuals might be encouraged to invest in sustainable residential project to reduce GHG emissions and in return market-based incentives may be introduced in selling these carbon credits to offset their own emissions. The balance carbon credits might incentivise the lender firms and business individuals to buy/sell them in carbon markets.

- **Improved sustainable lifestyle:** Reduced energy bills with less carbon emission leading to happier and healthier environments for the home buyers.

Despite such potential opportunities of adopting Green housing finance, there exists several challenges in adopting the same:

- **Lack of Awareness:** Although the concept is a novel thought, yet there exists limited awareness of its cost-benefit analysis and is often regarded as an expensive option to both the consumers and the Developers.
- **Limited lenders:** Various programs like **SUNREF (Sustainable Use of Natural Resources and Energy Finance)** and agreements such as those between **Asian Development Bank (ADB) and IIFL Home Finance Limited** offer opportunities to expand Green financing but affordable housing Developers tend to struggle to secure funds from lenders and hence the viability remains insufficient to meet the growing demand.
- **Lack of Policy incentives:** Despite a growing economy, strong policies enforcing minimal sustainability standards is yet to be implemented strictly. Viable regulatory measures and tax incentives may encourage developers and investors to prioritize green projects.
- **Lack of supply of prominent building materials:** Although developers and builders are developing sustainable materials for EWS and LIG households as target customers, yet reaching the end user/ households remains a challenge since until and unless these materials are made available at local stores, bulk of constructions continues to use traditional, easy available materials which are often not sustainable.

Some mechanisms to bridge the opportunity gap and attend sustainable measures involves:

- **Boosting awareness:** Organising awareness campaigns by targeting rural and urban households and educating them about the long-term savings and benefits of green housing.
- **Incentivizing the lenders:** Opportunity of tax breaks, Government subsidies, interest subventions and reduced capital cost to encourage more lending institutions to finance green housing projects.
- **Policy enforcement:** Implementation of policies mandating sustainability practices in construction, paired with incentives such as green bonds or carbon credits.
- **Upscaling skill level of construction workers:** Increased technical knowhow coupled with professional training, construction workers are under the scope of enhancing their technical capacity in scaling of sustainable materials and adapting new construction technologies

To conclude, Punjab National Bank through green initiatives can help in bridging the market gaps in affordable housing finance and sustainability. This may involve some new strategies viz:

- **Incorporation of Green Mortgage** scheme thorough incentivising preferred housing borrowers to either build or purchase a 'green building' or renovate an existing property to make it greener under specific sustainable rating metrics and environmental standards.
- **Concentration of green finance to generate carbon assets** with identified benefits to achieve green, social and sustainability linked socio-economic advancement.
- **Generation of Carbon tax credit for affordable housing finance** through carbon pricing mechanism like carbon taxes or emission trading schemes which shall potentially boost green building initiatives.

Ritanjal Ghosh
Senior Branch Manager
RC Kolkata- North

5. FINANCIAL RISK MODELLING IN THE AGE OF AI: A NEW ERA OF SUSTAINABLE PROFITABILITY

2nd

Two friends playing Bridge on a beautiful autumn morning in Calgary would have never thought of hearing a disastrous collapse of a global Financial Firm on Sept 15th 2008.Mr Buffett on hearing about Lehman Brothers Firm during his game, he reportedly said to Mr. Bill gates “This is the economic Pearl Harbor”. Though Mr. Buffett never invested directly in Lehman Brothers Firm, the ripple effect caused across the financial industry made a great damage of roughly $ 23 Billion in valuation back then to Mr. Buffett. The total financial loss across the Globe that was caused is near to $10 trillion. But what exactly caused this collapse of such a huge firm? Was it a poor Financial Risk modelling? Well, the answer is yes!

Before diving any further, let us get to know what exactly is Financial Risk modelling. It is a combination of few mathematical and statistical models that are used to predict potential losses and manage risk exposure of any financial firm. Multiple financial Institutions across the globe use various models, yet we do hear some major Banks failing, the most recent ones being Silicon Valley Bank (2023) and Credit Suisse Bank (2023). Does it mean these Banks haven’t used Financial Risk Modelling and the answer is no but what exactly led to their failure?

The answer lies in the models they use. Every Financial firm aspires to generate maximum profits in a financial year, but whether it can produce sustainable profitability is the question of the hour. Multiple models like credit risk modelling and market risk modelling do use logistic regression and Value at Risk methods to evaluate the risks. However, the context and applicability of these models is what matters to a firm. In an increasingly complex financial environment in today’s world, it matters whether these risk models are able to cover a large probable test case scenario and able to proactively foresee future complex financial risks, whether they’re able to perform severe stress testing for any economic shocks in future to bring sustainable profitability to financial firms

A flawed financial risk model may generate huge profits for a firm in short term but it may fail to bring sustainable profits in the long run. If we take the case of Silicon Valley Bank in 2023, their risk model which couldn’t hedge the rapid rate hikes causing a severe mismatch of their long-term investments and short-term deposit liabilities. Even in case Credit Suisse Bank 2023 their risk model couldn’t assess risk exposure from hedge funds. In case of Lehman Brothers as everyone knows, their risk model couldn’t perform stress testing for a severe housing market crash. But how do we choose a right Financial Risk Model? What are the factors to be considered for a good risk modelling method?

The common factors observed for any risk model failure are over reliance on historical data, underestimating of extreme market crashes, Inadequate stress testing and poor liquidity management.

A good financial risk model should not only be able to handle the above factors but should also factor in few more conditionalities like:

a. It must include conditional variability as it considers extreme tail risk compared to regular VaR methods
b. It must be able to perform severe and dynamic stress testing compared to traditional stress testing methods
c. Must include Network Risk Modeling which can capture interconnected risks across the financial world.

But how can we incorporate these factors in risk modelling?

The answer is AI driven data models that can incorporate machine learning in risk assessment.AI can include Behavioural and sentimental analysis for early warning systems.AI can bring advanced risk simulations for severe stress testing.AI can also implement transparent risk assessment systems and using data driven risk modelling technologies can increase institutional resilience to sudden market changes. The use of Big data and AI in monitoring risk metrics can help companies to be more proactive in identifying financial threats.

What changes can we bring in Indian Banks from the traditional risk models?

Indian Markets are heading to a highly complex and hostile stress environment in future. Hence risk models traditionally used must be replaced with following advanced risk modeling methods using AI.

I. Usage of $\Delta\delta$ (delta) Conditional variability that estimates systemic risk using quantile regression on weekly data. Hence it would be more appropriate to use instead of traditional VaR method.
II. Logistic regression in probability of default models can help better predict default scenarios
III. Econometric models can use AI based predictive severe stress testing like BlackRock risk platform.AI based credit scoring can also be incorporated.
IV. Stochastic differential equations can be used for interest rate swaps or credit default swaps instead of the traditional historical simulation methods.
V. AI driven Monte Carlo simulation can be used for portfolio level risk management.
VI. Generalized additive models used in credit risk modelling should capture nonlinear relationships between predictors and default risk.
VII. Basel-3 VaR modelling can be enhanced with AI based conditional Var Modelling
VIII. Palantir foundry which uses data integration with AI can be used for banking risk analytics
IX. Random effect regression model compared to traditional regression model is more effective for calculating credit risk in case of Indian Banks.

To sum up, Indian Banks should aim to achieve Sustainable profitability and must be able to compete with global banks. But to achieve the same a solid foundation in financial risk modelling is most essential for setting Indian Banks at global level. Application of predictive technology is essential to strengthen financial resilience to the risks and market volatility thus obtaining sustainable profitability. With increasing complexity in financial markets and regular trade wars across the world, Indian Banks must have strong pillars to withstand any global economic shocks in the future and right financial risk modelling is the gateway to achieve the same.

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6. THE ROAD TO DEVELOPED INDIA 2047

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Banking and Viksit Bharat, which seems to be mere concept for many has become today’s reality, necessity and Government most prime focus which aligns with the **"New India"** vision, which includes modernization, sustainable development, digital transformation, and financial inclusion.

The first or foremost basic question which can arise in anyone’s mind is what can be relation between Banking and its role in developing Viksit, modern and todays Bharat. Banking is the backbone of any economy, providing essential services that drive business, investment, and consumption, being a key tool for promoting economic growth, ensuring stability, and fostering social inclusiveness.

India economy now with a population of over 1.4 billion people ranked 10th largest economy in the world in 2014, now has become the world's fifth-largest economy by nominal GDP and the third largest in terms of purchasing power parity today.

The government’s vision of a "Viksit Bharat” aims to establish India as a global economic powerhouse by 2047, marking 100 years of independence. India needs to add USD 4 Trillion in bank capital to meet 'Viksit Bharat' GDP target. The Union Budget 2025 lays out four key pillars **YUVA, GARIB, MAHILAYEN AND ANNADATA.** PM Narendra Modi stressed their importance, saying**, “Power of youth is not just change-agent but also the beneficiaries of change”.** In the pursuit of a Viksit Bharat, the role of Indian banking sector is very instrumental.

INDIA GDP: USD 3.88 TRILLION ECONOMY IN 2024 → INDIA GDP: USD 30 TRILLION ECONOMY BY 2047

❖ **Current challenges in Banking sector in its “Viksit Bharat” Mission**

The first and foremost constraint of Indian banks is of having a strong capital base to support the Viksit Bharat mission and for which our banks would need to raise a significant amount of capital to support the country's economic growth. So, access to capital from all sources needs to be looked at and to be worked upon.

Ensuring universal financial inclusion and involvement is another major challenge. India needs to achieve 100% financial inclusion from current level of 64% and universal credit coverage for MSMEs and Agriculture is must. Given the MSME sector contributes 30% India’s GDP, 45% to exports and 62% to employment, need to have robust credit flow to the agriculture sector and enabling the access to credit for the MSME sector and supporting entrepreneurship and generation of employment is need of an hour.

❖ **Key areas to focus by banks in order to align with the 2047 vision of s“Viksit Bharat”**

1. **Financial Inclusion**
2. **Ease of doing business**
3. **E-governance**
4. **Infra-development**
5. **Farmer welfare and Nari Shakti**
6. **Environment and Sustainability**

- **Digital Banking and Innovation:** The adoption of **Digital India** initiatives has been at the forefront of India's development agenda. The Indian banking industry has undergone a digital transformation providing services like mobile banking, online payments, UPI and fintech solutions. Banks should also come up with ideas targeting the **Gen Z** to enhance customer experience. The push toward digital banking has made financial services more accessible, faster, and secure.

- **Financial Inclusion and Economic development:** Financial inclusion is a key component of a developed India. **Pradhan Mantri Jan Dhan Yojana** has significantly expanded access to banking services in rural and remote areas. Economic development in India has gained momentum by value-improving reforms. GST implementation has united the market, and digital initiatives like Aadhaar-DBT and UPI have revolutionised payments and financial inclusion.PM MUDRA, Startup India reforms in the MSME sector have expanded financial inclusion and employment.
- **Credit for Agriculture and Rural Development**: Agriculture is a cornerstone of India's economy, and the banking sector has been crucial in providing credit facilities to farmers and agricultural enterprises, thus improving productivity and rural development.
- **Artificial Intelligence and Automation:** AI and automation are set to revolutionize banking operations, improve customer service, and drive efficiency. From personalized financial advice to fraud detection, AI will be a crucial tool for Indian banks.
- **Sustainable Finance:** As global attention focuses on climate change and sustainability, Indian banks are increasingly looking to incorporate sustainable finance into their portfolios. The RBI has initiated a framework for "green" bonds, which is expected to channelize environmentally sustainable projects.
- **Zero Poverty:** Zero Poverty in Viksit Bharat 2047 is achievable through a multi-dimensional approach towards empowering the underprivileged and promoting inclusive development.
- **Farmer Welfare:** With the Viksit Bharat drive, several schemes such as PM KISAN, Pradhan Mantri Fasal Bima Yojana, KCC, Agriculture Infrastructure Fund and Soil Health Cards ensure financial security and protection against crop loss risk, benefiting crores of farmers with better resources for an advanced India.
- **Nari Shakti:** Nari shakti is promoted under the Viksit Bharat scheme through a master scheme with representation, financial inclusion and enhanced quality of life. Reservation of 33% of the seats in the Lok Sabha and in the state assemblies and the Nari Shakti Vandan Adhiniyam guaranteeing quotas to SC and ST women are promoting women's leadership.
- **Infrastructure Development:** The development of infrastructure in India has increased through initiatives like PM Gati Shakti. India has expanded the road, railway, air, and waterway network, and achievements like the Yash Bhoomi Convention Centre. The UDAN scheme has also made air travel affordable for the commoner, and connectivity has increased phenomenally. All these efforts are improving economic growth and making India a global infrastructure hub.
- **ESG and Sustainable Banking:** India is taking giant leaps in sustainability through efforts in renewable energy and waste management and now the 4th largest in the world. The Global Biofuel Alliance, championed by India, PM-KUSUM and India's Gobardhan scheme is leading the way in the use of sustainable biofuels around the world. ***At the same time, the One Sun, One World, One Grid initiative plans to develop a global grid for solar energy, encouraging sustainable growth on the world map***.

❖ **Conclusion:** The banking industry in India has played a transformative role in realizing the vision of **Viksit Bharat**. From driving **financial inclusion** to supporting **entrepreneurship** and **infrastructure development**, **digitalization**, banking sector will continue to play a central role in the country's journey toward becoming a developed nation **"Viksit Bharat 2047".**

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7. GIST OF RBI SPEECHES

Address by Shri Sanjay Malhotra, Governor Reserve Bank of India at the Private Sector Collaborative Forum of the Financial Action Task Force (FATF), March 26, 2025, Mumbai

The Private Sector Collaborative Forum (PSCF) 2025 of the Financial Action Task Force (FATF) is held in India for the first time. FATF, a global forum with 40 members, has evolved from 16 to over 200 jurisdictions, combating money laundering, terrorism financing, and proliferation financing. India places great importance on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT).

Indiaʹs Mutual Evaluation by FATF:

Last year, India was placed in the 'regular follow-up' category, a distinction shared by only a few other G20 countries. This recognition is due to the collaborative efforts of all stakeholders, led by the Government of India including financial entities and designated non-financial businesses and professions in the private and public sector, regulators, and the state governments. The private sector plays a vital role in maintaining financial security through due diligence procedures, risk assessments, transaction monitoring, and reporting suspicious activities.

Reserve Bank of India has been working to build a robust AML and CFT framework in line with FATF recommendations. The Financial Intelligence Unit (FIU)-India has established forums like FPAC, a public-private cooperation forum for facilitating closer interaction and collaboration and ARIFAC for collaboration among private sector entities. These efforts have resulted in a robust and resilient framework. However, threats from money laundering and terror financing are becoming more sophisticated primarily due to technological advancements. To counter these threats, close cooperation among various stakeholders is important. The mutual evaluation process provided valuable insights into strengths and areas for improvement. India is committed to strengthening its financial system to deter and combat illicit financial activities.

Some thoughts on the Agenda for PSCF 2025:

The forum will focus on contemporary topics such as evolving AML-CFT landscape, financial inclusion & humanitarian channels, risk-based approach to supervision, digitalization & information sharing, beneficial ownership, and countering proliferation financing. Policymakers must ensure that their measures are not over-zealous and do not stifle legitimate activities and investments. A risk-based approach is recommended to reduce compliance burden, but it is not the ultimate solution. To improve the quality of data and harness emerging technologies, screening transactions and detection of suspicious activities should be improved.

The focus should be on understanding emerging financial crime trends and developing tools for early detection and prevention of suspicious activities, leveraging new technologies to improve risk assessments. India has made progress in financial inclusion and is adapting to global standards while addressing data protection and cross-border payment regulations to enhance digital finance and combat illicit financing.

RBI: Stability, Trust, Growth
Address by Shri Sanjay Malhotra, Governor Reserve Bank of India at the RBI@90 commemoration function on April 1, 2025

The RBI speech on its 90th anniversary, themed 'Stability, Trust, and Growth', emphasizes its role as the custodian of India's financial system. Reflecting on its past, RBI aims to ensure monetary and financial stability, enhancing trust in the financial system, and supporting economic growth and improving the well-being of people.

Price Stability: Stability in prices is crucial as inflation erodes the value of money, impacting people, especially the poor. However, not all inflation is bad, a moderate level is healthy for economic growth. If inflation is too low, there is a risk of stagnation, while excessive inflation makes prices unpredictable, affecting consumers and businesses. CPI inflation has largely remained aligned with its target of 4%. As the flexible inflation targeting is due for review, RBI will collaborate with the government to improve the framework and achieve "Goldilocks conditions" for inflation and growth.

Financial Stability: Price stability is complemented by financial stability, which enables sustainable growth. India's financial system has ensured smooth support for real sector economic activities. Financial institutions have performed well, with banks and NBFCs becoming stronger and well-capitalized, enabling effective financial intermediation.

External Stability: Stability also includes stable foreign exchange rates, crucial for importers, exporters, investors, and the general public. India's forex market has adequate depth and liquidity to manage pressures like those seen in recent months. With healthy forex reserves and a manageable current account balance, RBI will continue to avoid targeting a specific exchange rate level or band.

Trust: Trust is crucial for central bank's functioning, including currency safety, monetary policy, and financial stability. It is essential for quality customer service and reduced grievances. Central banks must maintain independence, but that also demands transparency and higher accountability. They endeavor to further improve transparency, enhance consultation, coordination and collaboration and raise accountability through various measures.

Growth: PM envisions a Viksit Bharat by 2047, aiming for inclusive and accelerated economic growth. Policymaking must be pragmatic and visionary, with RBI introducing innovative measures to ensure stability. RBI will continue to be proactive, agile, and flexible in supporting growth, while working with financial institutions to expand access, especially to the bottom of the pyramid. Further, encouraging banks and NBFCs to leverage data and advanced tech to enhance their lending capacity. As India integrates into the global economy, it will continue to internationalize its payment systems and currency.

Technology: Rapid advances in technology have enabled the RBI to fulfill its mandate of stability, trust, and growth. These includes digitalisation of banking services, UPI, and Account Aggregator.

RBI will continue to harness tech to deepen financial inclusion, improve monetary policy, enhance customer's experience and expand credit. The bank further claims to maintain high standards of professionalism and upholding public service values like integrity, impartiality, accountability etc.

8. CLASSROOM : UNDERSTANDING DATA LOCALISATION

What is Data Localisation?

Data Localisation refers to the practice of storing and processing data within the borders of a specific country or geographic region, in compliance with that region's laws and regulations. It involves restrictions on transferring data across international borders.

Need for Data Localisation

- **India's Growing Digital Economy:** India's digital economy is projected to reach $1 trillion by 2025, according to the Economic Survey 2024-25, making it one of the world's largest data generators.
  - With over 800 million internet users and growing, the volume of personal data being generated, processed, and stored is astronomical.
  - This has attracted global technology giants, but it has also raised questions about data sovereignty and national security.
- **National Security:** When personal data of Indian citizens is stored in foreign jurisdictions, it becomes subject to foreign laws and potentially foreign surveillance, creating vulnerabilities in India's national security framework.
- **Increasing Cyber Threats:** In an age where data breaches and cyber warfare are real threats, having critical data within national borders ensures more control over security measures.
- **Economic Interests:** It effectively creates a robust domestic data centre industry. This not only generates employment and technological expertise but also reduces dependency on foreign infrastructure.
- **Improved Data Management:** By keeping data within the country, it can be more easily monitored and audited to prevent misuse or breaches.
- **Access to Law Enforcement Agencies:** It also enables faster access to data for law enforcement agencies when investigating cybercrimes or national security threats.

Challenges with Data Localisation

- **Infrastructural Hurdles**: India may face a shortage of adequate infrastructure to support the vast amounts of data generated across industries. Building and maintaining local data centers can be expensive for businesses, especially smaller ones.
- **Global Business Impact**: There are concerns that strict localisation requirements could increase operational costs for businesses, potentially hampering innovation and foreign investment.
- **Compliance Burden**: Businesses may face legal and regulatory complexity in adhering to multiple localization laws, especially when dealing with cross-border data transfers.

Conclusion

- India's approach to data protection and localisation reflects both its **sovereign aspirations** and the practical challenges of managing its vast digital footprint.
- India has been working towards implementing data localization norms. Digital Personal Data Protection Acct,2023 (DPDP Act) has been enacted, providing the baseline for data privacy and protection in India.
- In an interconnected world where data flows know no borders, India's approach to data protection and localisation could **serve as a model for other developing nations** seeking to protect their digital sovereignty while fostering innovation and growth.

9. THEMATIC RESEARCH: INDIA'S AGRICULTURE YIELD & FOOD INFLATION

The performance of the agriculture sector in India plays a crucial role in ensuring food security, stabilising inflation, and driving the rural economy. After two consecutive years of high food inflation (around 7.5%) in FY24 and FY25, consumers can finally look forward to some respite in FY26 driven by strong crop production, increased cropped area, a high statistical base, and an anticipated normal monsoon. However, considerable fluctuations in crop yields led by extreme weather events, and changing climate patterns like unseasonal rain and heatwaves can act as a deterrence.

Divergent Trends in Food Inflation

An itemized look at food inflation across key commodities reveals the uneven nature of price movements in FY25. As seen in the table below, headline food inflation stood at 7.7% (Apr–Feb'25), up marginally from 7.5% in FY24. However, this aggregate marks significant disparities across food categories.

Inflation in Select Categories of Food

	Weight	2022-23	2022-23	2023-24	2024-25*	2024-25^
Food	39.06	3.8	6.6	7.5	**7.7**	**3.2**
Cereals & Products	9.67	0.5	11.1	10.7	**7.3**	**5.0**
Eggs Fish & Meat	4.04	7.9	3.8	2.7	**4.9**	**3.3**
Milk & Milk Products	6.61	2.8	7.4	6.5	**2.9**	**3.2**
Oils & Fats	3.56	27.4	3.4	-14.8	**4.4**	**10.8**
Fruits	2.89	6.2	4.7	5.4	**8.0**	**10.6**
Vegetables	6.04	-7.2	3.0	14.9	**21.8**	**-0.5**
Pulses and products	2.38	6.0	2.4	15.2	**9.4**	**-4.6**
Sugar & confectionery	1.36	2.3	2.3	5.1	**3.4**	**5.6**
Spices	2.50	5.3	16.2	18.9	**-3.2**	**-2.6**
Some of the Major Sub-categories						
Rice	4.38		7.9	12.2	**8.9**	
Wheat	2.56		17.1	7.8	**7.4**	
Banana	0.56		13.0	8.3	**7.2**	
Potato	0.98		17.9	-8.9	**58.8**	
Onion	0.64		-20.8	30.6	**34.9**	
Tomato	0.57		11.4	23.3	**1.0**	
Arhar, tur	0.80		4.5	33.4	**12.3**	
Gram: split	0.20		-1.5	7.6	**18.3**	

*Source: MoA&FW; *Data for FY2024-25 is of 11 months (Apr-Feb'25); ^forecasted figures by CMIE*

Vegetables and Pulses

Vegetables, which have been among the most volatile food items in recent years, are expected to see significant price correction. After steep inflation of 21.8% inflation in FY25 driven by erratic supply and climatic disruptions, the outlook for FY26 is optimistic with a deflation of 0.5%. Higher output of key vegetables like onions and potatoes primarily rabi crops will bolster supply during the off-season months. With stocks from the previous harvest acting as a buffer, price spikes from July to November may be contained. Moreover, the elevated price levels of FY25 provide a high base, further tempering inflation in FY26.

A similar trend is emerging in pulses. After weather shocks disrupted production in the preceding years, prices soared to multi-year highs. However, improved acreage and favorable weather have supported a partial recovery in output. Government measures such as duty-free imports & inventory management have also helped stabilize markets. With better availability expected in FY26 & the base effect in play, prices of pulses are likely to decline through mid-2025 and remain subdued thereafter.

Cereals

Cereal inflation is expected to ease, albeit more moderately. While rice and wheat production is projected to grow incrementally, price pressures especially in wheat may persist due to procurement and distribution challenges. Nonetheless, the broader cereal market remains relatively insulated due to strong policy support, including MSP-based procurement and buffer stock management. Additionally, the World Meteorological Department (WMO) forecasted a normal monsoon this year.

Yet, the risks are not fully off the table. Climate variability, whether in the form of erratic rainfall or heatwaves as witnessed in Feb-Mar'25 and predicted by IMD for March to May 2025 continues to affect sowing and harvest patterns. The durability of cereal price stability depends on the timely arrival of monsoon rains and efficient distribution mechanisms.

Other Food Items

Edible oils are expected to become costlier due to a hike in import duties and global supply disruptions. Domestic mustard production has dipped, and international prices for sunflower oil have risen. A depreciating rupee could further offset any benefits from higher soybean output in major exporting countries, adding to domestic cost pressures.

Sugar prices may also firm up in FY26. A substantial drop in domestic production, along with diversion for ethanol blending and increased export allocations, could tighten supplies. Festive season demand and lower closing stocks could result in price volatility later in the year.

In contrast, prices of animal proteins like eggs and poultry may remain subdued. An ongoing bird flu outbreak has dampened demand in some states, limiting the usual seasonal uptick in prices. Similarly, price pressures in spices are expected to ease.

Yields, Acreage and Climate Change

Table below shows the growth in yield per hectare of select crops since 2015-16. A general trend observed is that growth in yields has largely moderated since 2018-19.

Yield per Hectare of Select Crops (YoY%)

	Rice	Wheat	Coarse Cereals	Arhar	Gram	Potato	Tomato	Onion	Apple	Banana	Cashew Nut
2015-16	0.37	10.33	-7.25	-11.30	-5.44	-11.32	13.36	-1.70	36.07	-2.59	-10.46
2016-17	3.89	5.47	10.82	41.29	15.93	8.75	7.36	8.33	-18.32	2.32	17.49
2017-18	3.30	5.26	10.49	5.87	10.61	7.42	-3.65	5.39	4.04	-1.64	1.06
2018-19	2.40	4.91	0.54	-24.60	-3.39	-3.59	-2.80	3.36	-2.79	0.87	-12.66
2019-20	3.21	-2.65	2.37	17.82	9.74	2.49	7.17	-2.59	20.88	3.38	-7.05
2020-21	-0.19	2.35	6.91	6.39	4.32	7.71	-3.85	-10.02	-19.86	-1.57	1.97
2021-22	2.96	0.47	5.78	-5.73	5.82	-1.01	-2.08	-0.47	12.86	0.26	-0.28
2022-23	1.45	-0.47	5.78	-5.48	-7.09	2.17	-1.99	6.35	15.07	2.68	3.03
2023-24	1.53	1.09	-4.12	1.62	-1.72	-4.73	3.75	-9.27	-8.68	7.68	1.32

Source: MoA&FW; CMIE

A moderation/contraction in crop yields has affected food prices in the past two years. For instance, in the year 2023-24, yields have contracted for Coarse Cereals, Gram, Potato, Onion, and Apple. Consequently, four of these five commodities (barring Apple) witnessed double-digit inflation in Apr-Feb'25.

Food inflation is detrimental to the economy as it impacts consumption and especially so in rural areas, where food holds a higher weightage in the total consumption basket. Food inflation has remained sticky due to repeated occurrence of climatic shocks impacting food production, raising inflationary expectations further.

India is among the countries worst-affected by climate change. As per 'State of India's Environment 2025' report by climate think tank Centre for Science and Environment (CSE), in 2024, out of the 274 days tracked by it, 255 days (93 per cent) saw extreme weather in at least one region. In 2023, 235 days saw extreme weather while in 2022, 241 days of extreme weather were witnessed.

Multiple supply shocks due to erratic climatic conditions has led to the persistently elevated levels of food inflation since 2020. From 2020-21 to 2024-25 (up to February 2025), food inflation averaged 6.7 per cent- almost double than that during 2015-16 to 2019-20 when it had averaged 3.6 per cent.

Structural Challenges and Policy Implications

The expected decline in food inflation in FY26 may offer consumers some relief, but this trend is largely statistical. A high base in FY25 is playing a significant role in moderating headline inflation, rather than a fundamental shift in production or supply resilience.

Without sustained improvements in agri-supply chains and better risk management mechanisms, inflationary pressures could quickly re-emerge.

Moreover, inflationary shocks in food are no longer contained within food categories. According to RBI, persistent food price volatility has begun spilling into core inflation since FY23, also influencing inflation expectations among households. Though tight monetary policy has managed to contain the broader inflation trend, it cannot fully offset recurring food supply shocks.

Some economists have argued that India's inflation targeting framework should be reassessed suggesting a slightly higher target of 4.5% and a narrower tolerance band, in line with the realities of a structurally food-sensitive inflation environment. Core inflation too, which has stayed above the 4% mark for much of the past decade, needs closer alignment with monetary policy goals.

Going forward, the FY26 may bring a temporary pause in food inflation, structural vulnerabilities remain. Policymakers must focus on long-term solutions including wider irrigation coverage, stronger early warning systems, and transparent market interventions.

Investing in climate-resilient crops, supporting smallholder farmers, and improving storage and logistics will be key to making India's food economy more inflation-resistant.

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10. GIST OF RBI CIRCULARS

Date of the circular	April 01, 2025
Ref No.	**RBI/2025-26/134 DOR.SOG(SPE).REC.8/13.03.00/2025-26**
Subject	**Reserve Bank of India (Interest Rate on Deposits) Directions, 2025**

In the circular 'RBI (Interest rates on deposits) directions,2025' banks can only accept interest-free deposits in current accounts, reinvestment deposits involve reinvesting interest at the contracted rate, and bank staff benefits on deposits do not extend to their minor children or joint accounts where the staff member is not the primary holder. Banks can levy penalties for premature withdrawals as per their board-approved policies. Savings accounts are restricted to specific government entities and registered societies. Overdue domestic term deposits earn interest at the savings account rate or the contracted rate, whichever is lower. FCNR(B) recurring deposits are prohibited, and renewal interest rates vary based on the renewal period. Finally, banks cannot pay fees or commissions for deposit mobilization, except in specific cases like door-to-door collection agents or business correspondents.

Date of the circular	April 01, 2025
Ref No.	**RBI/2025-26/15 DOR.CRE.REC.No.05/21.04.172/2025-26**
Subject	**Bank Finance to Non-Banking Financial Companies (NBFCs)**

In the circular 'Bank Finance to Non-Banking Financial Companies (NBFCs)' banks can provide need-based working capital and term loans to RBI-registered NBFCs engaged in infrastructure, leasing, factoring, etc., without any ceiling linked to Net Owned Funds (NOF). Banks cannot finance NBFC'S for Rediscounting bills (with limited exceptions), Investments in shares/debentures, Unsecured loans/ICDs to other companies, lending for IPO subscriptions or secondary market purchases, loans to subsidiaries/group companies. Bridge loans, lending against shares/debentures as collateral to NBCs, restrictions on guarantees for placement of funds with NBFCS is prohibited. Bank finance allowed to NBC-Factors and NBFC-ICCs registered under the Factoring Regulation Act, subject to conditions (e.g., ≥50% income from factoring).
Single NBFC: Max 20% of bank's Tier I capital.

Group NBCs: Max 25% of Tier I capital.

NBCs lending against gold: Limited to 7.5% of capital funds (extendable to 12.5% if for infrastructure).

Date of the circular	April 01, 2025
Ref No.	**RBI/2025-26/01 FIDD.CO.FID.BC.No.4/12.01.033/2025-26**
Subject	**SHG-Bank Linkage Programme**

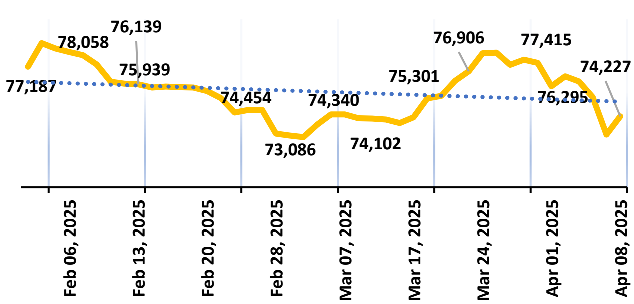
The circular 'SHG- Bank Linkage Programme' includes certain guidelines issued by NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). Banks are encouraged to meet the full credit requirements of SHG members, covering income generation, social needs, and debt swapping. The circular emphasizes simplified banking procedures, with banks encouraged to provide easy access to savings accounts, loans, and financial services. Special attention is given to the inclusion of SHGs under Priority Sector Lending (PSL), ensuring that loans are offered on favorable terms with minimal documentation. Banks are also advised to provide financial literacy programs and monitor the progress of the programme regularly. In addition, the circular highlights the importance of training and sensitization for bank officers to ensure effective implementation and support for SHGs across India. This master circular consolidates past RBI guidelines up to March 31, 2025, with a focus on streamlining processes and boosting SHG financing.
Revised PSL guidelines are as follows-

Date of the circular	March 29, 2025
Ref No.	**RBI/FIDD/2024-25/128Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25**
Subject	**Revised PSL guidelines pertaining to SCBs**

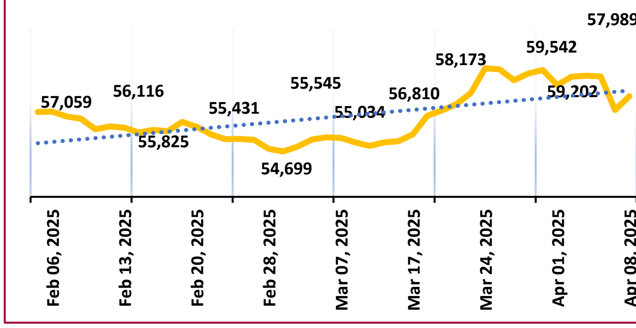
- **Higher Loan Limits for Education:** The RBI has increased the loan limit under PSL for education from Rs. 20 lakh to Rs. 25 lakh per individual.
- **Renewable Energy Loans:** Loan limits for renewable energy projects like solar power, biomass, and micro-hydel plants raised from Rs. 30 crore to Rs. 35 crore per borrower. Loans for individual households for renewable energy remain capped at Rs. 10 lakh per borrower.
- **PSL Targets for Urban Cooperative Banks (UCBs):** Revised PSL target for UCBs reduced to 60% (from 75%) of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE), whichever is higher.
- **Housing sector:** Loans limits are increased to boost affordable housing, particularly in Tier-III to Tier-VI cities.
- **Expansion of the 'Weaker Sections 'Category:** The list of eligible borrowers under the 'Weaker Sections 'category has been expanded, it now includes transgenders, promoting financial inclusion and better credit access for underprivileged groups.
- **Foreign banks (with <20 branches in India)** cannot buy PSLC General to meet their 8% target for non-export sectors but can purchase PSLCs for Agri, MSMEs, and Small and Marginal Farmers.
- Loan limits to individuals for purchase/construction of a dwelling unit per family have been increased to Rs 50 lakh from Rs 35 lakh earlier in metropolitan cities and in towns with a population below 50 lakhs to Rs 45 lakh from Rs 25 lakh earlier.

11. DAILY ECONOMIC INDICATORS

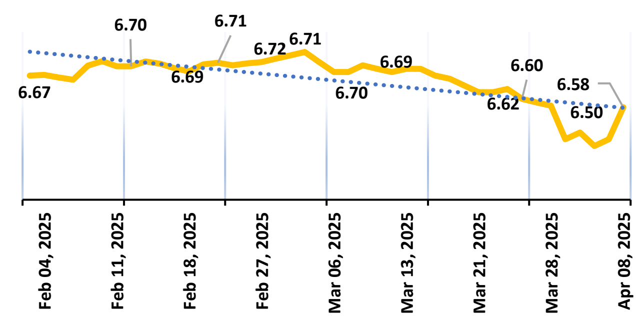
SENSEX



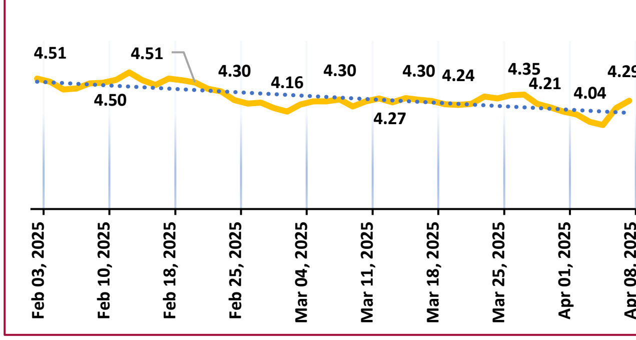
BANKEX



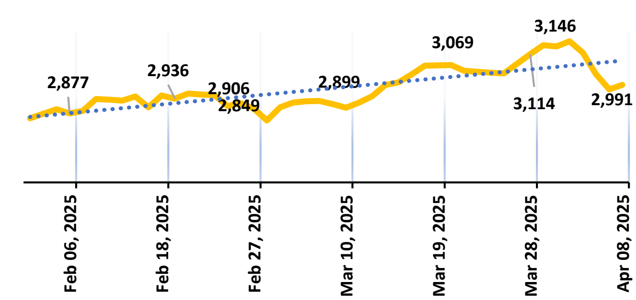
G SEC YIELD (10 Yr)



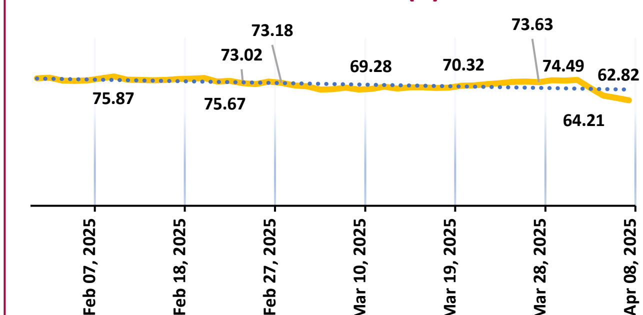
US TREASURY YIELD (10 Yr)



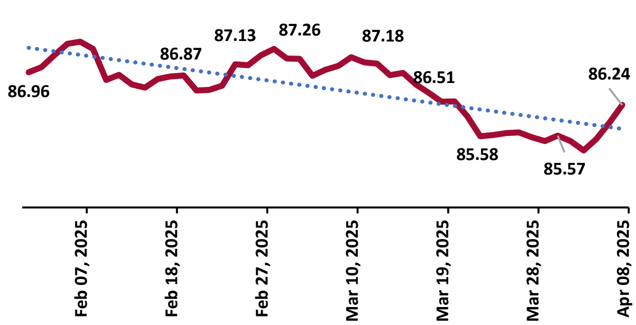
GOLD ($)



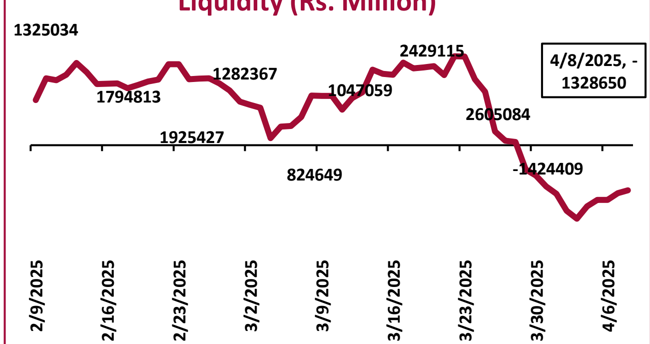
BRENT CRUDE ($)



USD/INR



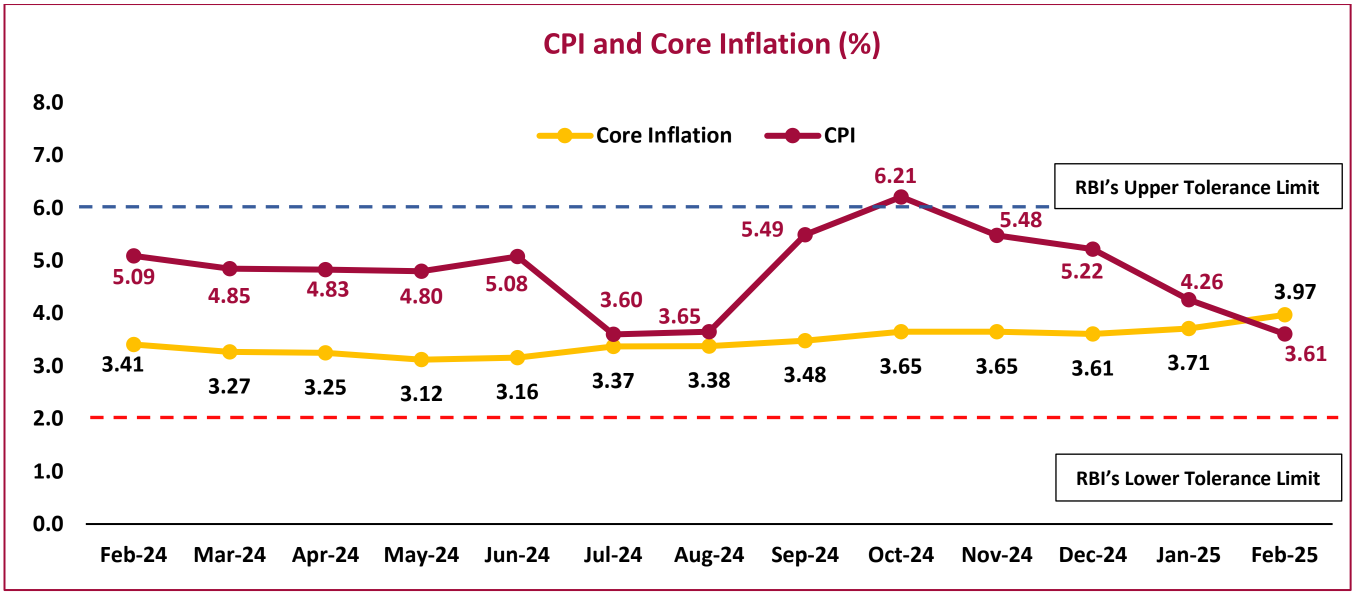
Systemic Liquidity under LAF - Net Liquidity (Rs. Million)

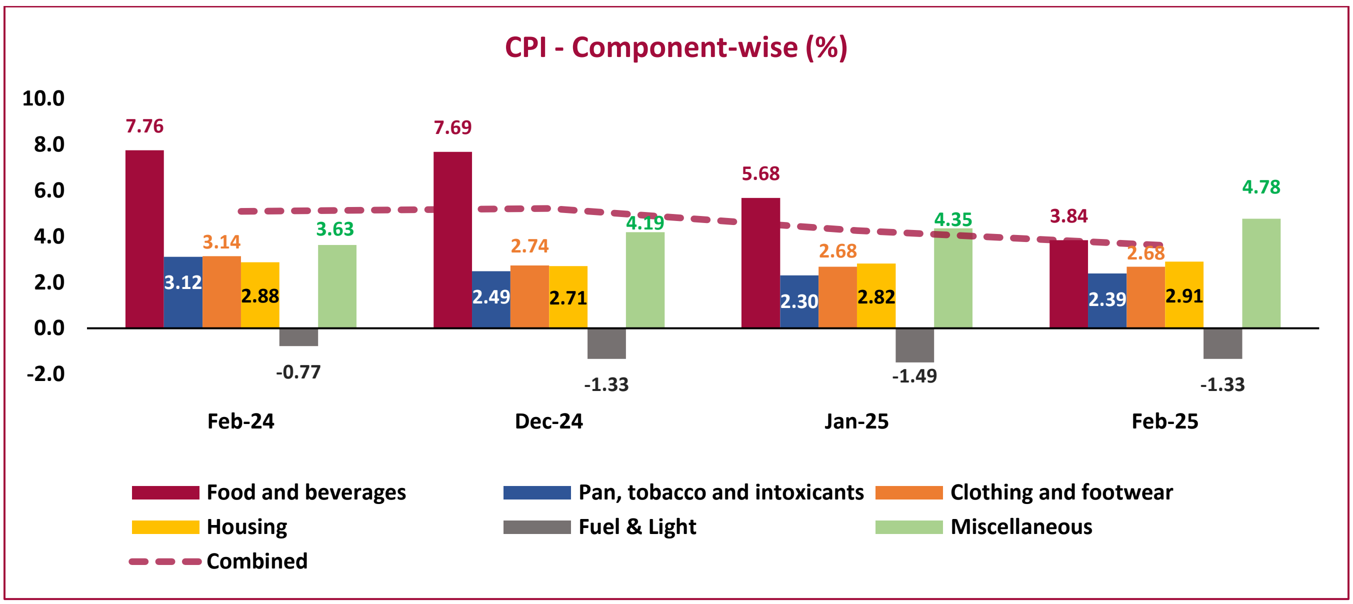


12. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

CPI falls to seven-month low of 3.61% in February 2025

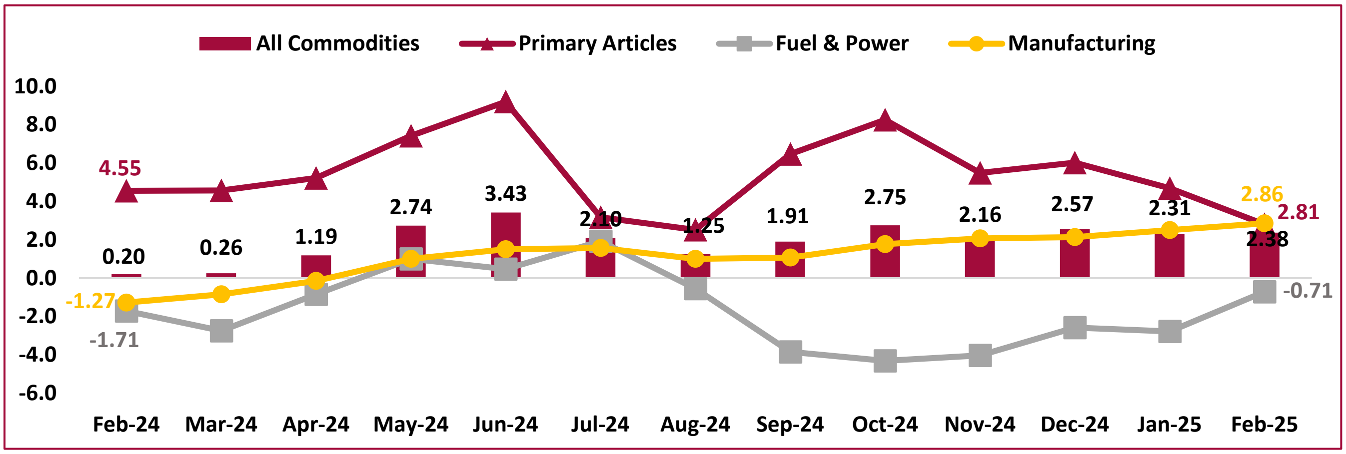




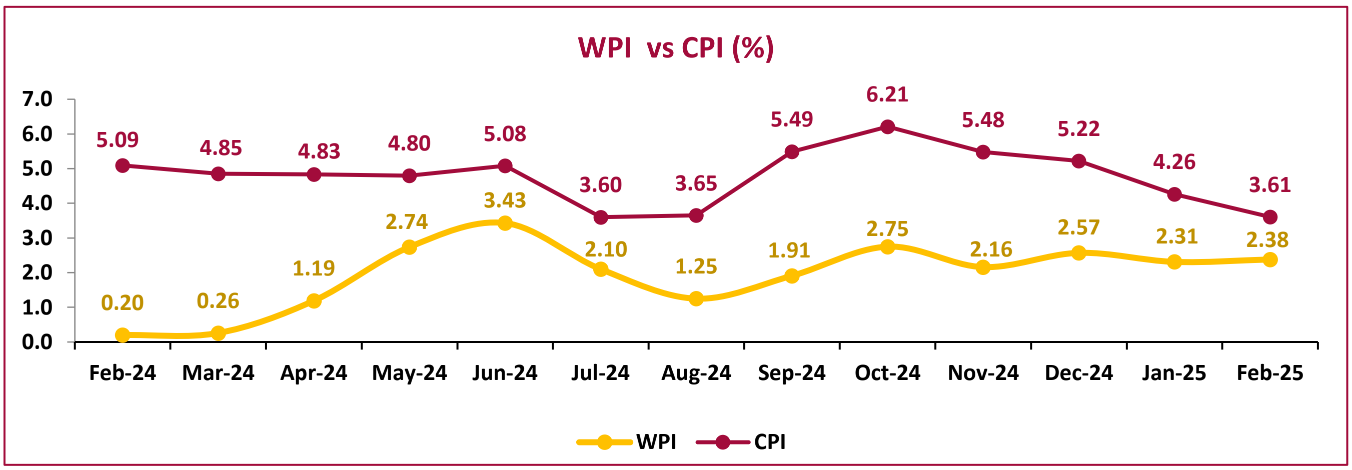
India's retail inflation cooled further to 3.61 per cent in February 2025, driven by a decline in food inflation which fell from 5.97 per cent in January to 3.75 per cent in February 2025. Urban inflation fell from 3.87 per cent in January to 3.32 per cent in February 2025, while rural inflation fell from 4.59 per cent in January to 3.79 per cent in February 2025. The significant decline in headline inflation (of 65 bps) and food inflation (of 222 bps) in February over January 2025 is mainly attributable to a continued decline in inflation of Vegetables, Cereals & Products, Egg, Fish & Meat, Milk & Products and Pulses & Products.

WHOLESALE PRICE INDEX (WPI)

WPI inflation rises to 2.38% in February 2025



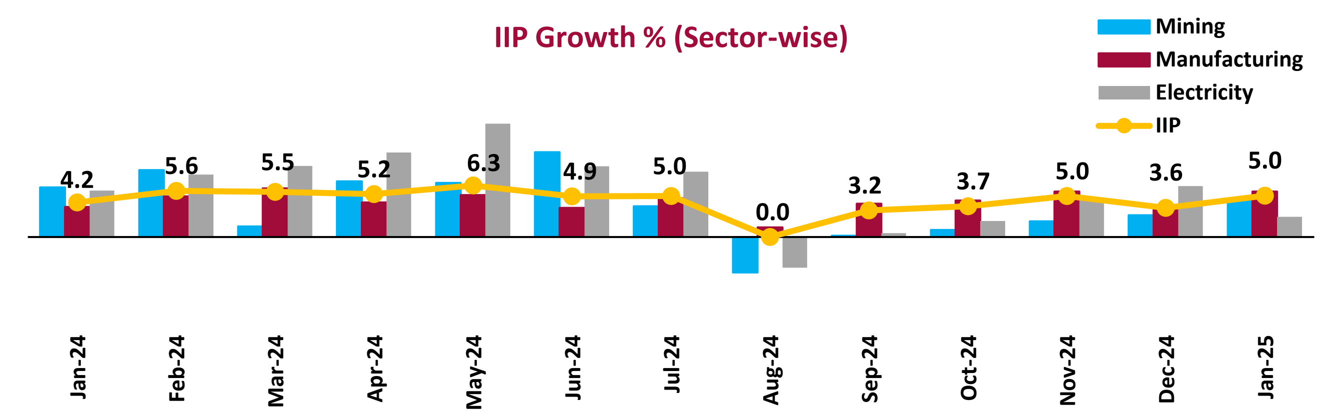
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
December	5.73	**6.02**	-1.39	**-2.57**	-0.78	**2.14**	9.32	**8.53**	0.86	**2.57**
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
January	4.07	**4.69**	-0.45	**-2.78**	-1.20	**2.51**	6.91	**5.88**	0.33	**2.31**
February	4.55	**2.81**	-1.71	**-0.71**	-1.27	**2.86**	7.07	**3.38**	0.20	**2.38**



Wholesale inflation recorded a marginal increase to 2.38 per cent in February 2025 on a YoY basis, compared to 2.31 per cent in January 2025. Wholesale inflation in February 2025 showed a mixed trend. Inflation in primary articles experienced a significant drop, while deflation in the Fuel & Power category slowed down compared to both the previous month and the same period last year. Meanwhile, inflation in Manufactured Products increased on both YoY and MoM basis. Lower inflation in primary articles was majorly led by food articles (vegetables with highest decline), followed by crude petroleum & natural gas, minerals, and non-food articles.

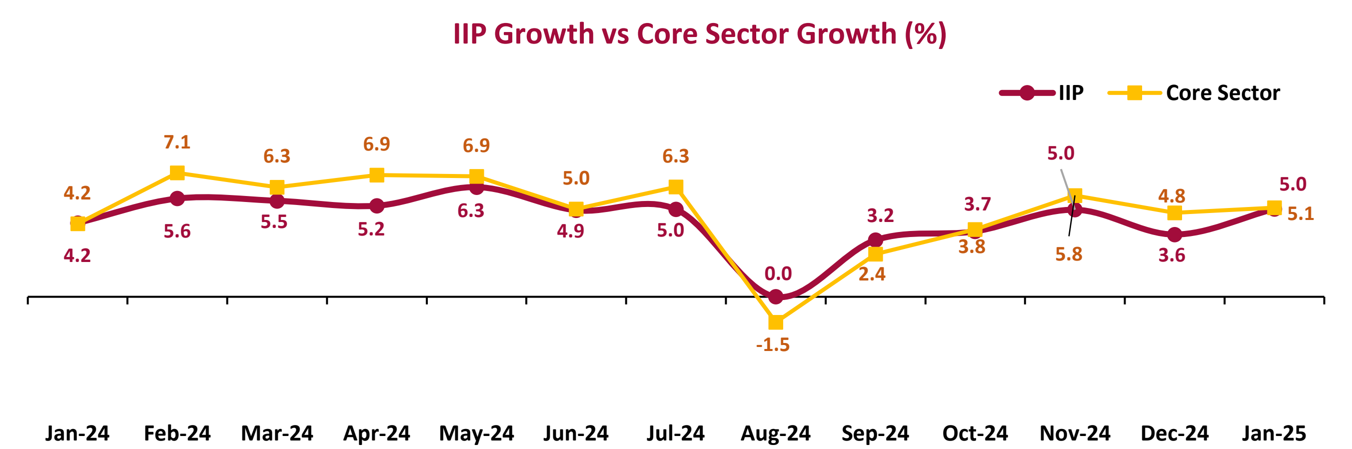
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth rises to 5.0% in January 2025



IIP Growth % (Usage-wise)

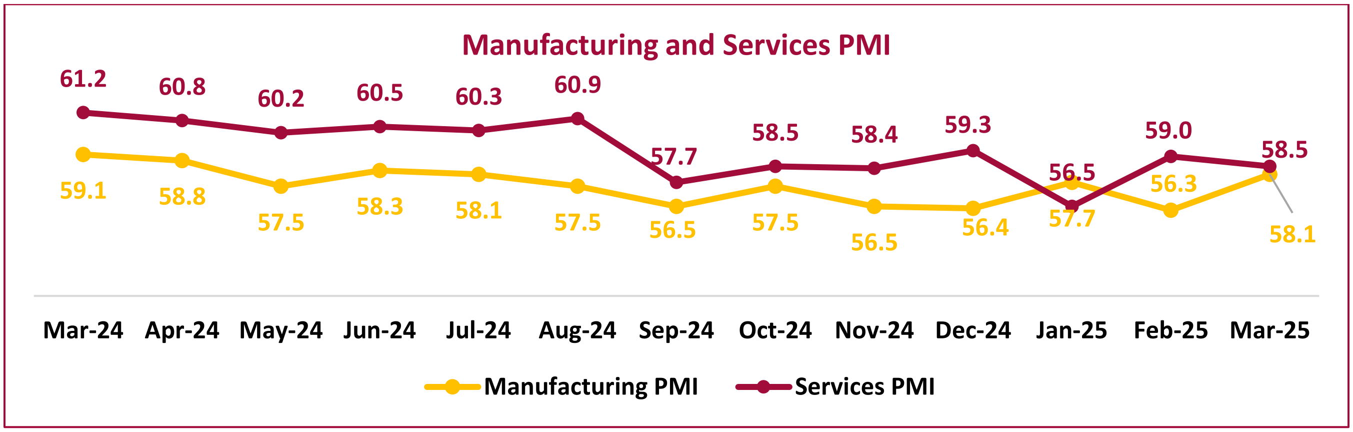
Component	Weight	Jan'24	Dec'24	Jan'25		Apr-Jan'24	Apr-Jan'25
Primary Goods	34.05%	2.9	3.8	5.5		6.5	4.0
Capital Goods	8.22%	3.2	10.4	7.8		6.8	5.4
Intermediate Goods	17.22%	5.3	6.4	5.2		4.8	4.6
Infra/Construction Goods	12.34%	5.5	7.4	7.0		10.1	6.3
Consumer Durables	12.84%	11.6	8.3	7.2		2.1	8.6
Consumer Non- Durables	15.33%	0.3	-7.5	-0.2		4.8	-1.3



IIP grew by 5.0 per cent in Jan'25 which is higher than the growth seen in Jan'24 of 4.2 per cent. IIP for the period of Apr'24-Jan'25 showed a growth of 4.2 per cent this year compared to 6.0 per cent during the same period last year. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of January 2025 are 4.4 percent, 5.5 per cent and 2.4 per cent respectively. The rise in IIP was driven by an uptick in manufacturing, which grew on an annual basis at 5.5 per cent, compared to 3.4 per cent in the preceding month and mining and quarrying which grew from 2.7 per cent to 4.4 per cent.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI slipped to 58.5 while Manufacturing PMI rose to 58.1 in March 2025

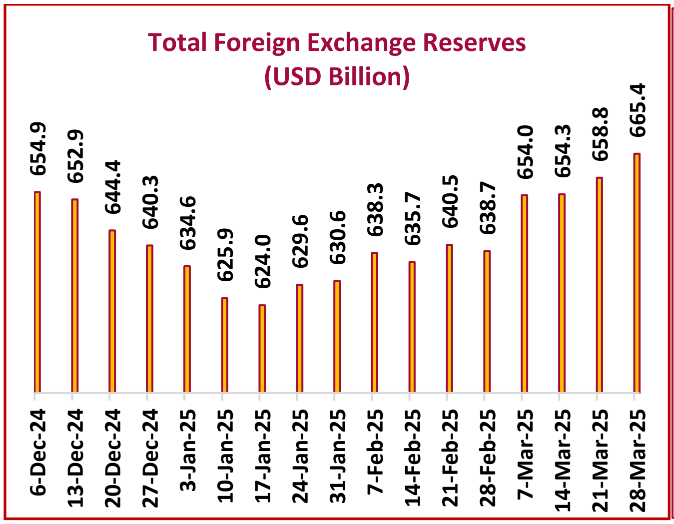


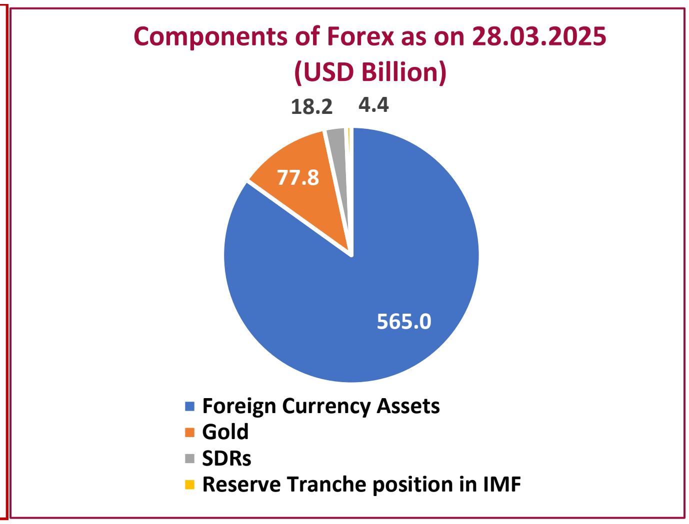
The HSBC Manufacturing Purchasing Managers' Index (PMI) rose from a reading of 56.3 in February 2025 to 58.1 in March 2025. Both new orders and output rose the most in eight months, and buying levels notched their highest level in seven months. Employment also rose solidly while outstanding business rose at a marginal pace that was slower than in February. India's Services PMI fell from 59.0 in February 2025 to 58.5 in March 2025. The slowdown reflected a softer increase in services activity, with foreign sales growing at the slowest pace since December 2023.

PERFORMANCE OF OTHER LEADING INDICATORS

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Coal production (YoY%)	8.2	7.5	10.2	14.6	6.4	-7.6	2.5	7.7	7.4	5.3	4.4	1.7	1.6
Electricity generation (YoY%)	8.1	10.0	14.6	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.7
Consumption of petroleum products (YoY%)	1.7	7.8	1.9	2.3	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1
Cargo handled at major ports (YoY%)	2.7	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-5.0	3.4	7.6	3.6	-
Cement production (million tonnes)	41.2	36.0	35.7	37.2	31.3	32.1	32.4	34.0	32.1	36.8	40.5	-	-
Steel consumption (million tonnes)	12.5	11.3	12.0	12.2	12.2	12.6	12.3	13.0	12.3	13.8	13.7	12.3	12.4
Fertiliser sales (YoY%)	0.6	-3.7	10.5	7.3	-1.4	-9.4	-7.7	-7.8	4.6	12.1	8.2	-	-
Two-wheelers sales (Nos. in Lakhs)	18.1	20.7	19.3	19.0	17.7	20.5	24.0	25.3	19.7	14.8	19.1	17.8	-
Tractors sales (Nos. in Thousand)	74.5	84.4	91.8	110.3	68.0	58.7	108.0	151.8	78.3	59.1	69.8	67.8	-

FOREIGN EXCHANGE RESERVES



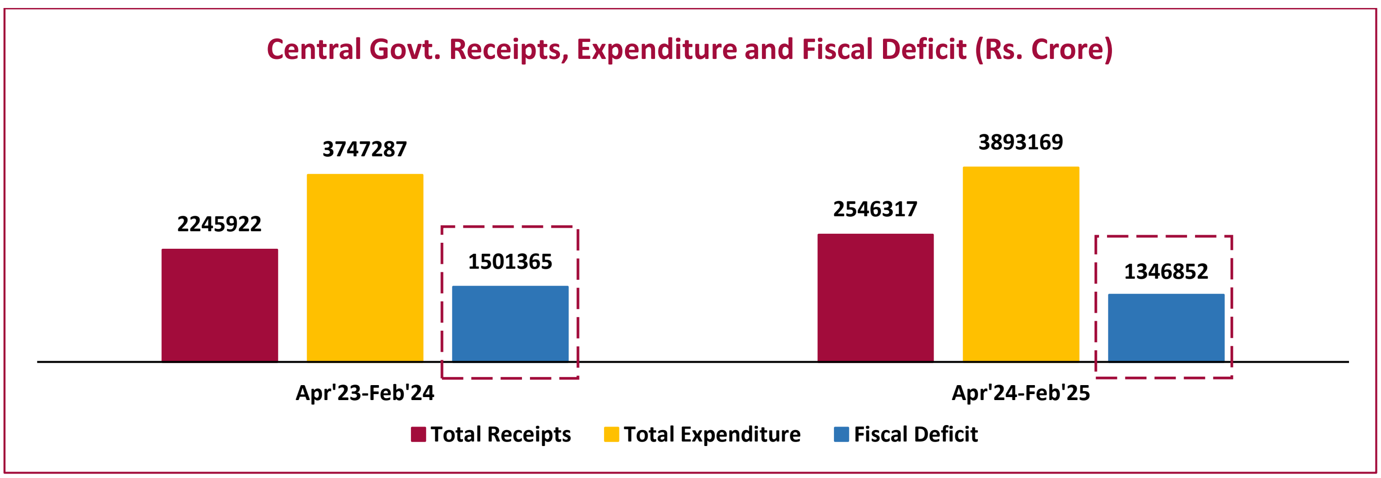


India's foreign exchange reserves increased by USD 6.596 billion to USD 665.396 billion in the week ended 28th March 2025, substantial increase in nearly five months.

E-WAY BILL GENERATION (No. in cr.)

	Mar -24	Apr -24	May -24	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25
E-way bill Generation	10.4	9.7	10.3	10.0	10.5	10.5	10.9	11.7	10.2	11.2	11.8	11.2	12.5

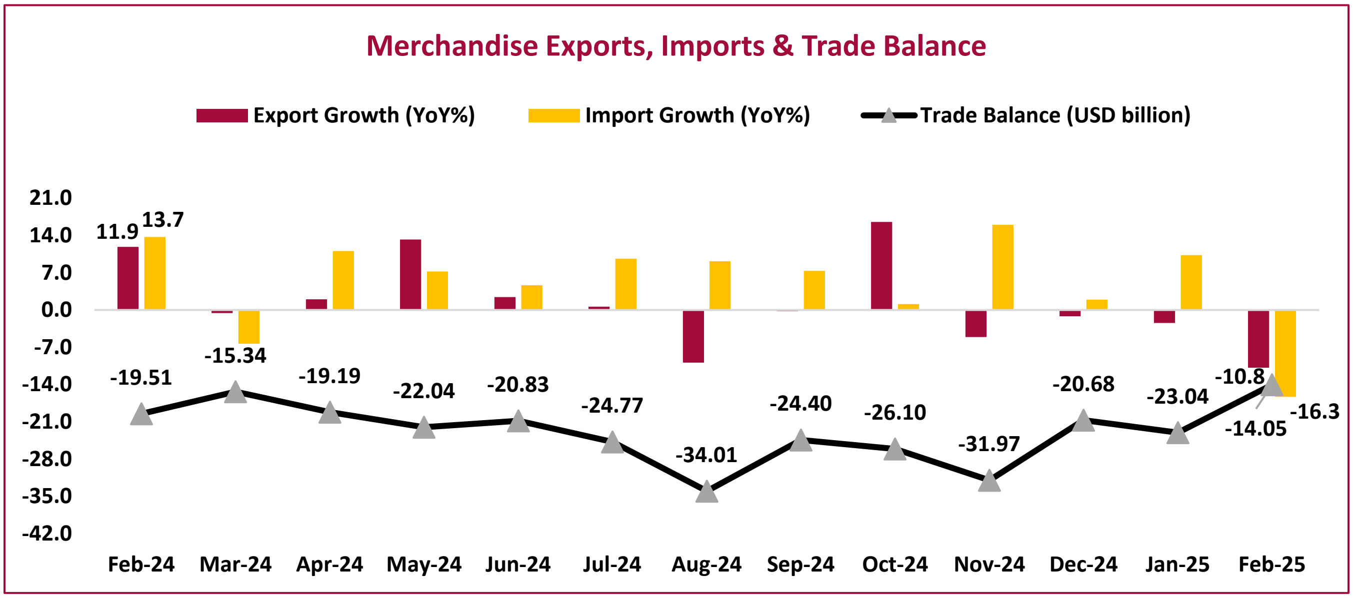
FISCAL DEFICIT

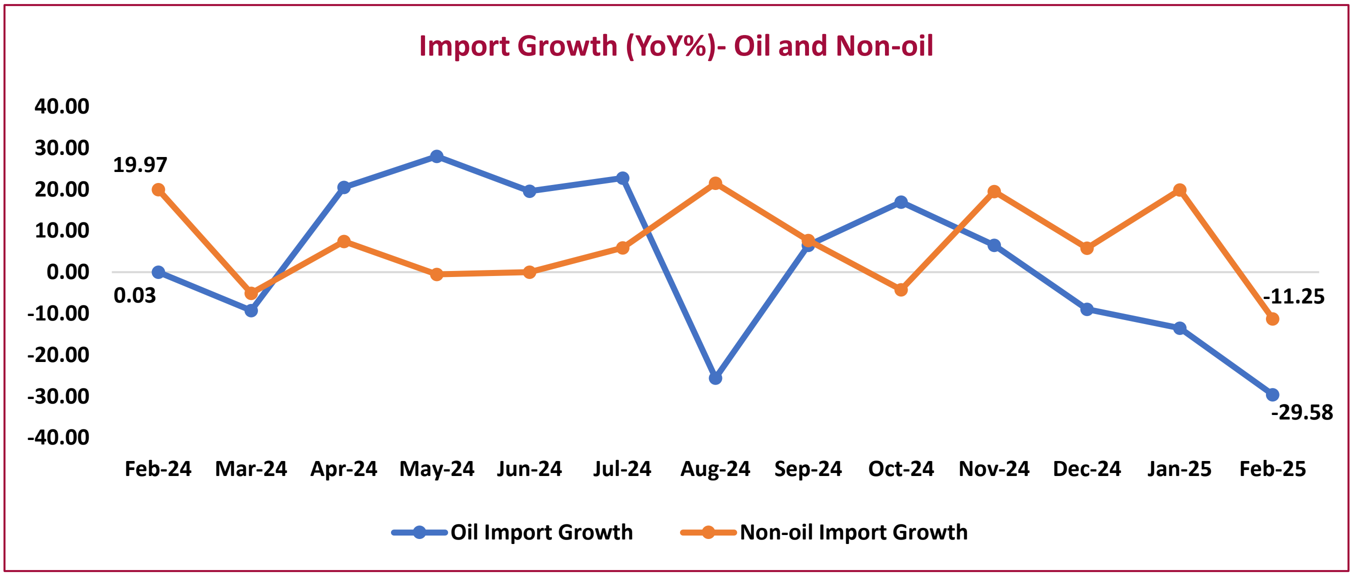


The Centre's fiscal deficit came in at 85.8 per cent of the annual target in April- February of the current financial year even as capital expenditure grew less than 1%, indicating that the fiscal deficit print may be lower than the target of 5.8 per cent for the full year. The fiscal deficit stood at Rs 13.5 lakh crore in the eleven months of FY25, 10 per cent lower than the Rs 15 lakh crore recorded in the corresponding period a year ago.

FOREIGN TRADE

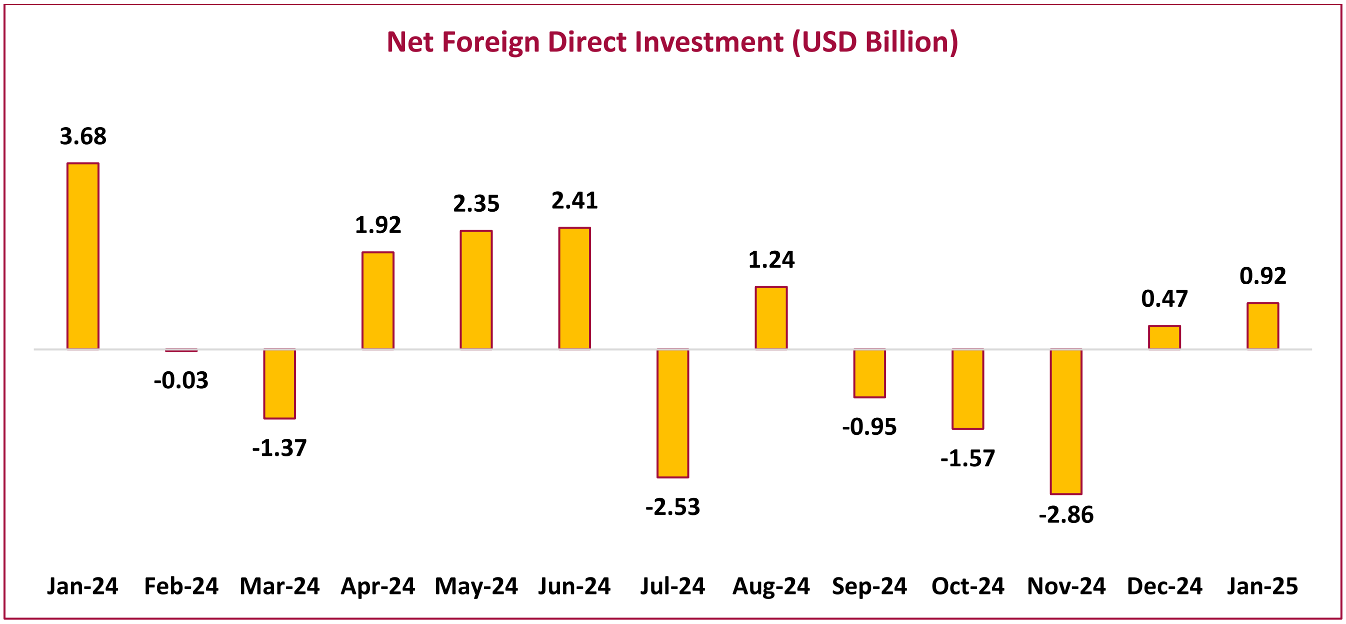
Merchandise Trade Deficit narrows to three and half year low at USD 14.05 billion



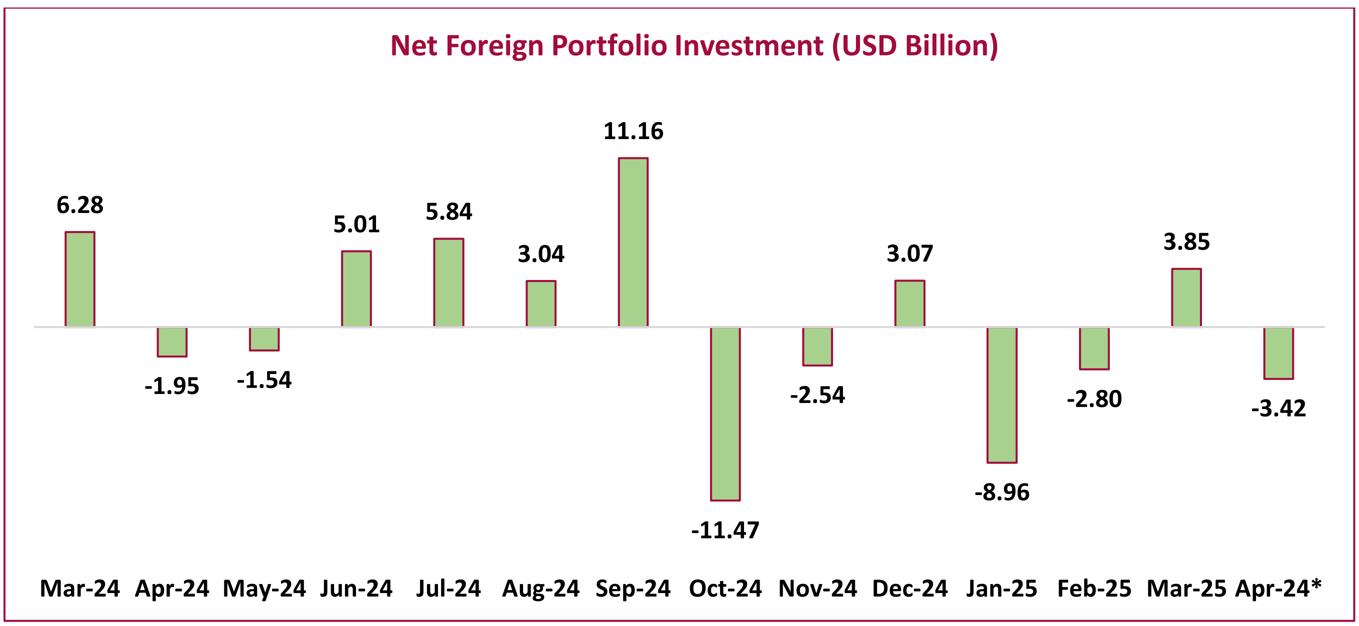


India's merchandise trade deficit narrowed to a three and half year low of USD 14.05 billion in February 2025 from USD 23.0 billion in January 2025. Merchandise exports contracted sharply for the fourth consecutive month in Feb'25 by 10.8 per cent YoY to USD 36.9 billion, largely due to a 29.2 per cent YoY decline in petroleum and crude product exports. Meanwhile, merchandise imports declined by 16.3 per cent YoY – the first drop in 10 months, driven by 64.8 per cent decline in gold and silver imports and 29.6 per cent fall in imports of crude oil and petroleum products. Goods exports have shown a decrease in the month of February due to base effect. On a cumulative basis, merchandise exports were flat at USD 395.8 billion for April-February 2025 compared to USD 395.4 billion in the same period last year.

FOREIGN INVESTMENTS



After three successive months of decline, net Foreign Direct Investment (FDI) inflows in India have been rising since December 2024. January 2025 recorded a further increase in net FDI inflow of USD 0.92 billion, from USD 0.47 billion in December 2024. Gross inflows in equity, however, fell by approx. USD 1.0 billion in January 2025 compared to December 2024.



**upto 08th April 2025*

Foreign Portfolio Investors (FPI) are largely flowing out of the country since October 2024 driven by slowing corporate earnings and shifts in US policy. Foreign outflows are also impacting the Indian Rupee's (INR) slide against the US Dollar (USD).

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	22.03.2024	07.03.2025	21.03.2025	YoY Growth(%)	Fortnightly Growth (%)
Business	369.1	406.4	408.2	10.6	0.4
Deposits	204.8	225.1	225.7	10.3	0.3
Advances	164.3	181.3	182.4	11.0	0.6

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

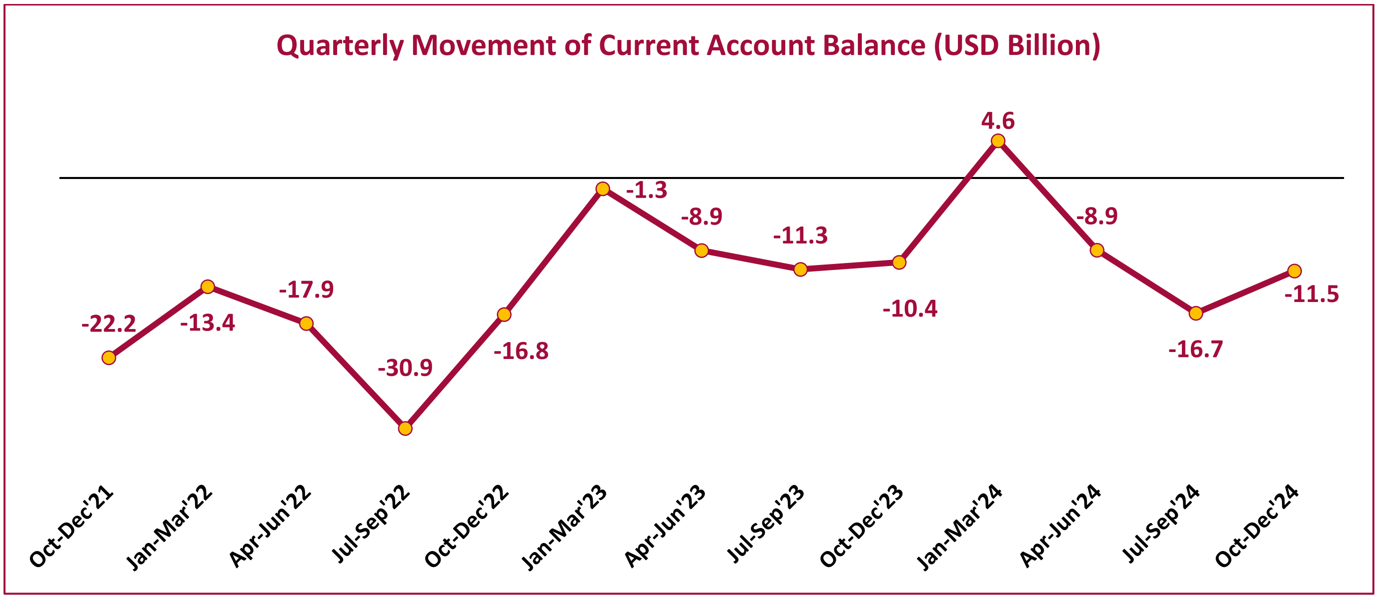
Parameter* (Rs. Lakh Crore)	Feb-24	Dec-24	Jan-25	Feb-25
Total Non-food	**161.7**	**176.9**	**178.2**	**179.4**
Agriculture and allied activities	**20.3**	**22.4**	**22.5**	**22.6**
Industry	**36.2**	**38.5**	**38.7**	**38.8**
Of which				
Micro & small	7.2	7.7	7.8	7.8
Medium	3.0	3.5	3.5	3.5
Large	26.0	27.4	27.5	27.4
Personal loans	**52.6**	**57.9**	**58.3**	**58.8**
Of which				
Housing (Including priority sector housing)	26.8	29.3	29.5	29.8
Credit card outstanding	2.6	2.9	2.9	2.9
Education	1.2	1.3	1.4	1.4
Vehicle loans	5.7	6.1	6.2	6.2
Services	**45.2**	**49.6**	**50.1**	**50.6**
Of which				
Computer software	0.3	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1
Aviation	0.4	0.5	0.4	0.5
Retail trade	4.8	5.3	5.2	5.3
Commercial real estate	4.6	5.2	5.2	5.3

**Figures include the impact of HDFC merger; based on LRF data*

On a YoY basis, non-food bank credit in February 2025 grew at 10.9 per cent as compared to 20.6 per cent for the corresponding year in February 2024. Credit to agriculture and allied activities registered a growth of 11.4 per cent YoY in February 2025 as compared to 20.0 per cent in February 2024. Credit to industry recorded a growth of 7.1 per cent YoY in February 2025, compared with 8.9 per cent for the corresponding year. Credit to services sector recorded a growth of 12.0 per cent YoY in February 2025 as compared to 24.3 per cent for the corresponding, with a decelerated growth in credit to 'non-banking financial companies' (NBFCs).

13. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account deficit (CAD) rose marginally to $11.5 billion, or 1.1 per cent of gross domestic product (GDP), during the October-December 2024 quarter of the ongoing financial year (Q3FY25) from $10.4 billion, a year ago, amid a rise in service exports. CAD moderated from $16.7 billion in Q2FY25, or 1.8 per cent of GDP. Overall, CAD is estimated to be at 0.8 per cent of GDP in FY25, before expanding slightly to nearly 1.0 per cent of GDP in FY26, even though the tariff-related uncertainty could act as a spoiler.

14. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.50%	Jan 24, 2025 (25bps)	May 01, 2025
European Central Bank	Europe	2.65%	Mar 06, 2025 (-25bps)	Apr 17, 2025
Federal Reserve	U.S.A	4.50%	Dec 18, 2024 (-25bps)	May 07, 2025
Bank of England	U.K	4.50%	Feb 06, 2025 (-25bps)	May 08, 2025
Peoples Bank of China	China	3.10%	Oct 21, 2024 (-25bps)	-
Reserve Bank of India	India	6.00%	Apr 09, 2025 (-25bps)	Jun 06, 2025

15. MACRO ECONOMIC INDICATOR OUTLOOK

India's real **GDP** is projected to grow at 6.4%-6.5% in FY26, according to recent forecasts. The RBI anticipates a growth rate of 6.5%, revised downward from its earlier estimate of 6.7%. Similarly, the OECD adjusted its projection to 6.4% in its March 2025 outlook, citing rising global uncertainties. Meanwhile, the IMF also expects India's GDP to grow at 6.5%. These estimates incorporate potential impacts from recent U.S. tariffs and other external economic factors.

Inflation is expected to remain manageable, with the RBI projecting an average Consumer Price Index (CPI) inflation rate of 4.0% for FY26 (revised downward its earlier estimate of 4.2%). This forecast suggests that inflation will align with the MPC's target of 4%, providing room for potential monetary policy adjustments.

The central government aims to reduce the **fiscal deficit** to 4.4% of GDP by FY26, with the combined (centre and states) deficit targeted at 7.1%. Achieving this goal is considered ambitious, given the focus on capital expenditure and potential revenue constraints in FY26. Effective fiscal management will be crucial to meet this target.

According to the RBI's survey of professional forecasters, the **current account deficit** is expected to increase moderately from 0.8% of GDP in FY25 to 1.0% in FY26. This modest increase reflects anticipated challenges in the export sector, partly due to global trade tensions and tariff impositions.

In response to growth challenges and controlled inflation, the RBI began a rate-cutting cycle earlier this year, reducing the **repo rate** to 6.00% with successive cuts in February and April 2025. In addition, the Monetary Policy Committee (MPC) shifted its stance from 'neutral' to 'accommodative,' indicating a likely further reduction of 50-75 bps in the repo rate during FY26.

These measures are expected to further ease **banking system liquidity**, which had already shifted from a deficit in January 2025 to a surplus by the end of March, aided by measures injecting ₹6.9 lakh crore. Improved interbank rates and softened credit spreads signal enhanced liquidity, supporting economic recovery.

The yield on the **10-year G-sec** benchmark is expected to soften further with a range of 6.45% - 6.55% during the rest of Q1 FY26 with upside risks from external factors that could restrict any sharp softening.

The **Index of Industrial Production** (IIP) is projected to grow by 4.1% in FY26, slightly down from an estimated 4.3% in the previous fiscal year. The marginal slowdown is attributed to a deceleration in manufacturing growth, particularly in sub-sectors like basic metals, chemicals, and electrical equipment. Conversely, mining and quarrying, along with electricity generation, are expected to see modest accelerations.

Key Risks and Considerations

- Global Trade Tensions: The imposition of U.S. tariffs poses risks to export-oriented sectors, potentially impacting overall economic growth.
- Monetary Policy Efficacy: The effectiveness of the RBI's rate cuts in stimulating growth amid external challenges remains to be seen.
- Fiscal Consolidation: Achieving the targeted fiscal deficit reduction will require stringent fiscal discipline and robust revenue generation.

16. INDUSTRY OUTLOOK

E-COMMERCE & DIGITAL ECONOMY

E-Commerce is a boom in modern business. The word "e-commerce" stands for "electronic commerce" and it is basically the process of purchasing and selling goods and services and carrying out business over an "electronic network". Information Technology has greatly influenced the future development of "financial sectors" and the various methods of carrying out businesses in different countries of the world.

The economy that is built and constantly growing with e-commerce is the "digital economy" itself. So, there is direct relationship between e-commerce and the digital economy. Factors that affect both of these online aspects include digital media, digital banking, growth of online networking, etc.

Global Retail Innovation Index 2023 showcases the country's commitment to serving consumers beyond boundaries and opening up to more trade, envisaging an increase in e-commerce exports to ~$300 Bn by 2030.

With rising income and changing lifestyles, digital shopping by mass consumers is likely to add **~45%** to the **gross merchandise value** of e-commerce by **2030**. Aiming for a **$2 Tn valuation by 2033** with a growth rate of 9-10%, increased urbanization, steady growth in per capita income to Rs. 2,08,000 in FY 2022-23, and organized offline retailers demonstrating a YoY growth of 35% in 2022, the retail industry is poised for increased investment opportunities and parallel growth.

The Indian government, intending to enhance the sector's potential, has taken various steps, such as the **Goods and Services Tax**, to streamline and offer retailers and e-commerce platforms a hassle-free tax structure to build a conducive business environment. With 60% growth in India's retail market in 2022 and the **luxury retail market** with a valuation of **$30 Bn**, the retail sector in India is amalgamating the range of products as per the needs of each category of consumers.

The government has also allowed 100% FDI under automated routes for single-brand trading and e-commerce to boost the industry's capabilities, invite international players to invest in the sector, and catalyze consumer demand through domestic players.

Banks have an incentive to embrace online business. Ignoring the internet's potential could lead to them becoming less important as commerce increasingly moves online. In this scenario, banks would primarily handle payments for e-commerce transactions, missing opportunities to directly engage with customers and offer their own products in the digital marketplace. However, by establishing an online presence, banks can effectively promote their traditional services and create new products to meet the demand of e-commerce participants.

Akansha Chauhan
Officer (Economics)
SMEAD, Head Office

17. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *Press Information Bureau*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *CMIE*

QUOTE OF THE MONTH

"Reading furnishes the mind only with materials of knowledge; it is thinking that makes what we read ours."

— John Locke

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पंजाब नैशनल बैंक
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कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,
द्वारका, नई दिल्ली-110075