GREEN DIGEST

EVERYTHING THAT CONCERNS YOUR MONEY

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BANK RUN

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ABOUT US

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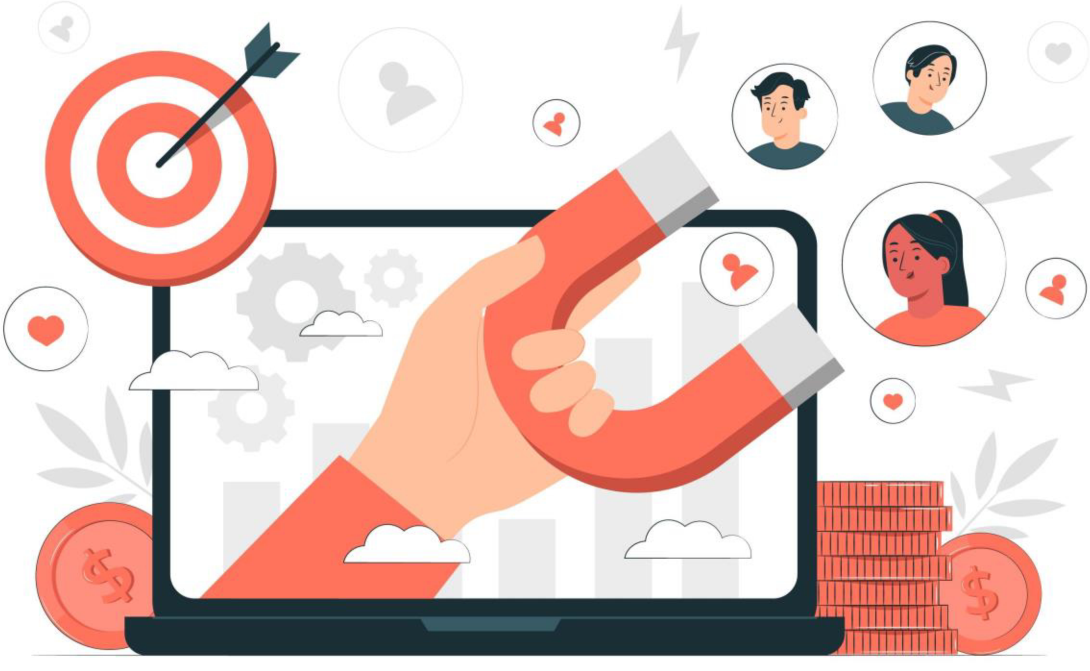


THE BIG STORY

Greenvissage

Silvergate, SVB, Signature, Hapoalim, Credit Suisse – Are there more to the list? What is bank run, and how banks end up in this financial trap, explained.

Background

The financial markets have been rocked by the collapse of five banks across the United States and Europe during the last few weeks. Although not all banks have failed, their near-simultaneous troubles have led to regulators across the globe hurrying to take measures to prevent further crises, due to fears of a repeat of the 2008 financial crisis. Three of the banks were operating in niche sectors like tech and crypto companies, whose sectorial slowdowns have had a direct impact on these banks. The timeline began with Silvergate Bank, a crypto-industry-friendly bank, providing banking services to blockchain and cryptocurrency research and trading firms, winding down on March 8. Then, within two days, on March 10, the Silicon Valley Bank, a California-based financial institution linked to the start-up and venture capital space, is taken over by Californian financial regulators after it faces a run on its funds, racing to withdraw nearly USD 42 billion. And within another two days, New York-based Signature Bank, another crypto-friendly bank, is also taken over by state regulators, becoming the third casualty within a week. In the following weeks, Europe's Hapoalim on March 16, and Credit Suisse on March 20, also became victims of bank runs, with the latter being acquired by its larger peer, UBS. In times of recession, when interest rates are at their all-time high to control inflation, banks are having a tough period leading them into the financial trap of bank run. Let us understand bank runs in a little more detail in this article. But firstly, for beginners, let us understand how banks operate and make money.

How do banks make money?

Banks make money by taking deposits from customers and paying them interest rates, usually lower than what they earn by lending or investing the deposited funds. Banks can lend out the money or invest it in bonds that yield a return higher than the interest paid to depositors. The difference between the interest paid to depositors and the interest earned from loans and investments is the bank's profit. Banks keep some money in liquid investments to make payments to depositors as and when they ask for their money. However, this is usually only a small percentage of the total deposits because all the depositors are not coming to ask for their money at the same time. Apart from the net interest earned, the bank also earns from other ancillary sources such as fees for its services and commissions from selling insurance policies and other financial products. Certain banks also involve themselves in trading activities dealing in securities, currencies, and other financial instruments. Banks also earn money by lending to other banks or financial institutions. They charge interest on these loans, and the rates can vary depending on the perceived creditworthiness of the borrower.

What is a bank run?

A bank run occurs when a large number of customers withdraw their deposits from a bank, often out of fear that the bank may become insolvent and unable to repay its depositors. This can lead to a self-fulfilling prophecy, as the withdrawals may cause the bank to run out of cash and trigger further panic among depositors. Bank runs can be sparked by a variety of factors, such as rumours about the bank's financial health, news of a major economic or political crisis, or a sudden drop in the value of the bank's assets. In some cases, bank runs may be exacerbated by a lack of confidence in the banking system as a whole, leading to a contagion effect where depositors rush to withdraw their money from other banks as well. Bank runs can damage the stability of the financial system, as they cause banks to become insolvent. Moreover, if too many banks experience runs at the same time, it can lead to a systemic banking crisis and even a broader economic depression.

What causes bank runs?

Usually, bank runs are triggered by negative rumours or speculation about a bank's financial health. These rumours can quickly spread and cause depositors to panic and withdraw their funds. Social media and news outlets can amplify these rumours and exacerbate the situation. However, sometimes, the banks are actually in financial distress, and therefore, depositors become concerned about the safety of their funds and withdraw their money in large numbers. This can create a self-fulfilling prophecy, as the bank's financial situation worsens as a result of the withdrawals. Economic uncertainty or recession can also trigger bank runs as depositors may become worried about the safety of their funds and seek to withdraw their money from banks. This can lead to a widespread bank run that can exacerbate the economic downturn. Apart from financial reasons, unstable political environments such as the takeover of Afghanistan by the Taliban, widespread protests against the Prime Minister in Sri Lanka, or the military genocide in Myanmar, can also trigger fear in the minds of depositors that their funds could be seized, frozen or taken away. This can cause them to withdraw their funds from banks and seek to move their money to other countries or assets.

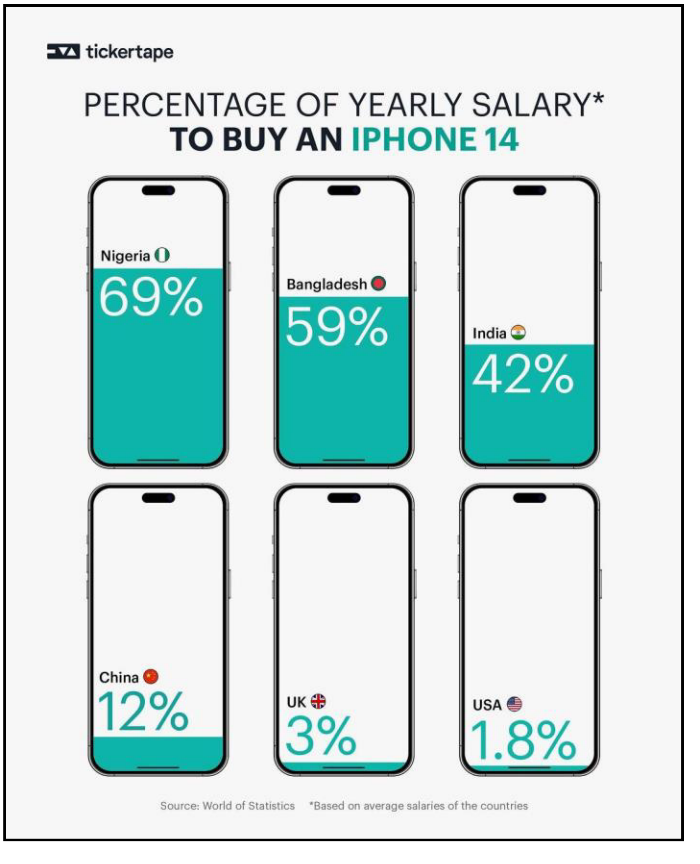
What happens during a bank run?

During a bank run, a large number of depositors try to withdraw their funds from a bank within a short time. This leads to liquidity problems as a large number of depositors withdraw their funds from a bank, and the bank may not have enough cash on hand to meet the demand for withdrawals. This liquidity crisis can quickly spiral out of control if the bank is unable to obtain additional funds. Banks with strong balance sheets and reputations in the industry usually receive the liquidity shortfall from other banks or investors, and avert the short-term situation. However, if the bank is unable to meet the demand for withdrawals, it has to forcefully sell its loan book at a loss, or sell its investments in bonds at any market price to get the remainder of the money to pay the depositors. If the bank has made profits from its previous activities, such losses can be squared off. However, if the bank hasn't made profits from its regular operations, the depositors will not get their money back. To mitigate such risks, banks usually buy insurance, on their loan books and investments. However, these insurances come at a cost, and the bank has to pay a percentage of loan book and investments they want to insure.

Sometimes, the bank is unable to procure funds from other banks and investors as in the case of Credit Suisse. In some cases, the bank is unable to meet its requirement even by selling all its investments, as in the case of the Silicon Valley Bank which had occurred a huge loss on its investment. In such cases, has no choice but to find a buyer for the bank who will take over the business. This usually happens in the case of good banks that have a customer base, reach and established operations, however, run into losses due to various reasons including NPAs. Credit Suisse was successful at finding a buyer in UBS who overtook the bank for three billion Swiss Francs. New investors infuse the required liquidity and continue the operations, in hope of turning around the business into a profitable venture over future years. However, when the bank also doesn't receive any bids from other investors, it has no choice but to declare bankruptcy. If one bank experiences a run, it can spread to other banks as depositors become concerned about the safety of their funds. This can create a broader crisis that can destabilize the entire financial system. The bank run can even have broader economic consequences, such as a contraction in the money supply, a reduction in lending, and a decline in economic activity which can exacerbate an economic downturn or recession. Therefore, to prevent bank runs, governments and central banks often implement policies such as deposit insurance and lender-of-last-resort facilities to ensure that banks have sufficient liquidity to meet the demand for withdrawals.

How do bank runs cause inflation?

Inflation usually occurs when there is more money in the hands of the businesses and the public, leading to an increase in demand and spending which in turn, increases the prices of goods and services if the supply doesn't match the demand. When a commercial bank faces a bank run, the bank usually needs access to liquidity to meet the demand for withdrawals from depositors. In such cases, the central bank usually steps in to provide the commercial bank with liquidity support to weather the crisis and prevent the bank run from spreading to other banks. However, this liquidity support can potentially increase inflation as it involves an increase in the money supply without any corresponding increase in the supply of goods and services in the economy. When the central bank provides liquidity support to a commercial bank, it effectively creates new money that enters the economy. As the commercial bank uses liquidity support to meet the demand for withdrawals, it may resume normal lending activities to borrowers, who may then use the funds to spend or invest in the economy. This increase in spending can drive up the demand for goods and services, leading to inflation. If the increase in the money supply is not matched by an increase in the supply of goods and services, then the economy may experience inflation. This is because there is more money chasing the same amount of goods and services, which can lead to price increases. Sometimes, the central bank also lower interest rates during bank runs to make it easier for the commercial bank to borrow the liquidity it needs. However, this can also stimulate borrowing and investment which also drive up the demand for goods and services in the economy. Therefore, while central bank liquidity support may be necessary to prevent a bank's run and maintain financial stability, policymakers also need to be mindful of the potential inflationary effects of their actions. They may need to take steps to manage the money supply and ensure that it does not grow too quickly, which could destabilize the economy and harm consumers.



EXPERT OPINION

Greenvissage

What is RBI's monetary policy and how does it affect our lives?

By Amit Chandak, Managing Partner, Greenvissage

The Reserve Bank of India (RBI) regularly conducts meetings and announces changes in policy rates such as repo rate, reverse repo rate, etc. The RBI also releases broad commentary explaining the state of the Indian economy and the reasons behind its decision. The changes in policy rates are awaited keenly by bankers, investors and economic enthusiasts. However, the impact of these changes is widespread and affects not only the key stakeholders but also the entire economy and the common citizens indirectly. Let us understand the monetary policy and how it affects our lives.

The Reserve Bank of India

The Reserve Bank of India (RBI) is the central bank of India and plays a crucial role in the country's economic development. RBI is responsible for formulating and implementing monetary policy in India. This includes setting interest rates, managing the money supply, and regulating credit. It regulates and supervises banks in India to ensure their safety and soundness. It issues licenses to new banks, monitors their activities, and takes corrective measures when necessary. RBI also manages the country's foreign exchange reserves and regulates foreign exchange transactions. The apex bank is responsible to oversee payment and settlement systems in India, including electronic funds transfer, credit and debit cards, and online banking. Besides, the key economic roles, RBI also plays an important part in promoting financial inclusion by ensuring that banking services reach underserved and marginalized sections of society.

What is Monetary Policy?

Monetary Policy refers to the actions taken by the central bank to regulate the supply of money and credit in the economy. It does so to achieve the country's macroeconomic objectives such as GDP, Growth and Inflation. The key objective is to maintain price stability while balancing the economic growth. This monetary policy is formulated by Monetary Policy Committee (MPC), which comprises six members, including three members from the RBI and three external members appointed by the government. The committee holds meetings every two months to review the current economic situation and decide on the appropriate policy stance. The policy statement issued after such meetings outline the key economic indicators, the rationale for the policy decision, and the future course of action. In its meetings, the MPC discusses and implements various decisions in respect of the flow of credit in the economy. It has various tools available at its desk to do so –

Bank policy rates - RBI uses the repo rate, reverse repo rate, and other interest rates to influence borrowing and lending rates in the economy. The repo rate is the rate at which banks can borrow money from RBI, while the reverse repo rate is the rate at which they can lend money to RBI. The change in repo rate affects the interest rates charged by banks on loans and deposits. When the repo rate is increased, the banks increase their lending and deposit rates, which makes borrowing expensive and saving lucrative. When the repo rate is decreased, the banks decrease their lending and deposit rates, which makes borrowing cheap and saving less attractive.

Open market operations - RBI buys or sells government securities in the open market to increase or decrease the money supply in the economy. When the RBI buys government securities, it injects liquidity into the system, which can help in reducing interest rates and increasing borrowing and spending. When the RBI sells government securities, it reduces liquidity in the system, which can help in increasing interest rates and decreasing borrowing and spending.

Reserve requirements - RBI mandates the amount of reserves that banks must hold with it. By changing these requirements, RBI can influence the amount of money that banks can lend. For example, it can increase the cash reserve ratio (CRR) or the statutory liquidity ratio (SLR) to reduce the lending capacity of banks. The CRR is the percentage of deposits that banks are required to keep with the RBI as a reserve. This means that banks cannot use this portion of their deposits for lending or other investments. The SLR is the percentage of deposits that banks are required to maintain in the form of liquid assets such as government securities, bonds, and other approved securities. This provides a cushion of liquid assets for banks to fall back on in case of financial emergencies.

Selective credit controls – RBI can also change the margin requirements against assets such as raising the margin requirement to 30 per cent for a particular class of securities would mean the borrower will be given 70 per cent of the value of the asset as a loan, while the balance would have to be arranged by the borrowers themselves. Sometimes, RBI simply urges commercial banks to control the supply of money in the economy.

Objectives of the Monetary Policy

The monetary policy of India has several objectives that aim to promote economic growth while maintaining stability in the financial system.

- **Price Stability -** The main objective of monetary policy is to maintain price stability. This means that the central bank aims to keep inflation low and stable, which is essential for a healthy economy. The focus is on creating an environment that allows for the swift execution of developmental projects while also ensuring reasonable price stability.
- **Desired Distribution of Credit -** The monetary authority has control over the allocation of credit to the priority sector and small borrowers. This policy decides the specified percentage of credit that should be allocated to these sectors.
- **Equitable Distribution of Credit -** The policy of the Reserve Bank aims for equitable distribution of credit to all sectors of the economy and all social and economic classes of people.
- **Controlled Expansion of Bank Credit -** The RBI has the important task of controlling the expansion of bank credit and money supply, taking into consideration the seasonal requirements for credit without affecting output.
- **Promotion of Fixed Investment -** The aim is to increase the productivity of investment by limiting non-essential fixed investment.
- **Restriction of Inventories -** The RBI restricts inventories to prevent overstocking and idle money in the organization, which can lead to sickness in the unit.

- **Promotion of Exports and Food Procurement Operations** - Monetary policy pays special attention to boosting exports and facilitating trade, which is an independent objective of monetary policy.
- **Promoting Efficiency** - The central bank focuses on increasing efficiency in the financial system and incorporates structural changes such as deregulating interest rates, easing operational constraints in the credit delivery system, and introducing new money market instruments.
- **Reducing Rigidity** - The RBI aims to bring about flexibility in operations that provide considerable autonomy. It encourages a more competitive environment and diversification while maintaining control over the financial system to maintain discipline and prudence.

Effect of changes in policy rates

Changes in RBI policy rates can have a significant impact on common citizens in several ways. Here are some of how changes in RBI policy rates can affect common citizens:

Interest rates - When the RBI increases the repo rate, it makes it more expensive for banks to borrow money from the central bank. This, in turn, makes it more expensive for banks to lend money to customers. As a result, borrowing becomes more expensive for businesses and consumers, and this can lead to a decrease in spending and investment in the economy. On the other hand, when the RBI lowers the repo rate, it makes it cheaper for banks to borrow money from the central bank. This, in turn, makes it cheaper for banks to lend money to customers. As a result, borrowing becomes more affordable for businesses and consumers, and this can lead to an increase in spending and investment in the economy.

Inflation - When the RBI buys government securities from banks, it releases more money into the banking system, which increases the supply of money in the economy. This, in turn, reduces the cost of borrowing, making it cheaper for businesses and consumers to borrow money from banks. This can lead to an increase in spending and investment in the economy, which can boost economic growth. On the other hand, when the RBI sells government securities to banks, it reduces the money supply in the economy. This makes borrowing more expensive, which can lead to a decrease in spending and investment in the economy. This can help in controlling inflation by reducing demand in the economy and lowering the pressure on prices. The RBI also uses open market operations (OMOs) to influence liquidity in the economy. In OMOs, the RBI buys or sells government securities in the open market, which influences the liquidity in the banking system.

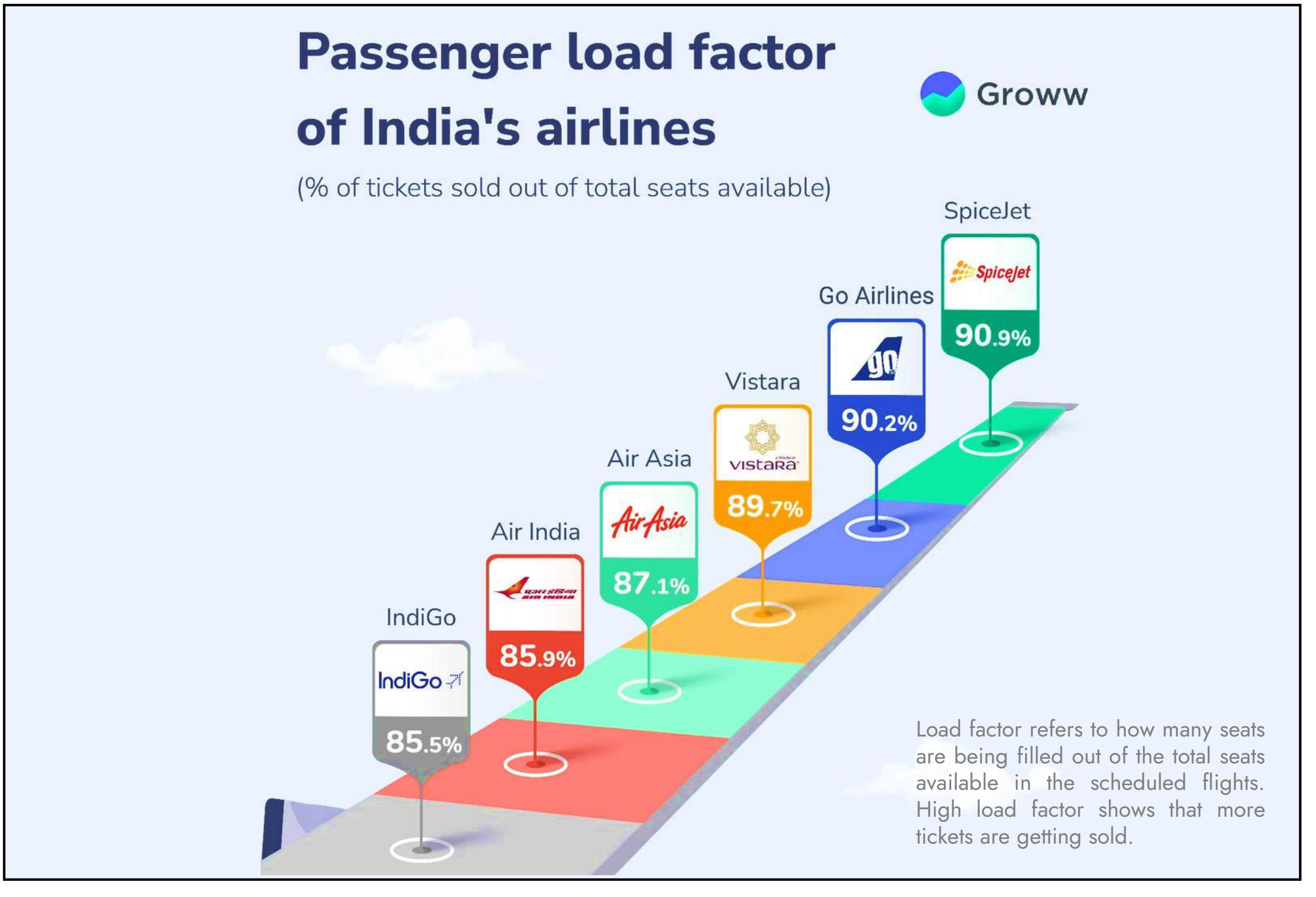
Exchange rates - When the central bank raises interest rates, it can make the currency more attractive to investors, which can lead to an increase in the value of the currency relative to other currencies. Conversely, when the central bank lowers interest rates, it can make the currency less attractive to investors, which can lead to a decrease in the value of the currency relative to other currencies.

Stock markets - Monetary policy changes can also impact the stock market. When the central bank raises interest rates, it can make borrowing more expensive for businesses, which can reduce their profitability and lead to a decline in stock prices. Conversely, when the central bank lowers interest rates, it can make borrowing cheaper for businesses, which can increase their profitability and lead to a rise in stock prices.

History of RBI’s stance

Over the years, the RBI's monetary policy framework has undergone several changes to meet the evolving needs of the economy. In the early years of RBI's existence, the focus of monetary policy was on maintaining the exchange rate of the Indian rupee against the British pound. The RBI used the exchange rate as the anchor for monetary policy, and it aimed to maintain stability in the exchange rate by adjusting interest rates and credit availability. After India gained independence in 1947, the RBI's focus shifted to promoting economic growth and development. The central bank continued to use interest rate policy to influence the economy and maintain price stability.

In the 1960s and 1970s, the RBI's monetary policy was geared towards achieving social and economic objectives, such as reducing poverty and promoting employment. The central bank used credit rationing and direct lending to achieve these goals. However, this approach led to inefficiencies and distortions in the economy, and the RBI gradually shifted towards a more market-oriented monetary policy framework in the 1990s. The central bank started using indirect instruments of monetary policy, such as open market operations, to influence the money supply and credit availability. In the early 2000s, the RBI introduced a formal inflation targeting framework, which aimed to keep inflation within a specific target range. The central bank also began using a range of policy tools, such as repo rates, reverse repo rates, and the CRR, to influence the money supply and inflation. In recent years, the RBI has continued to refine its monetary policy framework to meet the changing needs of the economy. The central bank has introduced measures to enhance transparency, communication, and accountability in monetary policy, and it has also worked to align its policies with global best practices.



GREENVISSAGE EXPLAINS

Greenvissage

Why are Green bonds increasingly becoming popular?

Issuing green bonds can provide companies and governments with access to capital while simultaneously promoting environmental initiatives. In essence, a green bond is a financial instrument that allows a company or government to borrow money from investors at a lower interest rate than traditional bonds, with the condition that the funds will be used for environmentally friendly projects. The difference in interest rates between traditional bonds and green bonds is known as the Green bond premium. Recently, the Indian government sold its first-ever green bonds, which were a resounding success. The government sold one billion dollars' worth of bonds with an interest rate of 7.29%, which was 0.06% lower than the interest rate for a similar duration traditional bond. The success of this bond sale will enable the Indian government to invest in solar projects and wind turbines, among other environmentally friendly initiatives.

While the Indian government's green bond sale was a triumph, it is noteworthy that the best place to issue green bonds is in the US or Europe, where there are numerous rich funds with mandates to invest solely in green initiatives or allocate a percentage of their funds to environmental projects. There is so much demand in these regions to invest in green initiatives that some people believe that green has become a marketing term exploited by companies to access cheap funding. Foreign investors and green bonds are like chocolates and Charlie – foreign investors enjoy purchasing green bonds, and issuers like selling them to foreign investors. However, selling green bonds to Indian investors is not as popular. Still, the Reserve Bank of India recently conducted the government's first-ever sale of green bonds, with state-owned banks and insurance companies being the primary purchasers of the bonds. Although foreign investors purchased approximately 10% of the bonds, most of the bonds were bought by state-owned banks and insurance companies. The government's goal was to sell green bonds to foreign investors, but foreign investors preferred to purchase bonds in dollars rather than rupees.

The government's decision to sell green bonds to state-owned banks is understandable as state-owned banks have an obligation to support the government. By buying green bonds, state-owned banks can show their support for the government's environmental initiatives. The Indore municipal government issued green bonds this month, with a commitment to raise five times more than the INR 122 crores (USD 15 million) they initially intended to raise. Green bonds are critical to ensuring that funds raised from investors are used for environmentally friendly projects. For context, the Indore government's green bonds have an interest rate of approximately 8.25%, which is relatively high for a government bond. While foreign investors prefer to purchase green bonds in dollars, the Reserve Bank of India recently conducted the government's first-ever sale of green bonds, with most of the bonds being purchased by state-owned banks and insurance companies. The Indore municipal government recently issued green bonds and received a commitment to raise five times more than their initial goal. Green bonds are essential to ensuring that funds raised are used for environmentally friendly projects, and they provide governments and companies with access to capital at a lower interest rate.

How does Inflation affect the stock markets?

Inflation refers to the increase in the prices of goods and services during a given period of time. For instance, if the price of onion is INR 30 per kg this year and increases to INR 36 per kg the next year, the inflation rate for onion will be 20%. In India, the government releases two types of inflation data, namely the Wholesale Price Index (WPI) and the Consumer Price Index (CPI). The Wholesale Price Index is calculated based on the wholesale prices of three major groups, namely Primary Articles (such as cereals, paddy, and wheat), Fuel & Power (such as petrol and LPG), and Manufactured Products (such as textile, wearing apparel, and leather products). The weightage for each of these groups in the WPI index is 23%, 13%, and 65%, respectively. On the other hand, the Consumer Price Index measures retail inflation of commonly used goods and services and is divided into eight categories, namely Education, Communication, Transportation, Recreation, Clothes, Foods and Beverages, Housing, and Medical Care. CPI measures inflation at the final consumer level, while WPI measures it at the producer level.

The Reserve Bank of India (RBI) uses CPI as an inflation indicator since 2014, replacing WPI, making it the most important data to determine interest rates. The RBI typically targets to keep inflation under check and, therefore, gives a lot of importance to CPI data. The RBI's tolerance limit for CPI is 6%, which means that if inflation remains above 6%, it needs to take strong measures to keep it below 6%. If inflation remains above 6% for three consecutive quarters, RBI needs to send a report to the central government explaining the reasons for the 'Failure to maintain inflation target.' High inflation means more money supply chasing fewer goods and services, leading to price increases. Therefore, RBI is compelled to increase interest rates, leading to people saving more in bank deposits, reducing the money supply, and ultimately reducing the prices of goods and services. If people save more through fixed deposits, equity markets tend to consolidate or underperform since equity is considered a risky asset, and people tend to reduce their allocation towards the equity market. Another reason for equity underperforming is that when interest rates are higher, companies tend to pay higher interest costs for raising capital, which eats into their profit margins, thereby reducing their overall profitability and stock prices.

When comparing India's CPI with that of Europe and the US, it is essential to consider the Repo rate, which is the rate at which RBI loans money to commercial banks. The Repo rate is used by the RBI to manage inflation, meaning that if inflation is high, the RBI will hike the Repo rate. Ideally, the gap between CPI and Repo rate should be 0. In India, the CPI is 6.50%, and the Repo rate is also at 6.50%. In the US, the CPI is at 6.4%, and the fed fund rate is at 4.75%. This implies that inflation is higher than the Fed fund rate, and therefore, the Fed has to increase interest rates to the level of CPI to bring inflation under control. In Europe, the condition is worse, with Euro Area inflation at 8.6%, and the Repo rate is 3.25%. Thus, compared to the US and Europe, RBI has done a commendable job in keeping the inflation rate and Repo rate at the same levels, thereby keeping inflation in check.

Why did Tata launch Zudio when it already owns Westside?

The Tata Group is one of the most well-known conglomerates in India, and among its various brands, Zudio and Westside stand out as two distinct clothing brands. However, it may come as a surprise to many that Zudio and Westside are, in fact, the same company. The question then arises, why would a company maintain two separate brands in the same industry? The reason behind this decision lies in the concept of product positioning. The space these brands occupy in the minds of consumers is more important to the company than the space they would save by sharing stores. Loss of brand recall from consumers would cost them more than the rent they pay for separate stores for both brands.

Westside is positioned for the mid to high-segment audience on the slightly mature side. It is known for its superior quality and consciously making style simple for every moment. People who love Westside go there for their superior quality. On the other hand, Zudio is positioned for the mid to low-segment audience on the slightly younger side. It is for people who love fashion trends at great pocket-friendly rates. If Westside were to start selling Zudio kind of clothes, and try to trade them off for a cheap price, their main customers won't buy them. Even though the Indian market is extremely price sensitive, including the mid to high-segment, they still won't buy it. This is because people don't care about how much a shirt costs, they care about its looks and feel. And since Westside customers are shopping from them not for price but for quality, they will lose trust in the brand. Losing customer trust and loyalty is costlier than paying rent for separate Westside and Zudio stores.

Another reason for this decision is that Westside failed in tier 2 cities, which destroyed the company's plans for tier 3 and 4. Consumers in these areas want great prices, and premium clothing does not interest them. Also, Westside didn't spend much on brand awareness in these regions, probably because they couldn't establish a good enough proof of concept there. Their product range was also not correctly positioned for tier 2-3-4 cities because they have subtle designs. Tier 2-3-4 is becoming trend-conscious and needs more trendy designs, which Westside could not deliver. They couldn't even pivot Westside to cater to the local needs in tier 2-3-4 because that would again ruin its brand perception. Westside had plans for expansion pan-India in many more cities, but since they were not able to reach profitability in tier 2, they understood that they could expand to 2 dozen cities at max. And hence, Zudio was born. With Zudio, they want to have the first mover's advantage in the tier 2-3-4 and the newly trend-conscious Bharat. Since tier 2-3-4 is totally dominated by the unorganized sector, Zudio was able to easily create its niche in the market with a stronger brand than theirs. With better trends to offer than what was already available in the market and matching their prices, it has the potential to dominate that market.

Thus, the company wants to have a clear distinction between the two in the minds of consumers to avoid confusion and loss of brand recall. Westside failed to capture the tier 2 market due to its pricing and subtle designs, which led to the creation of Zudio, catering to the newly trend-conscious Bharat. With Zudio, the company hopes to dominate the tier 2.

What should you consider while buying term insurance?

Have you ever wondered if your term insurance policy is providing you with adequate protection or if it is worth the money you are paying for it? Are you sure of what riders to add to your policy? If you are not in the mood to read a lengthy article but want a consolidated checklist with an explanation, you have reached the right place.

1. Did you select the appropriate Sum Assured? It is important to choose a cover that is not too low and leaves you under-protected, or too high and wastes your hard-earned money.

2. Did you choose the appropriate duration for your policy? The term should not extend past your retirement age, but it can be shorter if your liquid and near-liquid assets can cover your existing liabilities and the future expenses of your dependents.

3. Did you select a policy that allows you to increase the Sum Assured? The ability to increase coverage is an excellent feature that allows you to raise the coverage at various life events such as marriage, childbirth, and an increase in income.

4. Did you choose a policy that allows you to decrease the additional Sum Assured? Reducing the increased sum assured helps align the coverage with your protection needs and increases the value of your money, as the requirement for coverage generally decreases over time.

5. Did you select a policy with maturity benefits like the Return of Premium (RoP) at the end of the policy term? Term insurance policies with maturity benefits are usually more expensive than regular policies and may not be the best use of your hard-earned money.

6. Accidental Death Benefit Rider: This rider increases the coverage but is of little consequence if your base sum assured is appropriate. Opting for it may not be the best use of your money.

7. Critical Illness Rider: This covers you for expenses and loss of income arising due to critical illnesses. Watch out for the number and type of diseases covered, as well as the exclusions around pre-existing diseases.

8. Accidental Disability Rider: This is a crucial cover, but most insurers only cover permanent and total disability. Comprehensive standalone insurance is a better cover for protection.

9. Waiver of Premiums Rider on Critical Illness: This is helpful and ensures that the term insurance coverage continues even when you are unable to pay the premiums due to expenses towards the treatment of critical illness.

10. Waiver of Premiums Rider on Disability: This is helpful and ensures that the term insurance coverage continues even in the case of permanent disability, which could imply a loss of future income and increased expenses.

11. Fill out the proposal form yourself with diligence, identifying all material and relevant information. This is the single most crucial factor that will ensure that claims will be settled. Even if it means going through medical tests or increasing the premium, do it.

12. Identify an insurer with a high claims settlement ratio, smoother claim process, and quick turnaround time for claims settlement. A higher claims settlement ratio and a smoother process will ensure that your nominees will have to go through less hassle in the event of untimely death.

How did Patanjali become a leading FMCG brand in India?

In 2016, Patanjali seemed poised to become the dominant player in the Indian market, with many believing they would surpass established brands like Unilever and Dabur. However, in 2017, Patanjali experienced a shocking setback and almost lost its credibility. This is the story of Patanjali's rise, fall, and resurgence. At one point, it appeared that Patanjali was unstoppable due to the powerful personal brand of Baba Ramdev, a high level of trust among consumers, and widespread distribution. However, competitors like HUL and Dabur were not overly concerned, realizing that Patanjali was making a rookie mistake. While some believe that Patanjali's shift from Ayurveda to FMCG was the biggest reason for its failure, it was, in fact, the combination of Ayurveda and FMCG that was its unique selling proposition (USP).

Back in 2016, Patanjali was seen as a major threat to established brands like Unilever and Dabur, and many thought it would dominate the Indian market. However, the company failed in 2017 and almost lost its credibility. Patanjali had initially succeeded in combining Ayurveda with FMCG, which appealed to consumers who wanted natural products. However, they made the mistake of focusing too much on Swadeshi recall (patriotism) instead of maintaining the quality of their products. This led to the over-stretching of the brand, and people became sceptical about the company's intentions. Patanjali's aggressive marketing, combined with the mismanagement of quality, led to brand fatigue. However, Patanjali has since improved its product quality and concentrated on producing truly natural products. Despite competition from other natural product brands, Patanjali's status as the only true Indian champion in the segment gives it an advantage over major FMCG brands. The real competition for Patanjali now comes from within the company.

Several Ayurveda firms and startups are gradually acquiring a larger portion of the market, and some may emerge as dominant players. Patanjali is putting in a lot of effort to regain consumer trust in this sector. However, they are unlikely to stop introducing new products. Despite this, their strategy of expanding into every segment has proven unsuccessful in the past. It is strange for an Ayurveda and FMCG firm to sell both saris and sports t-shirts, but Patanjali seems to be fixated on this approach.

COMPLIANCE UPDATES

Greenvissage

Goods and services tax

Revocation of GST Registrations Businesses whose GST registrations were cancelled for non-filing of returns can now apply for revocation of the cancellation by June 30, after paying the due taxes, interest, and penalty. The finance ministry has amended the Central GST act, stating that businesses whose registrations were cancelled on or before December 31, 2022, and who did not apply for revocation within the prescribed time, can now apply by June 30, 2023. (Financial Express)

Appellate Tribunals for GST Disputes Finance Minister Nirmala Sitharaman proposed amendments to the Finance Bill on Friday to establish appellate tribunals that will resolve disputes related to the Goods and Services Tax (GST). Last month, the GST Council authorized the creation of such tribunals to hear appeals against orders passed by the appellate or revisional authority. The establishment of GST Appellate Tribunals was a contentious issue between the Centre and the states, and it took several months for them to reach an agreement on the matter. (Times of India)

Six-digit HSN code rule now effective Notification no. 78/2020 – Central Tax dated October 15, 2020, had made it compulsory for taxpayers to mention a valid six-digit HSN code for their outward supplies, with an annual aggregate turnover of more than 5 crores, in any financial year. This was deferred until April 1, 2023, and therefore, the same shall be effective from the new financial year and has been implemented on all GST portals. (GSTN)

Registration of one-person companies The Goods and Services Tax Network (GSTN) has issued an advisory concerning the GST registration of One Person Companies. According to the Companies Act, 2013, a company with only one person as a member is called the One Person Company. Some individuals registering as One Person Company had earlier encountered issues while applying for GST registration. After analyzing the problem, GSTN discovered that the One Person Company option was not available on the GSTN portal as it is not included in the form notified by CGST/SGST Acts. As a workaround, GTSN has recommended that in Part B of the GST Registration Form REG-01, the applicant can choose the Others option under the Business Details tab in the Constitution of Business section if they want to register for GST as One Person Company. After selecting the Others option, the applicant should mention One Person Company in the text field and follow the standard registration application steps to complete the process. (GSTN)

(For queries or more information about goods and services tax, contact our colleague Ashish at ashish.gandhi@greenvissage.com)

Income tax

Linking PAN with Aadhar The deadline for linking PAN (Permanent Account Number) with Aadhaar has been extended to 30th June 2023. Failure to link PAN with Aadhaar by this date will result in the PAN becoming inoperative from 1st July 2023. During this period, no refund will be made against such PANs, interest will not be payable on such refunds, and TDS (Tax Deducted at Source) and TCS (Tax Collected at Source) will be deducted/collected at a higher rate. The inoperative PAN can be made operative again in 30 days after intimation of the Aadhaar and payment of a fee of Rs. 1,000. However, those exempted from linking PAN with Aadhaar include individuals residing in certain states, non-residents, non-citizen individuals, and those aged 80 or above. As of now, over 51 crore PANs have already been linked with Aadhaar. (Income Tax)

Investments under India-Mauritius DTAA The Bombay High Court has declared that investments made before April 1, 2017, can be exempted from taxes on capital gains under the India-Mauritius double taxation avoidance agreement (DTAA) as long as a valid tax residency certificate (TRC) is provided. This ruling is expected to provide investors with more assurance. Investments made after the cutoff date are not eligible for tax exemption due to a treaty revision in May 2016. Furthermore, the court reversed the Authority of Advance Rulings' (AAR) decision to reject the taxpayer's request for a DTAA benefit and sent the case back to the authority for additional consideration of the taxpayer's argument. (Financial Express)

Direct Tax Collection According to provisional data released by the Ministry of Finance, Direct Tax collection increased by 17.63 per cent to INR 16.61 trillion in FY23, surpassing the Revised Estimate (RE) on this metric. In FY22, the collection stood at INR 14.12 trillion. This growth is being attributed to improved business performance despite external headwinds. The increased revenue collection could potentially aid the government in meeting its fiscal deficit target for FY23. In terms of total gross collection, corporate tax accounted for over INR 10 trillion, exhibiting a growth rate of 16.91 per cent from the preceding year's INR 8.58 trillion. (Business Standard)

Foreign remittances under tax scrutiny The Indian income tax department has identified 89 high-risk foreign remittance cases with a suspected tax evasion amount exceeding INR 100 crore each. These cases are related to high-value remittances made in FY20 and FY21 and were identified using data analytics. The Central Board of Direct Taxes (CBDT), the highest governing body for direct taxes, instructed relevant assessing officers to commence verification and send notices to these transactions flagged as suspicious in an internal instruction on March 28. One official stated that the income declared by the assessee in these cases was not proportionate to the money sent abroad. The Indian government has introduced measures such as collecting a 5 per cent tax at source (TCS) on certain foreign outward remittances exceeding INR 7 lakh to capture these transactions in the system and analyze them to uncover tax evasion. The budget for this year proposed that any outward remittances for purposes other than medical treatment and education would incur a 20 per cent TCS on the entire value effective July 1. (Economic Times)

Fake donations to political parties under tax scanner The Indian Income Tax Department has issued show-cause notices to 3,500 taxpayers regarding donations made to fake political parties in FY 2018-19, with the possibility of up to 83% tax and penalties if the donations are not proven to be genuine. The department could also impose penalties of up to 200% on the tax liabilities. The department conducted a nationwide search in July 2020 to identify various registered unrecognized political parties that were formed only to accept bogus donations. The parties then returned cash to the beneficiaries after deducting commissions of 1-6 per cent against cheques or RTGS. The donors claimed 100 per cent deductions in their income tax returns, saving up to 30 per cent on tax depending upon their income slab. Salaried persons, proprietary businesses, and some companies have also been found to have taken advantage of these deductions. The income tax department has issued notices to 15,000 more beneficiaries of bogus donations for FY 2019-20 and FY 2021-22. Those who receive notices have to submit a reply with their reasons for the donations, failing which they would have to pay the tax and penalties. (Economic Times)

Changes from April 1 The financial year 2023-2024, which starts on April 1, will bring several changes to India's tax system. The most significant change is the reduction of the number of income tax slabs from six to five. A standard deduction of INR 50,000 has been introduced, which could be claimed by salaried individuals and pensioners. The government has made the new tax regime the default option for taxpayers. If an individual does not file their income tax return by the deadline, they will not be able to opt for the old tax regime. One of the significant changes is the removal of the indexation benefit available on debt mutual funds. This means that capital gains from debt mutual funds will be taxed in the same way as interest earned from bank fixed deposits. The government has also removed the threshold earlier available for the deduction of tax from online game winnings. As a result, every rupee earned from playing online games will be subject to TDS. The government has put a limit on the tax-free proceeds one can get from life insurance policies. If the total amount of premium paid on life insurance policies exceeds INR 5 lakh in a financial year, then maturity proceeds will be taxable. The government has also put a limit on the maximum deduction that can be claimed from capital gains arising from the sale of residential property under Section 54 and Section 54F. The maximum amount of capital gains exemption that can be claimed is now INR 10 crore. On the other hand, the tax exemption limit on leave encashment has been hiked to INR 25 lakh. The government has offered relief to individuals who are not required to file ITR. The definition of 'Specified Person' has excluded those individuals who are not required to file ITR. The government has also hiked the limit under the presumptive scheme for professionals and self-employed individuals, subject to certain conditions. (Economic Times)

■ **Relief to REITs and InVITs** The changes in Finance Bill 2023 have brought relief to REITs and InVITs by suggesting that the distribution from business will be considered as a return of capital. Initially, during the Union Budget announcement on February 1, the government had proposed to tax the income distributed by business trusts, such as REITs and InVITs, as debt repayments that would be taxed by the unitholders. However, the government has now proposed amendments to the Finance Bill 2023 to reduce the tax impact on REITs and InVITs. (Economic Times)

■ **Increase in withholding taxes for Royalty** The finance minister Nirmala Sitharaman announced an increase in the withholding tax rate on royalties and fees for technical services earned by non-resident companies to 20% from 10%, through the amendments made to the Finance Bill, 2023 on Friday. While some companies are covered by double taxation avoidance agreements and may still benefit from the lower tax rate, experts warn of a higher compliance burden as documentation will still be required. The withholding tax is usually paid by Indian companies and the impact of this move on policies is still being assessed. (Financial Express)

■ **New mobile app for viewing AIS** The Income Tax department introduced a mobile app named 'AIS for Taxpayer' which enables taxpayers to access their TDS/TCS, interest, dividends, and share transactions information through the Annual Information Statement (AIS) and Taxpayer Information Summary (TIS). Additionally, the app offers a feedback option to users. (Financial Express)

■ **E-verification of income tax return** Nitin Gupta, the chief of the Central Board of Direct Taxes (CBDT), announced on Monday that 68,000 cases of under-reporting or non-reporting of income in tax returns for the 2019-20 fiscal year have been identified by the income tax department for e-verification. The e-verification process notifies taxpayers about discrepancies between the Annual Information Statement (AIS) and the filed income tax returns. Taxpayers can either explain the discrepancies or submit updated returns in response to the e-verification notice. (Economic Times)

(For queries or more information about income tax, contact our colleague Sneha at sneha.halder@greenvissage.com)

Customs and foreign trade

■ **CBIC waves interest and penalty due to technical issues** The Central Board of Indirect Taxes and Customs (CBIC) has waived the interest payable by importers between April 1 and April 10 due to technical issues related to the Electronic Cash Ledger (ECL). The CBIC had planned to phase in the use of ECL for importers and exporters starting April 1, but importers faced challenges with making payments. After receiving complaints, the revenue secretary held a meeting with the GSTN and asked the technology provider to fix the glitch. (CBIC)

■ **CBI to Investigate Custom officers involved hawala** The Central Bureau of Investigation (CBI) has initiated an investigation into the network of hawala operators that helped six customs superintendents deliver their bribe money across the country. The CBI is also investigating more customs officials who may have used a similar method to transfer their bribe money. Recently, the CBI searched the premises of a customs clearing agent, Deepak Parekh, and his assistant, Ashish Kamdar, and found messages and evidence related to the payment of bribes via hawala. The CBI had already registered six cases against customs superintendents and had arrested five of them, as well as Parekh and Kamdar. The six accused superintendents had helped Parekh import goods by misusing 'transfer of residence' rules and undervaluing the items in exchange for bribes. (Times of India)

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Corporate and allied laws

■ **Audit Trail rule effective from April 1** The Ministry of Corporate Affairs (MCA) in its notification dated March 24, 2021, announced that all companies which use accounting software to maintain their books of account have to use only accounting software that has a feature of recording an Audit Trail of every transaction, creating an edit log of each change made in books of account along with the date such changes were made and ensure that the audit trail cannot be disavowed later. The MCA had later deferred the effective date for the aforementioned changes to April 1, 2023, indicating that accounting software used by businesses would need to be compliant with the Accounts Rules as of that date. The companies are now required to follow the mandatory audit trail requirements from FY 2024 onwards. (MCA)

■ **SEBI issues circular to strengthen buyback rules** The Securities and Exchange Board of India (SEBI) released a circular on March 8, to outline new restrictions regarding bids, price, and volume for companies seeking to buy back their shares through the exchange route. Currently, companies can buy their shares back through the tender offer or buyback route on the bourses. However, SEBI's operational guidance circular now mandates that companies cannot purchase more than 25% of the average daily trading volume (in value) of their shares or other specified securities in the ten trading days before the purchase. The company is also prohibited from placing bids during the first and last 30 minutes of a regular trading session. The purchase order price must be within ±1% of the last traded price, according to the circular. (SEBI)

(For queries or more information about corporate and allied laws, contact our colleague Adnan at adnan.ginwala@greenvissage.com)

Finance and banking

■ **NCPI to charge merchants fees for UPI** The National Payments Corporation of India (NPCI) has announced that starting April 1, 2021, Unified Payments Interface (UPI) transactions made by merchants for amounts over Rs. 2,000 will incur a fee of 1.1%. This fee will be charged to the merchant and not the customer. The NPCI has stated that this move is aimed at encouraging the adoption of digital payments by small merchants and ensuring a level playing field for all players in the ecosystem. The new fee will apply to all UPI QR code-based transactions and UPI merchant transactions made through payment service providers.

■ **Five cooperative banks under RBI restrictions** The Reserve Bank of India (RBI) has placed limitations on the operations of five cooperative banks starting from February 24 due to their poor financial conditions. These banks are HCBL Co-operative Bank Ltd, Uravakonda Co-operative Town Bank Ltd, Adarsh Mahila Nagari Sahakari Bank Maryadit, Shimsha Sahakara Bank Niyamitha, and Shankarrao Mohite Patil Sahakari Bank Ltd. These banks are not allowed to take in new deposits or issue loans without the prior authorization of the central bank. Additionally, the RBI has imposed partial restrictions on deposit withdrawals for three of the banks and complete restrictions on the other two. (Moneycontrol)

■ **RBI requests banks to review agreements with Fintech** The Reserve Bank of India (RBI) has requested banks to review their agreements with fintech companies, almost seven months after introducing digital lending regulations. The purpose of this review is to identify key aspects of the agreements, such as which party has ownership of the customer, who is responsible for assessing customer creditworthiness, and who bears the credit risk. The aim is to ensure that banks have complete control over the underwriting process and assume full credit risk in the event of defaults. Highly placed sources suggest that the RBI is seeking a report on these agreements from banks. (Business Line)

■ **RBI levies fine on Amazon Pay** According to a statement released by the Reserve Bank of India (RBI) on March 3, Amazon Pay has been fined INR 3.06 crore for failing to adhere to the know your customer (KYC) regulations. The central bank has accused the company of also being non-compliant with certain provisions of Prepaid Payment Instruments (PPIs). (Moneycontrol)

(For queries and more information about banking and finance, contact our colleague Kethaan at ksparakh@greenvissage.com)

Accounting and management

In Focus: Theory of Constraints

The Theory of Constraints (TOC) is a management philosophy developed by Eliyahu M. Goldratt in the 1980s. The theory is based on the idea that every system has at least one constraint or bottleneck, that limits its overall performance. The TOC identifies these bottlenecks and provides a framework for managing and improving them to increase the overall efficiency and effectiveness of the system.

The TOC consists of five steps, which are:

Identify the system's constraints: The first step is to identify the bottlenecks in the system that limit its performance. These bottlenecks can be physical, such as a machine that has limited capacity, or organizational, such as a policy or process that creates a bottleneck.

1. Exploit the constraints: The next step is to exploit the constraints by maximizing their output and minimizing their downtime. This can be achieved by reducing setup times, improving maintenance schedules, and using scheduling techniques to optimize the use of the bottleneck resource.

2. Subordinate everything else to the constraints: The third step is to subordinate everything else in the system to the constraints. This means aligning all other processes and activities with the bottleneck to ensure that they do not create additional constraints or waste resources.

3. Elevate the constraints: The fourth step is to elevate the constraints by investing in new technologies, processes, or resources to increase their capacity and remove the bottleneck.

4. Repeat the process: The final step is to repeat the process by returning to step one and identifying new constraints in the system. This creates a continuous improvement cycle that drives ongoing optimization and improvement of the system.

The TOC is used in a wide range of industries and applications, including manufacturing, healthcare, logistics, and project management. By identifying and managing bottlenecks in the system, the TOC can help organizations increase their productivity, reduce waste, and improve their overall performance.

(For queries or more information about accounting, contact our colleague Rahul at rahul.mundada@greenvissage.com)

Payroll and personal finance

■ **SEBI introduces ASBA facility for equity margin** The Securities and Exchange Board of India (SEBI) has introduced several significant changes for investors during its latest board meeting. Currently, when a stock is purchased, the purchase amount is debited from the buyer's account, but it takes about 24 hours before the stock is received in the Demat account. This delay is due to the money being passed through multiple intermediaries, including the broker. To reduce the number of intermediaries involved and ensure that investor money is utilized more effectively, SEBI has introduced a new feature called Application Supported by Blocked Amount (ASBA). Under ASBA, when a stock is purchased, the money is blocked in the buyer's bank account until the stock is received, eliminating two intermediaries - the broker and the clearing member. The National Payments Corporation of India will lead this movement, and the money will be directly settled with the Clearing Corporation. This move will reduce the risk of investors losing money if any intermediary fails, improve transparency, and give end-to-end control of their money to the investors. (SEBI)

■ **SEBI introduces emergency funds for debt markets** The Securities and Exchange Board of India (SEBI) has announced the launch of an emergency fund called the Corporate Debt Market Development Fund. This fund will provide support to debt funds that primarily invest in corporate bonds in case of serious financial issues. This move ensures that the funds have enough money to give to their customers in case of high withdrawal requests, and investors don't face any risk of not receiving their money on time. Additionally, SEBI has approved steps like regular disclosure of media reports and rumours by listed companies, periodical shareholder approval for any director serving on the board of a company, and strengthening mechanisms to address complaints by clients. Furthermore, SEBI is taking steps to provide more products like ESG mutual funds, ease of doing business, and transparency. (SEBI)

■ **EPFO declares interest rates** The Central Board of Trustees (CBT), the highest decision-making body of the Employees' Provident Fund Organization, decided at its meeting on Tuesday to offer an interest rate of 8.15 per cent on EPF for the years 2022–2023. CBT chose an interest rate of 8.5% on EPF deposits for the years 2020–21. For its approximately five crore subscribers, EPFO has reduced the interest on EPF for 2021–2022 to a four-decade low of 8.1% in March 2022, from 8.5% in 2020–2021. The EPF interest rate had not been this low since 1977–1978 when it was 8%. (NDTV Profit)

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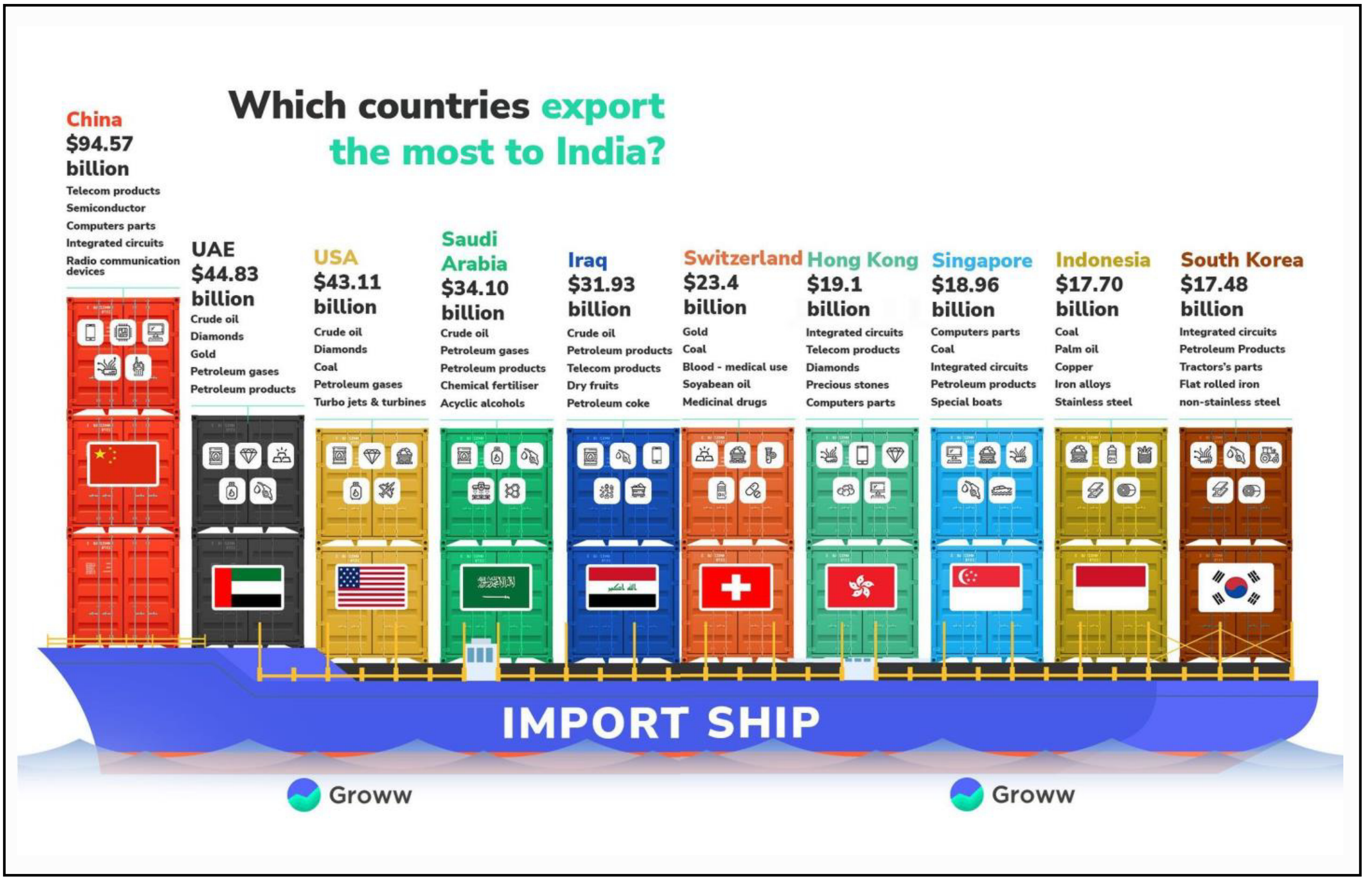

BUSINESS NEWS

Greenvissage

Government

Blacklisting of nations for data privacy According to the Minister of State for Electronics and Information Technology in India, the country is considering blacklisting certain nations to prevent the flow of data from those countries. The move is aimed at ensuring the safety and security of India's data, particularly in the wake of recent concerns about data privacy and security. The minister did not disclose which countries were being considered for blacklisting but stated that the government would take a decision based on security concerns and national interest. The move is expected to impact the flow of data across various sectors, including e-commerce and social media. (Economic Times)

New natural gas pricing formula The Indian government has approved a new natural gas pricing formula that includes a ceiling price to lower the cost of compressed natural gas (CNG) and piped cooking gas. The revised guidelines stipulate that natural gas produced from legacy or old fields should be priced at 10 per cent of the monthly average of the Indian Crude Basket and notified monthly. Gas produced by ONGC and Oil India from their nomination blocks will be subject to a floor and a ceiling, with a capped price of USD 6.5 per million British thermal units (mmBtu) and a floor price of USD 4 per mm Btu. These caps and floor prices will be in place for two years, after which rates will increase by USD 0.25 per mmBtu annually. The revised formula is based on the recommendations of the Kirit Parikh committee. The pricing change will result in a decrease in prices of PNG and CNG sold to automobiles, with a potential 10% reduction in prices of PNG across cities. (Indian Express)

New rules for online gaming companies The Ministry of Electronics and Information Technology (MeitY) has issued final rules for online gaming in India, following draft regulations published in January. The new rules require the government to appoint multiple self-regulatory organisations (SROs) composed of industry representatives, educationists, and experts such as child specialists and psychologists. The SROs will be responsible for declaring online games permissible based on whether games offer to wager. The government will initially appoint three SROs but may add more later. The SROs can declare an online real money game permissible if they are satisfied that it "does not involve wagering on any outcome." The rules also mandate a mandatory KYC verification of online gamers, and gaming intermediaries will have to display the credentials of the SRO that registered and approved the game through its website and mobile app. SROs will be empowered to resolve user complaints through a grievance redressal mechanism. (The Economic Times)

Government contemplating GPS for toll collection Even after the FASTag system was put in place, the government still lost INR 12,000 crore a year as a result of long lines at toll booths. The government is preparing to roll out a new technology that will collect tolls without the use of toll booths by using GPS and satellite data instead. The new system, according to Minister of Road Transport and Highways Nitin Gadkari, will use technology to ensure efficiency, lower infrastructure and labour costs, and enable toll collection in outlying areas without significant infrastructure investment. Additionally, the new technology will enable more efficient economic operations and lower the cost to the economy of trucks sitting in line. Since 2019, the licence plates necessary for this new GPS toll technology have been distributed. The new system can be used to charge based on how much road is used and is scalable. The European Electronic Toll Service (EETS), a successful implementation of this GPS toll technology, enables frictionless travel between EU member states. The UPI-based FASTag system, which is used for automatic deduction, has a 96% penetration rate in India. A new bill will be passed to address this problem because India does not have any laws that would penalise anyone for avoiding toll taxes. (News18, NDTV)

Economies

5G deployment in India With 387 districts already having 5G network coverage, India is expected to complete its 5G mobile coverage by the end of 2024. Regarding the adoption of 4G and 5G technology, the nation is currently in negotiations with 18 other nations. By the end of March of this year, the program's first phase had already served 200 cities, beating its original target by one month. India is also becoming a major producer and exporter of telecom equipment, and in the upcoming years, it is anticipated that overseas mobile sales will reach $10 billion. The nation's emphasis on technological development demonstrates its determination to take the lead in the digital world. (Techfastly)

Italy bans ChatGPT Italy has become the first Western nation to outlaw ChatGPT, the well-known AI chatbot created by American startup OpenAI. During an investigation into a possible violation of Europe's stringent privacy laws, the Italian Data Protection Watchdog last week ordered OpenAl to temporarily stop processing the data of Italian users. The regulator, also known as Garante, gave the example of an OpenAl data breach that allowed users to see the titles of conversations that other users were having with the chatbot. (CNBC)

FDIC takes control of Silicon Valley Bank A run on deposits destroyed Silicon Valley Bank's plans to raise new capital, leading to the second-largest bank failure in American history. Utilizing a brand-new organisation called the Deposit Insurance National Bank of Santa Clara, the Federal Deposit Insurance Corporation claimed to have taken control of the bank. Businesses with large deposits at the bank are unlikely to receive their money anytime soon because depositors with funds exceeding insurance caps will receive receivership certificates for their uninsured balances. With $209 billion in assets as of December 31, the bank ranks as the 16th largest in the United States. Since the financial system came dangerously close to collapsing in 2008, it is by far the largest bank to fail, second only to the collapse of Washington Mutual. (Wall Street Journal)

Latest employment report of the United States According to the February jobs report, the United States labour market continued to perform better than expected in February, adding more than 300,000 new jobs despite persistent inflation and the Federal Reserve's aggressive rate hikes. More than anticipated, the U.S. economy added 311,000 jobs last month, but the unemployment rate increased slightly to 3.6% due to a rise in labour force participation. With the unemployment rate remaining unchanged at 3.4%, economists had anticipated that the economy would create 225,000 new jobs last month. Investors were closely monitoring January's jobs data, which came in much stronger than expected but was, in the opinion of some observers, boosted by seasonal factors and warm weather, before the report to see if there had been any revisions. (Bloomberg)

Ranveer Singh most valuable brand celebrity The eighth edition of Kroll's Celebrity Brand Valuation Study, titled "Beyond the Mainstream," has just been released. Kroll is a provider of global risk and financial advisory solutions. Based on brand values derived from their brand endorsement portfolios and relative social media presence, the study ranks India's most influential celebrity brands. The estimated USD 1.6 billion (bn) total brand value of the top 25 celebrities in 2022 represents a rise of 29.1% from 2021. With a brand value of USD 181.7 million, Ranveer Singh becomes the most valuable celebrity of 2022, according to the report's key findings. With a brand value of USD 176.9 million, Virat Kohli took second place, while Akshay Kumar maintained his third-place position. (BrandStory18)

Autonomous Racing League in Abu Dhabi The Abu Dhabi Autonomous Racing League touted as the biggest autonomous racing league in the world is about to begin. The league aims to advance Research and Development in autonomous vehicle technology while pushing the boundaries of autonomous mobility and artificial intelligence. The Abu Dhabi Autonomous Car Race, which will feature the Dallara-built Super Formula cars, the fastest vehicles outside of Formula One, will serve as the league's inaugural race. The Abu Dhabi Autonomous Racing League seeks to create low-risk methods of lowering fuel consumption and carbon emissions while raising the performance and safety requirements for commercial transportation and motorsports. The league will also have an open development model that encourages testing, greater innovation, and quicker progress. (Techfastly)

Corporates

Adani Power inaugurates a power plant in Jharkhand Adani Power Limited (APL) has announced the inauguration of its first 800 MW thermal power generation unit in Godda, Jharkhand, India. APL has also begun supplying Bangladesh with 748 MW of power generated by the plant. The Godda Power Plant is expected to improve the power supply in Bangladesh by replacing expensive liquid fuel power generation, which will reduce the cost of power purchased. The power plant is also part of the Adani Group's plan to generate 10,000 MW of power in Jharkhand and is expected to create jobs and stimulate economic growth in the region. The Godda Power Plant, which uses ultra-super-critical technology and advanced techniques for controlling emissions and coal and water consumption, is expected to be one of the most efficient and environmentally friendly thermal power plants in the world. (Business Today)

■ **Tata AIG becomes the lead insurer for Tata Group** Tata AIG General Insurance, along with other insurance firms, and has secured the mandate to provide Air India and its subsidiary Air India Express with insurance coverage worth USD 10 billion. The airline will be paying a premium of USD 30 million (INR 246 crore) for the upcoming financial year. Tata AIG General Insurance, a joint venture with AIG of the US, has been chosen by Tata Sons, the new owner of the airline, to be the lead insurer for Air India. The lead insurer will take on more risk and receive a larger share of the premium, around 36 per cent, as compared to other members of the consortium. Other insurers in the consortium include GIC, United India Insurance, Oriental Insurance Company, and ICICI Lombard General Insurance. Air India plans to add more aircraft this financial year and has therefore increased its coverage to USD 10 billion, as compared to the previous year's coverage of USD 8 billion. Despite the war in Ukraine, the airline managed to obtain good insurance rates for its entire fleet. (Business Standard)

■ **Reliance launches fashion brand Tira** Reliance Retail has launched Tira, an omnichannel beauty retail platform, aiming to increase competition in India's beauty and personal care market. Reliance Retail, which already has a presence in various retail sectors including apparel, grocery, luxury, footwear, electronics, and jewellery, also opened the flagship Tira store in Mumbai's Bandra Kurla Complex. People familiar with the company's plans said that the Tira store format could be scaled up to 100 cities in India, with the format varying according to locations. The launch of Tira further intensifies the competition in the Indian beauty and personal care market, which has already been seeing a rise in the number of players and brands in recent years. (Mint)

Startups

■ **Gaming Startups express concerns over new gaming rules** Homegrown gaming startups such as Nazara Technologies, Dream11, WinZo Games, and Mobile Premier League (MPL), among others have expressed concerns about the implementation of the Indian government's newly introduced online gaming rules. The gaming startups have requested more clarity on the legislative overlap between the central government and state governments on the matter. The new rules have been defined clearly, but gaming executives are concerned that state governments could still prosecute or probe gaming platforms while adhering to the norms unveiled by central authorities. Betting and gambling are state subjects under the Indian constitution and have wide definitions, meaning that states have the power to ban gaming platforms within their jurisdiction under local laws. The gaming executives have requested that the Ministry of Electronics and Information Technology (MeitY) release frequently asked questions (FAQs) to clear the air around the matter. The gaming startups have also urged the Centre to spell out more clarity on the new know-your-customer (KYC) mandates unveiled under the recent IT Rules amendments. (Inc42)

■ **Latest UPI transaction statistics** In March 2023, PhonePe, Google Pay, and Paytm, owned by Walmart, continued to dominate India's UPI payments space, processing 94% of payments. The top three apps accounted for nearly 96% of all UPI transactions by value, translating to about 841.91 Crore transactions worth INR 13.44 Lakh Crore between the three apps, according to data from the National Payments Corporation of India. PhonePe remained the top UPI app, processing 407.63 Crore transactions worth INR 7.07 Lakh Crore, commanding a 46.38% market share in terms of transaction count, while Google Pay was at the second spot, processing 305.44 Crore UPI transactions worth INR 4.83 Lakh Crore. (Inc42)

Meesho receives legal notice over frequent returns An e-commerce seller from Ahmedabad has reportedly sent a legal notice to the e-commerce platform Meesho over what they describe as unfair trade practice. The notice alleges that most of the seller's order deliveries have been met with return requests citing reasons such as damaged or wrong products, despite the seller claiming that the returned products were not damaged upon receipt. The seller blames courier partners for neglecting their duties and leading to loss and hassle. The seller has called for the e-commerce platform to offer proper resolutions to such issues, while a Meesho spokesperson claimed the platform allows sellers to choose their preferred logistics provider, with approvals reportedly increasing by 2x since January. (Inc42)

Rules for cab aggregators in Maharashtra The Maharashtra government has established a six-member committee to develop draft norms for regulating online cab aggregators in the state. The committee will be led by ex-IAS officer Sudhir Shrivastava and include other senior officials from the traffic and transport departments. The panel will study rulings on online cab aggregators by the Bombay High Court and the Supreme Court to create a draft of the rules. The new guidelines will empower the state government to prosecute non-compliant platforms. The rules are expected to cap surge pricing, strengthen consumer redressal systems, and include other safety measures. The committee will submit its report in three months. (Inc42)

Conglomerates

Adobe launches AI tool Firefly A new artificial intelligence tool from Adobe called Firefly will allow users to quickly edit images by typing commands. The creation of image and text effects is the primary goal of the first Firefly model. Firefly uses generative Al to create a paintbrush based on something already present in an image, which can be used to automatically alter the photo or image a user is working on. The launch of Adobe's new product coincides with a pivotal turning point for both Adobe and Al in general. In September, the business paid $20 billion for the design tool Figma, announcing at the time that it would incorporate features from other products. (CNBC)

Meta launches AI tool LLAMA The Large Language Model Meta Al (LLAMA), a new language model from Meta, has been made available for non-commercial use by affiliated organisations and researchers. As tech companies race to incorporate the technology into their products, the LLaMA model, trained on 20 languages with a focus on the Latin and Cyrillic alphabets, is a competitor in the AI arms race. It is claimed to require "far less computing power than previous offerings" and is made to generate content, including sentences that sound as though they were written by humans, as well as information summaries. Al is emerging as a promising area for investments in technology, so Meta's announcement is seen as a step in testing their generative Al capabilities so they can be integrated into their products in the future. (Techfastly)

Snapchat releases an AI tool powered by ChatGPT A chatbot powered by OpenAI's ChatGPT called 'My AI' has been released by Snapchat. The chat tab of the app will feature the bot, which aims to integrate more people into daily life. The bot will initially only be accessible to $3.99 per month subscribers of Snapchat Plus, but eventually, it will be made available to all 750 million monthly users of Snapchat. My Al is intended to be more constrained in what it can respond to than OpenAl's own ChatGPT interface to uphold the company's trust and safety standards. Additionally, it has more personality, giving the impression that it is a Snapchat friend user can hang out with rather than a search engine. (Techfastly)

Tesla to face investigations once again Following two reports that the steering wheels on Tesla's Model Y SUV can detach while being driven, US auto safety regulators are looking into the matter. An estimated 120,000 vehicles from the 2023 model year are covered by the investigation. In both instances, the steering wheels on the Model Ys were held on by friction fitting instead of the missing bolt that connects the wheel to the steering column. (Techfastly)

ECONOMIC INDICATORS

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ECONOMIC INDICATORS

Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Dec-22	4.40	6.30
Inflation (%)	Feb-23	6.44	6.53
Unemployment (%)	Mar-23	7.80	7.50
Trade Balance ($m)	Feb-23	(17.43)	(17.75)
Business confidence	Mar-23	133.00	134.00
Manufacturing PMI	Mar-23	56.40	55.30
Services PMI	Mar-23	57.80	59.40

Commodities Future

Commodity	Expiry	Price	%
Gold	Apr-23	60,515.00	8.57
Silver	Mar-23	74,554.00	15.74
Crude Oil	Feb-23	6,594.00	1.45
Natural Gas	Feb-23	168.20	(30.98)
Aluminum	Feb-23	206.55	(1.36)
Copper	Feb-23	770.50	1.74
Zinc	Feb-23	247.65	(7.73)

Global Indices

Index	Country	%
NIFTY 50	India	1.07
BSE SENSEX	India	1.18
INDIA VIX	India	(12.04)
NIFTY BANK	India	1.37
DOW JONES	USA	4.94
NASDAQ	USA	8.52
S&P 500	USA	6.30
FSTE 100	UK	(0.09)
NIKKEI 225	Japan	(2.22)
SHANGHAI COM	China	3.02
MOEX	Russia	10.20
CAC 40	France	1.44
DAX	Germany	1.10
S&P ASX 200	Australia	0.98
BOVESPA	Brazil	(2.70)
KOSPI	South Korea	4.00
HANG SENG	Hong Kong	5.23

Currency Exchange Rates

Pair	Current	Prior	%
INR/1 USD	81.98	82.26	0.35
INR/1 GBP	102.08	98.52	(3.61)
INR/1 EUR	89.34	87.32	(2.31)
INR/100 YEN	62.42	60.27	(3.57)

Cryptocurrencies

Pair	Crypto	Price	%
BTC/USD	Bitcoin	27,911.60	24.88
ETH/USD	Ethereum	1,836.06	17.28
USDT/USD	Tether	1.00	(0.02)
BNB/USD	Binance	310.60	7.51

Small Savings Schemes

Scheme	Current	Prior	%
SSCS	8.20	8.00	0.20
SSA	8.00	7.60	0.40
NSC	7.70	7.00	0.70
PPF	7.10	7.10	-
KVP	7.50	7.20	0.30

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