





## ● VEGETABLE INFLATION HITS 14-MONTH HIGH IN SEPT

# Soaring vegetable prices push food inflation to 3-month high

SANDIP DAS  
New Delhi, October 14

**RETAIL FOOD INFLATION** rose sharply to a three-month high of 9.24% in September, compared to 5.66% in August as prices of vegetables soared, and edible oils entered the inflation zone.

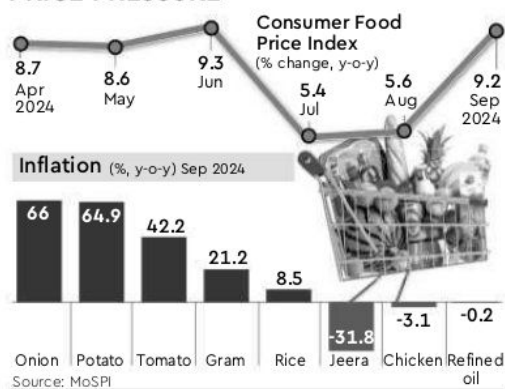
The consumer food price index (CFPI), rose by 1.17% sequentially in September compared to August. In September last year, the food inflation rate was 6.62%.

The jump in food and beverages inflation in September compared to August was largely led by vegetable inflation, which surged to a 14-month high of 36% in September from 10.7% in the previous month.

Inflation in onion and potato prices rose by 66% and 64.9% respectively in September. Tomato prices rose by 42% last month on account of base effect. Tomato prices declined sharply by 47% in August because high prices prevailed a year ago.

According to the agriculture ministry, output of potato and

### PRICE PRESSURE



onion in the 2023-24 crop year (July-June) is projected at 56.76 million tonne (MT) and 21.23 MT, a decrease of 6% and 20% respectively. Deflation in edible oils which had continued for the one year till August, 2024 turned the corner with inflation of 2.47% in cooking oils price in September due to a hike in import duties. Inflation in mus-

tard was 6.31% last month.

Inflation in pulses was 9.8% in September from 11.3% in August, as prices have softened due to prospects of robust kharif harvest and imports.

Retail inflation in pulses has been in double digits since June 2023 because of a lower output of key varieties of pulses like chana, tur and urad.

The gram split variety of pulses reported the highest price rise of 21.2%. The price rise in arhar and urad were 11.44% and 9.4% respectively last month on year.

Overall cereal inflation in September was 6.84% in September from 7.31% in August – driven by decrease in rice and wheat prices. Inflation in wheat came in at 6.71% last month. Retail rice prices rose by 8.26% last month compared to 9.57% in August.

The government has commenced open market sale of rice to bulk buyers from the surplus stock of Food Corporation of India at a subsidised rate of ₹ 28/kg. The government has also lifted curbs on rice exports.

"The current rise is attributed to the increased prices of vegetables which went up 36% y-o-y. With a normal monsoon in the current year, we expect fresh supplies to hit the market in coming days and the food prices to moderate," Sujan Hajra, chief economist, Anand Rathis shares and stock brokers.

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# Festive Demand may Help Clear Auto Sales Jam

Car sales see modest 0.5% growth in the first half of this fiscal year; cos bet on good monsoon, upcoming wedding season to drive demand

**Our Bureau**

**New Delhi:** The festive season is expected to spark a revival in passenger vehicle sales in India, helping reduce high inventory levels, said Shailesh Chandra, President of the Society of Indian Automobile Manufacturers (SIAM). Sales have sharply slowed this fiscal after two years of roaring demand since the pandemic. This has led to an increase in stocks at dealerships. Chandra said stocks are on the "higher side", without specifying a figure.

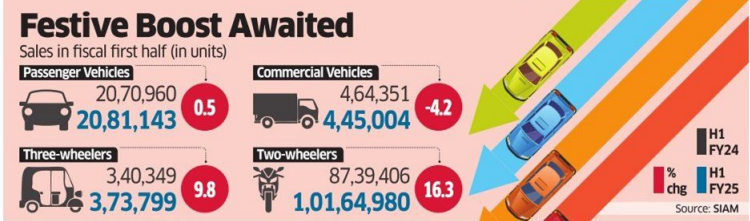
Sales of cars, sedans and utility vehicles rose 0.5% from a year earlier to about 2.08 million units in the fiscal first half ended September, showed data issued by SIAM. The industry body releases data on vehicle wholesales or factory dispatches to dealerships and not retail sales.

Passenger vehicle sales in India had increased by 8.4% to a record

4.22 million units in FY24.

"The expectation was slightly better than (sales growth being) flat-ish. While April was good, sales in May and June did not play out as per expectation, which impacted industry volumes adversely. In September too, two weeks of Shraddh (considered by consumers as inauspicious for new purchases) affected retails. But, now with the start of festival period, sales on-ground seem to be doing well," said Chandra. He said in the first 10 days of October, retail sales of passenger vehicles rose 30-35% over the year-earlier period. However, the high growth came on a low base.

In the rural markets, good monsoons and bountiful harvest is expected to put more money in the hands of customers, boosting demand during the festive season, extending till the wedding season starting November. Partho Banerjee, senior executive officer (marketing and sales)



at Maruti Suzuki said the company saw positive traction during Onam and Ganesh Chaturthi festivals. "During Onam, our bookings went up by 11%, and retail sales by 5%. Even during Shraddh, bookings were up by 5%. These deliveries will take place during Navratri and Diwali. There should be an overall growth in festive sales," Banerjee said earlier this month.

However, Chandra said even if the demand momentum rebounds in the fiscal second half, passenger vehicle sales will grow at less than 5% in FY25 due to the high base of last fiscal.

Commercial vehicle sales fell by 4.2% to 445,004 units in the six months ended September. Two-wheeler sales rose by 16% to nearly 1.02

million units led by stronger demand in urban markets. Three-wheeler sales too rose by 9.8% to 373,799 units.

"The high base is the main reason (for flat growth in car sales). Last year, the industry recorded 4.2 million unit annual sales. The demand is strong and that is why the domestic sales remain at that level. Generally, at a CAGR (compound annual

growth rate) level, the growth rate of the industry is similar to the level of GDP. So, it should be 6-8% (just like GDP) in the coming years," Chandra pointed out.

In the September quarter, Chandra said the Indian auto industry reported a "reasonable performance", growing by 8.9%. Two-wheelers and three-wheelers reported strong growth of 12.6% and 6.6% respectively. But sales of passenger vehicles and commercial vehicles fell due to heavy rainfall in key states. Passenger vehicle sales declined by 1.8% to over 1.05 million units in the September quarter though it marked the surpassing of the 1 million mark in quarterly sales for the third time. CV sales fell by 11% in the same period. "With the rains easing and continued infrastructure spending, and the arrival of the festive season boosting consumption, we anticipate healthy demand in the next (third) quarter," Chandra said.





**ANNOUNCEMENT AT RBI@90 CONFERENCE**

# **RTGS Soon in Dollar, Euro and Pound: RBI**

## **Our Bureau**

**Mumbai:** The Reserve Bank of India may consider widening the scope of the Real Time Gross Settlement System (RTGS) to the settlement of transactions in US dollars, euros and pound sterling, governor Shaktikanta Das said on Monday.

An expanded RTGS using major trade currencies would accelerate access to cheaper cross-border payments and remittances. The RBI has often spoken of the need for more cost-effective cross-border payment systems, with deputy governor T Rabi Sankar stating in September 2023 that the prevailing high costs for cross-border remittances were “simply unconscionable”.

“The feasibility of expanding RTGS to settle transactions in major trade currencies such as USD, EUR and GBP can be explored through bilateral or multilateral arrangements,” Das said at the RBI@90 conference in New Delhi. “India and a few other economies have already commenced efforts to expand linkage of cross-border fast payment sy-

stems both in the bilateral and multilateral modes,” he said.

The RTGS, which is used to transfer funds between banks on a real-time basis, is maintained by the RBI.

In July, the central bank unveiled the Project Nexus initiative to interlink the domestic instant payment systems of India with Malaysia, the Philippines, Singapore and Thailand.

Cross-border payment linkages under bilateral pacts have already been set up with Singapore, the UAE, Mauritius, Sri Lanka and Nepal.

Highlighting the potential of central bank digital currencies (CBDCs) to enable efficient cross-border payments, Das said harmonisation of standards and interoperability would be required to facilitate this process.

“A key challenge could be the fact that countries may prefer to design their own systems as per their domestic considerations. I feel we can overcome this challenge by developing a plug-and-play system that allows replicability of India’s experience while also maintaining the sovereignty of respective countries,” he said.



# Growing AI use raises cyberattack risks: RBI governor

Anshika Kayastha

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MUMBAI

**R**eserve Bank of India (RBI) governor Shaktikanta Das on Monday warned that a growing reliance on artificial intelligence raises the risks of cyberattacks and data breaches, potentially threatening the country's financial stability.

While technological advancements such as AI and machine learning (ML) have opened up new avenues of business and profit expansion for financial institutions, these technologies also pose financial stability risks.

"The heavy reliance on AI can lead to concentration risks, especially when a small number of tech providers dominate the market. This could amplify systemic risks, as failures or disruptions in these systems may cascade across the entire financial sector," Das said at the RBI@90 High-Level Conference organised by the central bank in New Delhi. His speech was later released on the central bank's website.

AI's opacity makes it difficult to audit or interpret algorithms that drive decisions, which could potentially lead to unpredictable consequences in the markets, Das said, adding that banks and financial institutions must put in place adequate risk mitigation measures against it.

Das also touched upon the challenges from growing digitalisation of financial services, citing the example of liquidity stress caused by rumours and misinformation that can "spread very quickly", given deep social media presence and vast access to online bank-



Reserve Bank of India governor Shaktikanta Das. PTI

ing and instant money transfers. "Banks have to remain alert in the social media space and also strengthen their liquidity buffers," he said.

RBI, in a recent draft circular, had proposed 5% additional liquidity buffers for digitally-linked bank deposits to mitigate risks from quick withdrawals through internet and mobile banking. While banks have sought relaxation, the final norms are still awaited.

Das said central banks today face risks from the divergence in global monetary policies—from monetary easing in some economies to tightening in a few and a pause in several other economies—could lead to volatility in capital flows and exchange rates.

"We saw a glimpse of this with the sharp appreciation of the Japanese Yen in early August which led to disruptive reversals in the Yen carry trade and rattled financial markets across the globe," he said.

Second, the rapid expansion in private credit markets with limited regulation poses risks to financial stability, particularly since they have not been stress-tested in a downturn.

*For an extended version of this story, visit [livemint.com](https://livemint.com)*

**RBI, in a recent draft circular, had proposed 5% additional liquidity buffers for digitally linked bank deposits**



# Car sales crawl in H1, eye on festive revival

Underwhelming performance is set to drag overall growth forecast

Alisha Sachdev & Anubhav Mukherjee

NEW DELHI

**T**he Indian passenger vehicle (PV) market saw slower-than-expected growth in the first half of FY25, with a modest growth rate of just 0.5%, below the initial expectations of 3-4% forecast by the Society of Indian Automobile Manufacturers (Siam), data released by the industry body on Monday showed.

The underwhelming performance is poised to drag down the overall annual growth forecast, setting the stage for tempered expectations for the full year, even as automakers look to the ongoing festival season to deliver positive tidings.

Siam president Shailesh Chandra expressed disappointment in the market's H1 performance, pointing to a series of unforeseen events in May, June, and September, which dampened momentum. "Three out of six months in the first half were lower than expected, which led to this kind of a decline," Chandra told *Mint*. "There were multiple factors—elections, heatwaves, and heavy rains in certain regions—contributing to this flat growth."

Chandra acknowledged that while H2 could bring stronger growth, the full-year numbers are unlikely to meet the initial 5-8% target, with growth expected at less than 5%. In April-September, PV dispatches from automakers were up 0.5% to 2,081,000 units, against 2,071,000 units during the same period last year. In September, PV dispatches were down 1.4% year-on-year, according to Siam data.

While the festive season in April initially boosted expectations, the market failed to maintain the desired momentum in subsequent months. Sales in early October, however, showed promising signs, with a 30-35% increase in vehicle registrations compared to September, carrying the hopes of a rebound in the second half



Siam president Shailesh Chandra expressed disappointment in the market's H1 performance, pointing to a series of unforeseen events dampening momentum. **REUTERS**

of the year, Chandra said.

Despite the challenges in H1 FY25, Siam is cautiously optimistic about a gradual recovery in the second half, buoyed by festive sales and new model launches. But the industry is bracing for a slower-than-expected year, with full-year growth likely to fall short of projections.

"I definitely believe that high single-digit growth in the second half of the year is imperative for the industry. This expected growth will be driven by intrinsic demand, which should increase, alongside OEMs' efforts to enhance the demand scenario in the country," Chandra told *Mint*.

In response to the sluggish demand, many automakers have introduced discounts in an effort to excite the market. However, Chandra cautioned against viewing this as a long-term shift in consumer behaviour. "There has been a tactical strategy by manufacturers to bring

more attractive models at the lower variants, but I wouldn't read too deeply into this. It's more about demand activation rather than a permanent trend," he said.

Customers are also delaying purchases in anticipation of better options or better prices, for both IC-engine and electric vehicles. However, Chandra explained that the electric vehicle market, being a new technology segment, is seeing a worse-off impact of the demand downturn as customers slow down their decision making, especially as government subsidies are gradually scaled back.

"Top barriers for EV adoption—price, range, and charging infrastructure—are improving, but remains a challenge," said Chandra. "The Centre's focus on investing in charging infra is crucial to driving this segment forward," he said, referencing the allocation of ₹2,000 crore for setting up 22,000 charging stations for cars.

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< 5%

Growth expected in FY25 following a demand slowdown



**IN BID TO BOOST CORE EQUITY CAPITAL**

# **SBI May Raise up to ₹5k crore Via AT-1 Bond Issue**

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**Bhaskar Dutta**

**Mumbai:** State Bank of India is likely to raise up to ₹5,000 crore through the issuance of additional tier-1 (AT-1) bonds next week as the country's largest mass lender looks to boost its core equity capital amid strong demand for credit in the economy.

"The exact quantum is yet to be finalised but based on latest discussions, they (SBI) are likely to raise up to ₹5,000 crore through AT-1 bonds with a 10-year call option next week," a market source said on condition of anonymity.

AT-1 bonds are perpetual bonds, which have certain equity-like characteristics and features. These instruments are used by banks to augment their core equity capital.

Over the past couple of years, banks have faced pressure to mobilise funds through higher deposit rates or bond issuances as

credit growth has outstripped deposit growth although the extent of that gap has started to moderate over the past couple of months.

So far in the current financial year, SBI has issued infrastructure bonds worth a total of ₹20,000 crore. In September, SBI had raised funds worth ₹7,500 crore through tier-2 bonds. The lender had raised the same quantum through tier-2 bonds in late August as well.

Bonds issued by SBI typically bear the lowest coupon rates—or interest rates paid to investors—due to the bank's government ownership and status as the country's largest lender.

As on September 20, bank credit growth was at 14.4% year on year, while deposit growth was at 12% over the same period, latest RBI data showed. The figures exclude the impact of the merger between HDFC and HDFC Bank.



# ICAI moves to shield young CAs from burnout

KR Srivats

**T**he recent decision by the Institute of Chartered Accountants of India (ICAI) to form a specialised group to recommend measures aimed at ensuring a better work-life balance for Chartered Accountants (CAs), especially young professionals, has sparked much-needed discussions within the profession. This initiative, coming on the heels of the tragic demise of 26-year-old Anna Sebastian, a CA employed by the audit firm SR Batliboi, part of the EY Global network, underscores the growing urgency to address issues of workplace pressure and burnout. Anna's unfortunate passing has thrown a spotlight on the strenuous routines and demanding environments that young CAs, especially those working in multinational networks, are subjected to.

Anna Sebastian's death, allegedly linked to work-related stress, has reverberated throughout the CA community, raising questions about the often-overlooked mental and physical toll of the profession. While the work of a CA is known to be challenging, particularly in audit firms where deadlines are tight and client expectations high, there is a growing recognition that the system is broken when young professionals are driven to exhaustion. The fact that many of these young individuals are newly-qualified, energetic, and eager to prove their mettle only makes them more vulnerable to exploitation. In firms like SR Batliboi, and across the Big Four audit networks, employees are often expected to put in long hours, especially during the peak audit seasons. The intense workload, combined with rigid deadlines, often leads to young CAs experiencing high levels of stress and an imbalance between their professional and personal lives, says industry insiders. While many enter the profession with dreams of stability, the reality often involves a punishing work culture.

## ICAI'S ROLE

The ICAI's move to set up a dedicated group to look into these concerns is a welcome step, but it must be viewed as just the beginning. The goal of this group, say senior CAs, should not only be to create guidelines but also to ensure that tangible steps are taken to improve working conditions across the industry. The exploitation of young CAs, whether through excessive hours, unrealistic expectations, or a toxic work environment, needs to be

addressed at both regulatory and cultural levels. Firms must be made to adhere to a cap on working hours, with policies that prevent excessive overtime, especially during audit seasons. Just as labour laws protect workers in many other sectors from being overworked, similar protections need to be enforced for CAs.

## ENSURING ACCOUNTABILITY

Multinational firms, such as EY, and their member firms such as Batliboi, often follow a global playbook that demands results without necessarily considering local working conditions.

In such firms, the pressure to meet international standards, achieve financial targets and maintain client satisfaction often trickles down to the youngest employees, resulting in a deeply exploitative work culture. One of the major challenges in addressing this issue is that these networks often have layers of management and internal policies that protect them from external scrutiny.

To ensure young CAs are not exploited, multinational firms must be held accountable for the well-being of their employees, said a senior CA, not willing to go on record. One way to do this is by enforcing stricter reporting mechanisms where employees can confidentially raise concerns about work pressure and exploitation. ICAI, as the regulatory body, can mandate that firms undergo regular audits to ensure compliance with work-life balance norms and implement penalties for firms that fail to meet these standards. Furthermore, multinational networks should be encouraged to adopt local work culture practices, ensuring that they do not blindly impose international workloads on their Indian employees.

While regulatory changes are crucial, a long-term solution requires a shift in the very culture of how work is perceived within the accounting profession. The idea that gruelling hours and extreme stress are the price of success needs to be dismantled. Young professionals must be taught that their mental and physical health is just as important as meeting a deadline or completing a client project.

By fostering a supportive and collaborative environment, firms can reduce the toxic competition that often leads to overworking. Senior CAs and firm partners should lead by example, encouraging a culture where work-life balance is prioritised and where taking time off is not seen as a weakness. This would ensure a conducive environment to work.



# ‘Divergence in global monetary policy may cause volatility in exchange rates’

**EXPLORING OPTIONS.** RBI Governor calls for expanding RTGS system to dollar, pound and euro

**Shishir Sinha**  
New Delhi

Divergence in global monetary policy could lead to volatility in exchange rate, Reserve Bank of India Governor Shaktikanta Das said on Monday.

He advocated for expanding the Real Time Gross Settlement (RTGS) system to include the US dollar, the British pound and the Euro.

Das was addressing a high-level conference, ‘Central Banking at Crossroads’ here to mark 90 years of the Reserve Bank.

## CAPITAL FLOWS

The divergence in global monetary policies — ranging from monetary easing in some economies and tightening in a few to pauses in several — could lead to volatility in capital flows and exchange rates, which may disrupt financial stability, he said.

He cited the sharp appreciation of the Japanese yen in early August as an example,

which triggered disruptive reversals in the yen carry trade and unsettled the financial markets worldwide.

Das’ remarks come at a time when, last month, the US Federal Reserve cut its policy interest rate by 50 basis points while the Bank of Japan kept its interest rate unchanged, as did India’s Monetary Policy Committee.

Now, the European Central Bank (ECB) is expected to announce a 0.25 per cent rate cut.

## FINANCIAL STABILITY

Meanwhile, Das also listed some other emerging risks to financial stability. Private credit markets have expanded rapidly with limited regulation.

“They pose significant risks to financial stability, particularly since they have not been stress-tested in a downturn,” he said.

Additionally, he noted that higher interest rates, aimed at curbing inflationary pressures, have increased debt servicing costs, fuelled finan-



**TAKING STOCK.** RBI Governor Shaktikanta Das speaking at the high-level conference, ‘Central Banking at Crossroads’, in New Delhi on Monday PTI

cial market volatility, and posed risks to asset quality.

Stretched asset valuations in some jurisdictions, he warned, could trigger contagion across the financial markets, leading to further instability.

“The correction in commercial real estate (CRE) prices in some jurisdictions can put small and medium-sized banks under stress, given their large exposure to this sector.”

“The interconnectedness between CRE, non-bank financial institutions (NBFI),

and the broader banking system amplifies these risks,” he added.

## NEW TECHNOLOGY

Talking about changes brought about through the better use of technology, he said that India is one of the few large economies with a 24x7 RTGS system.

“The feasibility of expanding RTGS to settle transactions in major trade currencies such as US dollar, euro and British pound can be explored through bilateral or multilateral arrangements,”

he said, adding that India and a few other economies have already commenced efforts to expand the linkage of cross-border fast payment systems, both in bilateral and multilateral modes.

Praising India’s digital public infrastructure (DPI), he highlighted that it has enabled the creation of high-quality digital financial products with significant potential for facilitating cross-border payments.

## START-UP ECOSYSTEM

India is now home to the world’s third most vibrant start-up ecosystem, with over 1.4 lakh recognised start-ups, more than a hundred unicorns, and over \$150 billion in funding raised.

“India’s experience in DPI can be leveraged by other countries to improve and usher in a global digital revolution,” he said.

While digitalisation has accelerated financial services and improved efficiency globally, it also presents challenges for central banks.



# Experts warn about implementation challenges for PM internship scheme

MANU KAUSHIK

New Delhi, October 14

**EVEN AS THE** PM internship scheme portal is open and applications are pouring in, concerns are being raised over implementation challenges the well-intentioned scheme could face.

Experts argue that the stipend of ₹5,000 per month offered to each intern (for one year) might not be sufficient for a skilled worker since the scheme specifically talks about training youth with “valuable skills” and gain work experience.

“For a skilled role, a stipend of ₹5,000 per month may not be sufficient, especially in the metros and tier-I cities across the country. Companies may have to shell out more stipend to retain these interns,” said head of a leading staffing firm, on condition of anonymity. Corporates may require to spend additionally to create the physical infrastructure and manpower for training the interns.

## PROS & CONS

**80,000**

internship opportunities posted by 216 companies across 24 sectors

**155,000**

candidates have registered on the portal



■ **Low stipends, poor visibility on end results, lack of infra are key constraints**

■ Experts argue that the stipend of ₹5,000 per month offered to each intern (for one year) might not be sufficient for a skilled worker

Also, the participating companies paying extra stipend over and above the ₹5,000 cap might not be able to offset such expenses against the corporate social responsibility (CSR) spending, they said.

The other big scepticism around the scheme is the low visibility on its actual outcome. For instance, the

scheme intends to produce a large number of skilled and semi-skilled people who will be employed to do high-quality work at high-paying jobs after their internships is over.

“The apprehension is that many of these interns may end up getting jobs—at the end of their internship—in the existing low-value jobs

ecosystem with minimum wages,” said head of a hiring firm.

Experts said that India can learn from the German Dual Vocational Training (GDVT), a programme partly operated by the German government for the past few decades. “In this programme, in 90% of the cases, the interns are hired for the jobs where they are interning. China has also adopted this model due to its successful run,” said the head of hiring firm quoted above.

Given that the scheme envisages training of 10 million interns under the scheme over five-year period across top 500 companies, each company would roughly have to train 4,000 people every year. Some experts argue that many companies may not have this kind of training infrastructure.

However, Balasubramanian A, senior VP and business head at TeamLease Services, said many of his client companies have already digitised their training infra.





# Economics Nobel for inequality researchers

Trio wins prize for work on gaps in prosperity among nations, and how institutions affect economic progress

JEANNA SMIALEK  
14 October

The Nobel Memorial Prize in Economic Sciences was awarded on Monday to Daron Acemoglu and Simon Johnson, both of the Massachusetts Institute of Technology, and to James Robinson of the University of Chicago.

They received the prize for their work on the gaps in prosperity between nations, and for their research on how institutions affect economic progress. The laureates used both theory and data to better explain inequality between countries, according to the prize committee.

"Reducing the vast differences in income between countries is one of our time's greatest challenges," Jakob Svensson, chairman of the economics prize committee, said in a statement. "The laureates have demonstrated the importance of societal institutions for achieving this."

Their research has shown that the institutions that were introduced during European colonisation have helped to shape economic outcomes in the once-colonised countries.

"Rather than asking whether colo-



**Daron Acemoglu (left) and Simon Johnson (centre) are professors at the Massachusetts Institute of Technology, and James Robinson is a professor at the University of Chicago** PHOTOS: MASSACHUSETTS INSTITUTE OF TECHNOLOGY, UNIVERSITY OF CHICAGO

niaism is good or bad, we note that different colonial strategies have led to different institutional patterns that have persisted over time," Acemoglu said during a news conference after the prize was announced.

Their findings suggest that inclusive institutions tend to put countries on a pathway to longer-term prosperity, while extractive ones — designed to retain control — provide short-term gains for the people in power.

"Broadly speaking, the work that

we have done favours democracy," Acemoglu said. "But democracy is not a panacea." Democracy can be hard to introduce, he noted, and there are pathways to growth for countries that are not democracies, including rapidly tapping a nation's resources to ramp up economic progress. But he said that "more authoritarian growth" is often more unstable and less innovative. The laureates found that colonisation brought about a major change in global fortunes.

Places that were densely populated at the time of colonisation tended to be lorded over by authoritarian institutions, while those that were sparsely populated saw more settlers and established a more inclusive form of governance — if not quite a democratic one. That has led to a reversal of fortunes: While the Aztec empire was richer than North America at the time of early European exploration, today the US and Canada have outstripped Mexico in prosperity.

## FAVOURING DEMOCRACY

The research has shown that the institutions that were introduced during European colonisation have helped to shape economic outcomes in the once-colonised countries. Findings suggest that inclusive institutions tend to put countries on a pathway to longer-term prosperity, while those designed to retain control provide short-term gains for the people in power. "Broadly speaking, the work that we have done favours democracy," Acemoglu said.

"This reversal of relative prosperity is historically unique," the Nobel release explained. "If we look at the parts of the globe that were not colonised, we do not find any reversal of fortune." The legacy is still visible today. For an example, Acemoglu and Robinson pointed to Nogales, on the border of Mexico and Arizona.

Northern Nogales is more affluent than the southern part, despite a shared culture and location.

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## NEW BANDHAN CEO TO TAKE OVER IN NOVEMBER

# Derisking loans may be first order of business

MANOJIT SAHA  
Mumbai, 14 October

Partha Pratim Sengupta, who will take charge as managing director and chief executive officer (MD and CEO) of Bandhan Bank in early November, has his task cut out.

The Kolkata-based lender, which converted from a microfinance institution into a universal bank, is now in its 10th year of operation. Over the years, the bank has reduced the share of its microloan book; however, microloans still account for around 50 per cent of its total loan portfolio. At ₹61,910 crore, Bandhan's microloan book is among the largest in Indian banking.

One of Sengupta's key priorities will be to engineer a business transformation while gaining the confidence of all stakeholders, particularly the regulator. According to bankers, the Reserve Bank of India's (RBI's) discomfort with banks engaging in microloans was evident from last November's circular on risk weights. While increasing risk weights on consumer loans, the RBI exempted non-banking financial loans from higher risk weights on loans to microfinance customers. Banks, however, were instructed to raise the risk weight for their microloans.

"Bandhan has to lower the share of microloans and increase the share of secured loans. While doing so, it needs to maintain healthy margins and

return on assets (RoA)," said a senior banker.

The bank has maintained a net interest margin of 7.6 per cent in both quarters of 2024-25 (FY25) and the fourth quarter of 2023-24. It reported an RoA of 2.5 per cent in the first quarter of FY25, compared to 0.1 per cent in the preceding quarter and 1.9 per cent in the same period last year.

"Clarity on leadership should get the focus back on the bank's fundamentals and strategic direction to be undertaken moving forward," JM Financial said in a note.

The top position at Bandhan fell vacant after the surprise retirement announcement by its founder, Chandra Shekhar Ghosh. Sengupta previously served as a deputy MD and chief credit officer at State Bank of India and as MD and CEO of Indian Overseas Bank. With nearly four decades of experience, Sengupta served as chief general manager of the SBI Kolkata Circle from 2016 to 2018.

"Mr Sengupta's experience during his tenure at SBI Kolkata Circle will prove beneficial for Bandhan. However, we need visibility on the future strategy for the bank and any further changes in senior leadership," Axis Capital said in a report.

As the bank reduces its microloan business, a related challenge may emerge regarding human resources. Currently, Bandhan employs over 77,500, with around 45,000 focused on



## NUMBERS IN FOCUS

|   |                               |
|---|-------------------------------|
| <b>₹1.33 trillion</b><br>Total deposits           | <b>15.0%</b><br>CRAR          |
| <b>₹1.25 trillion</b><br>Total loans and advances | <b>1,700</b><br>Branches      |
| <b>33.4%</b><br>CASA ratio                        | <b>4,597</b><br>Banking units |
| <b>2.5%</b><br>RoA                                | <b>77,530</b><br>Employees    |
| <b>18.8%</b><br>RoE                               | <b>34.4 mn</b><br>Customers   |

As on June 30, 2024  
Note: RoE refers to return on equity  
CRAR refers to capital to risk (weighted) assets ratio

Source: Bandhan Bank

the microfinance sector. The microfinance business does not require a highly skilled workforce. As the share of that business decreases, reskilling and upskilling those employees for other lines of business will be crucial.

At the same time, Sengupta inherits

a bank that is in much better shape than it was a few years ago.

"Bandhan has seen high non-performing loan formation over the past two years, prompting it to tighten its credit screens. We believe the bank's asset quality is likely to do much better than other microfinance lenders, notwithstanding some uptick in stress in the coming quarters from broader stress in the microfinance environment," Jefferies said in a note.

Last week, another major overhang was cleared with the Credit Guarantee Fund for Micro Units settlement claim showing no negative implications for the bank. The National Credit Guarantee Trustee Company (NCGTC) will pay ₹314.68 crore to the bank, in addition to the ₹916 crore it paid in the first tranche last year. The bank also recovered ₹228 crore from written-off accounts that were part of this claim and will retain this recovered amount in addition to the claim payout from the NCGTC. Thus, the bank will recognise a total of ₹543 crore as part of other income in its profit-and-loss statement.

Some of Bandhan's other metrics are also healthy. The bank's capital adequacy ratio was 15 per cent as of the end of June. Deposit mobilisation, which recorded 22.8 per cent year-on-year growth, outpaced credit growth. The bank also operates 6,297 banking outlets, of which 4,597 are banking units that could be converted into branches in the future.



# RBI approves Tata Cap-TMFL merger

DEV CHATTERJEE  
Mumbai, 14 October

The Reserve Bank of India (RBI) has approved the merger of Tata Capital, an unlisted entity, with Tata Motors Finance (TMFL), paving the way for the formation of India's 12th largest non-banking finance company.

The RBI sent its "no-objection" to both companies earlier this month, according to the companies' regulatory filings.

As consideration for the merger, Tata Capital will issue equity shares to the shareholders of TMFL, resulting in Tata Motors holding a 4.7 per cent stake in the merged entity.

In September, the

## CREDIT TITANS

|                     | FY24 revenue (₹ cr) |
|---------------------|---------------------|
| Bajaj Finserv       | 110,382             |
| Power Fin Corp      | 91,508              |
| Bajaj Finance       | 54,972              |
| REC Ltd             | 47,517              |
| Max Financial       | 46,580              |
| TVS Holdings        | 40,248              |
| Shriram Finance     | 36,388              |
| Aditya Birla Cap    | 34,524              |
| LIC Housing Fin     | 27,277              |
| IRFC                | 26,645              |
| Chola Financial     | 25,830              |
| Tata Capital + TMFL | 23,169              |

Source: Capitaline, Compiled by BS Research Bureau

Competition Commission of India cleared the merger. The banking regulator's permis-

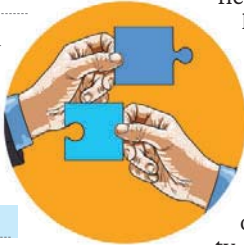
sion is key to moving the merger process forward, said a legal source.

The RBI's approval is crucial for the company, which is expected to list its shares by September next year, following an earlier mandate from the regulator that requires all non-banking financial companies classified as upper layer to list their shares by September 2025.

As of March 31, 2024, Tata Sons, the holding company of Tata Group, directly owns 92.83 per cent of Tata Capital's equity shares, with the majority of the remaining stake held by other Tata Group companies and trusts. Through this merger,

Tata Capital aims to attract new customers in the rapidly growing commercial vehicle and passenger car financing segments. The company plans to enhance customer service with digital offerings while providing unique growth opportunities for its employees.

In the past five years, Tata Sons has invested a total of ₹6,097 crore in Tata Capital, demonstrating the group's commitment to enhancing its lending business and transforming it into a retail-focused financial services firm. Tata Capital is also funding the needs of various Tata Group affiliates, including suppliers, vendors, and dealers.







# FM: Internship scheme looks to bridge gap in employability

**RUCHIKA CHITRAVANSHI**  
New Delhi, 14 October

The Prime Minister Internship Scheme is aimed at bridging the employability gap for students coming fresh out of college, Finance Minister Nirmala Sitharaman said on Monday.

Speaking at the 'Meet the Great Leaders' Programme at St Teresa's College, Ernakulam, in Kerala, Sitharaman said, "In a prospective employee, companies are looking for something more than just a suitable degree or qualification. This is because they don't have to spend months training them on the job."

The FM said that as of Monday, under the scheme, 39 companies from the top 500 in India have given 1,800 internship opportunities in Kerala. One-third of this is provided by companies in Ernakulam itself.

The internships here are being offered in diverse sectors, ranging from manufacturing, automotives & textiles, to banking, financial services, travel & hospitality. So far, over 91,000 opportunities have been posted on the internship portal and 155,000 applicants have registered themselves.

Highlighting the importance of financial literacy among children, Sitharaman said, "From childhood, we need to have financial education given to students. We should not wait for them to become adults to understand how to handle their money."

Sitharaman said India can be a leader in artificial intelligence (AI), machine learning (ML) and big data & analytics, which are guiding Industrial Revolution 4.0. It can achieve what the other countries could not.

She added, "It's largely led by young minds spending a lot of time in research & innovation. That's why India can be a leader in it because our youth is very talented & use innovations to create out-of-the-box solutions. Our aspirations are high and we want to achieve what other countries could not."



# 'RBI policy of not allowing crypto is a good approach'

India needs to improve on reducing regional inequalities and invest in human capital in order to become a developed country by 2047, AMIYATOSH PURNANANDAM, economist, University of Michigan, says in an interview with Ruchika Chitravanshi in New Delhi. He adds that the government needs to incentivise good long-term risk taking by banks to push private investment. Edited excerpts:

## India wants to become a developed country by 2047. Are we on the right track?

You need about 7-8 per cent growth rate for the next 25 years. And there's of course a whole lot of uncertainty. That will be very hard to give one precise answer. The infrastructure reforms undertaken are certainly in the right direction. This is because the return on infrastructure comes for a long period of time. What we lack, in my opinion, is fundamentally two things: one, investment in human capital. There's a whole lot of focus on investment in physical capital - which is great, you need that. But human capital is still lacking. And second, regional inequality is going to be a big make or break. If you look at people from Bihar, Jharkhand and eastern Uttar Pradesh, there's a massive inequality. How do you bring that part of your country up?

## Growth has been driven by public sector expenditure. So, what is it that we need to improve the performance of private investment?

You had good private investments till 2007 and 2008. A lot of that investment

was on the back of bad loans that were discovered later. When we cleaned up the banking sector, the hope was that private investments would pick up.



**AMIYATOSH PURNANANDAM**  
Economist, University of Michigan

When you improve the banking sector's non-performing assets (NPAs), sometimes banks become too risk averse. But then you are not making productive investments. So, we need to incentivise good long-term risk taking.

## How concerned are you about this over-financialisation in the Indian economy?

This obviously is a concern. Suppose a big crash happens, everybody starts losing money. The question is, will it stop there? Or will it require a bailout of systemic institutions? The whole financial chain from non-banking financial institutions (NBFCs) to banks

and trading companies, they're all interconnected in this. If there is a crash, it may have this spillover effect across the chain.

## Are you concerned about a situation like that — another financial crisis hitting us?

I am always concerned about a financial crisis. We all should always be concerned about a financial crisis because the job of policy makers and academics like us who work in this area is precisely that — when you sleep, that's when the thieves come. Yes, we are concerned, but the good news is that the Indian banking sector's ability to withstand this shock has improved a lot, because it is very well capitalised now.

## What are some of the risks that concern you?

Among potential sources of risk propping up in the Indian financial sector, unsecured debt will be one. A lot of trading by retail investors in these speculative markets will be another. The growth of fintech lending will be another one, which has a good side; nobody denies that.

## How do you handle fintech to balance innovation and strong regulation?

Some of the things that India has done have been absolutely marvellous, such as the way the payment system works in this country with the UPI. It has been a fantastic achievement. We have to worry about the financial crisis and risk. But we should not lose sight of the fact that there have been some fundamental things that have been done — same-day settlement in trade. The US is still not there. The solution to most of the problems is very simple. The question is whether there is a willingness to do that or not, which is more skin in the game.

## India has been sceptical of measures such as the Carbon Border Adjustment Mechanism (CBAM). What is your view?

I think there needs to be some sort of concession given to developing countries like India. Otherwise, politically, I don't see this happening. I do think that there is an uneven distributional issue where people who have already jumped through the curve of economic development through fossil fuels should help people who are struggling to get to a basic level of decent living standards.

## Going forward, what is the future of crypto currency? And what do countries like India need to do in order to prepare themselves against any risks that may befall us?

The whole premise of crypto is that we will escape all the regulation. There is no jurisdiction. And, it indeed is very cryptic. I think the RBI policy has been to not allow crypto in any meaningful way. In my mind, that's a good approach. Because it's a kind of financial innovation where the benefits are very small in my mind and costs are enormous.

## RBI has come up with its own digital currency — the Central Bank Digital Currency (CBDC).

It's like a solution, as I heard somebody say, looking for a problem. Crypto doesn't really solve any problem in my mind. So, I'm extremely negative on crypto, to put it very simply.



“THE INDIAN BANKING SECTOR'S ABILITY TO WITHSTAND A FINANCIAL CRISIS HAS IMPROVED A LOT, BECAUSE IT IS VERY WELL CAPITALISED NOW”

# Retail inflation rises to 5.49%, highest in CY24

Higher food prices, fading base effect behind surge; WPI inflation rises, too

SHIVA RAJORA  
New Delhi, 14 October

The retail inflation rate in the country, driven by a spike in food prices and a fading base effect, climbed to a nine-month high in September. At the same time, the wholesale inflation-rate, which reflects factory gate prices, also picked up pace.

The National Statistical Office (NSO) reported Monday that the consumer price index (CPI) rose to 5.49 per cent in September from 3.65 per cent in August. In December 2023, it was 5.69 per cent.

Meanwhile, wholesale price index (WPI)-based inflation, reported by the Ministry of Commerce and Industry, increased to 1.84 per cent in September from 1.31 per cent in August, fuelled by food price inflation jumping to 11.53 per cent from 3.11 per cent the preceding month.

Retail food inflation surged to 9.2 per cent in September from 5.66 per cent in August, driven by sharp price increases in fruit (7.65 per cent) and vegetables (35.99 per cent). However, price increases for cereals (6.84 per cent) and protein-rich items, such as eggs (6.31 per cent) and meat & fish (2.66 per cent), showed a modest deceleration.

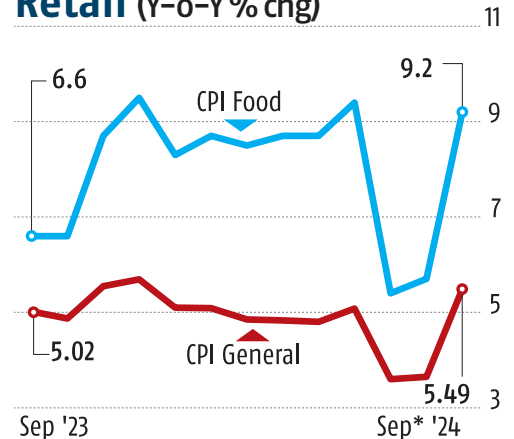
Despite these increases, retail inflation remains within the RBI's target range of 2 per cent to 6 per cent. Last week, the RBI's monetary policy committee (MPC) shifted its stance to neutral from a "withdrawal of accommodation" while holding the policy repo rate steady at 6.5 per cent for the 10th consecutive meeting. It also maintained its FY25 retail inflation forecast at 4.5 per cent. In his customary address, RBI Governor Shaktikanta Das had projected a "big jump" in retail inflation in September due to a combination of unfavourable base effects and increased food price pressures caused by the lingering effects of a shortfall in production of onions,

## INFLATION TRACKER

Retail inflation remains within RBI's target range of 2% to 6%

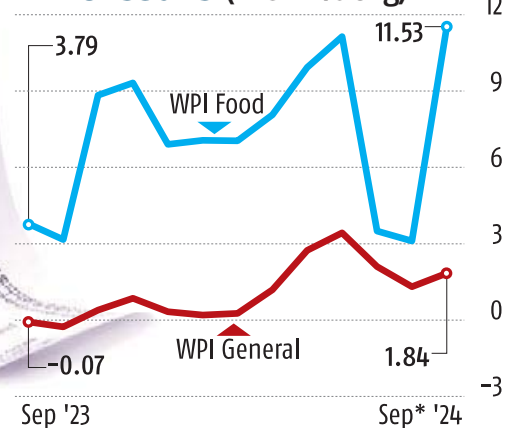


### Retail (Y-o-Y % chg)



Note: Sep figures are provisional

### Wholesale (Y-o-Y % chg)



Note: Aug and Sep figures are provisional

Sources: NSO, Ministry of Commerce and Industry

potatoes, and chana dal (gram) in FY24.

"The headline inflation trajectory, however, is projected to sequentially moderate in Q4 of this (financial) year due to good kharif harvest, ample buffer stocks of cereals, and a likely good crop in the ensuing rabi season. Unexpected weather events and worsening of geopolitical conflicts constitute major upside risks to inflation," Das had said.

Core retail inflation, excluding food and fuel, edged slightly higher to around 3.5 per cent in September. Prices rise for items like clothing and footwear (2.71 per cent) and services such as education (3.79 per cent), health (4.09 per cent), and personal care (9 per cent) accelerated, while fuel prices remained in deflation – down 1.4 per cent.

ICRA Ratings Chief Economist Aditi Nayar remarked that the significant rebound in September's CPI-based infla-

tion diminishes the likelihood of a rate cut following the October policy change. "For a rate cut in the December policy review, either the CPI-based inflation will need to flatten considerably below 5 per cent in the next print or GDP growth for Q2FY25 will need to significantly undershoot the MPC's expectations," she said.

On the wholesale front, inflation for manufactured products, which carry a 64.2 per cent weighting in the index, slowed to 1 per cent from 1.22 per cent in August. This was led by easing price increases in textiles, wood products, chemicals, pharmaceuticals, and rubber goods. Additionally, factory gate prices for fuel and power fell by 4.05 per cent, as diesel prices slid by 5.33 per cent and petrol by 7.47 per cent. Cooking gas prices decelerated slightly to 13.18 per cent.

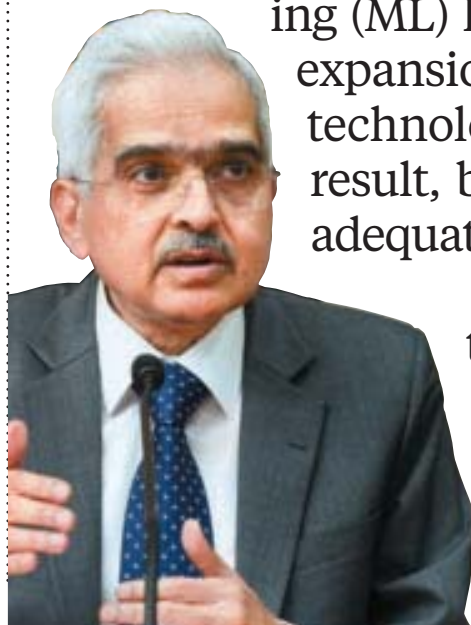


# Over-reliance on AI poses financial stability risks: Das

**SUBRATA PANDA**

Mumbai, 14 October

Reserve Bank of India (RBI) Governor Shaktikanta Das (*pictured*) on Monday warned that while artificial intelligence (AI) and machine learning (ML) have opened new avenues for business and profit expansion in the financial sector, over-reliance on these technologies could pose risks to financial stability. As a result, banks and financial institutions must implement adequate risk mitigation measures, he said.



“The heavy reliance on AI can lead to concentration risks, especially when a small number of tech players dominate the market. This could amplify systemic risks, as failures or disruptions in these systems may cascade across the entire sector,” Das said at an event in New Delhi.

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## Expanding RTGS to settle transactions can be explored, says Das

The growing use of AI introduces new vulnerabilities, such as increased susceptibility to cyberattacks and data breaches, Das said. "Also, AI's opacity makes it difficult to audit or interpret the algorithms that drive decisions, potentially leading to unpredictable market consequences," he said.

"In the ultimate analysis, banks have to ride on the advantages of AI and BigTech, and not allow the latter (these technologies) to ride on them," Das said.

The governor suggested that, given India's 24x7 real-time gross settlement system (RTGS), the feasibility of expanding RTGS to settle transactions in major trade currencies, such as the US dollar, euro, and British pound, can be explored through bilateral or multilateral arrangements. RTGS is a continuous, real-time settlement system developed by the RBI, enabling immediate, final, and irrevocable transfers between banks and financial institutions, both for customer and inter-bank transactions.

Das also highlighted efforts by India and other economies to link cross-border fast payment systems through both bilateral and multilateral modes. He noted that remittances are a key starting point for many emerging and developing economies, including India, to explore cross-border peer-to-peer payments. "There is immense scope to significantly reduce the cost and time for such remittances," he said.

The governor mentioned central bank digital currencies (CBDCs) as an area with potential to facilitate efficient cross-border payments. India is among the few countries that have launched both

wholesale and retail CBDCs.

In the modern world, with widespread social media usage and rapid online banking, where money transfers occur within seconds, Das stressed the importance of banks remaining vigilant in such space and strengthening their liquidity buffers to combat potential misinformation that could cause liquidity stress.

On emerging financial stability risks, the governor warned that the divergence in global monetary policies could lead to volatility in capital flows and exchange rates, potentially disrupting financial stability. He referenced the sharp appreciation of the Japanese yen in early August, which triggered disruptive reversals in the yen carry trade and unsettled global financial markets.

Das also raised concerns about the rapid growth of private credit markets, which have expanded with limited regulation and have not been stress-tested in a downturn, posing significant risks to financial stability. Additionally, higher interest rates aimed at controlling inflation have increased debt servicing costs, financial market volatility, and risks to asset quality.

"Stretched asset valuations in some regions could trigger contagion across financial markets, creating further instability. The correction in commercial real estate (CRE) prices in some jurisdictions could put small and medium-sized banks under stress, given their large exposures to this sector. The interconnectedness between CRE, non-bank financial institutions, and the broader banking system amplifies these risks," Das warned.

