

EDITORIAL

For the Indian banking industry, the year 2021 was eventful. COVID continued to be a prevailing theme as banks, especially small and mid-sized ones, faced asset quality concerns and growth challenges as a devastating second wave battered the country. This was also the year when banks shifted from risky corporate loans to safer retail loans. Banks also tried to cut exposure to unsecured loans.

The second wave hit livelihoods as well as the ability of small-income borrowers to repay loans. With an aim to support borrowers who were reeling under the monetary impact of the second wave of the Coronavirus pandemic in India, Reserve Bank of India (RBI) allowed banks in India to offer a second loan moratorium. Borrowers, i.e., individuals and small businesses and MSMEs having aggregate exposure of up to Rs 25 crores and who have not availed of restructuring under any of the earlier restructuring frameworks including under the Resolution Framework 1.0 and who were classified as 'standard' as on March 31, 2021, shall be eligible to be considered under Resolution Framework 2.0.

While the banking sector has been adapting to digital disruption for several years, COVID-19 has accelerated this transformation, opening up access and opportunity to millions of unbanked and under-banked consumers. Leveraging technology to its fullest potential will not only stimulate growth but will enable Indian Banks to emerge as global leaders that will be among the strongest, resilient and most dynamic in the world. At this outset, in November, 2021, RBI announced the

launch of its first global hackathon 'HARBINGER 2021 – Innovation for Transformation' with the theme 'Smarter Digital Payments'. In July 2021, Google Pay for Business enabled small merchants to access credit through tie-up with the digital lending platform for MSMEs— Flexi-Loans. In November 2021, RBI launched the 'RBI Retail Direct Scheme' for retail investors to increase retail participation in government securities.

The RBI introduced new auto debit rules with a mandatory additional factor of authentication (AFA), effective from October 01, 2021, to improve the safety and security of card transactions, as part of its risk mitigation measures. In September 2021, Central Banks of India and Singapore announced to link their digital payment systems by July 2022 to initiate instant and low-cost fund transfers. In August 2021, e-RUPI, a person and purpose-specific digital payment solution was launched. To improve infrastructure in villages, 204,000 point of sale (PoS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).

It's true that 2021 generated significant digital innovation in banks and a new approach to their customer experience strategies – but 2022 has the potential to truly harness the power of this innovation and allow banks to lead from the front. In the light of multi-pronged strategic steps initiated by the RBI & Government CMAs can facilitate banks to undertake cost-benefit analysis of their activities, products, operations, people, processes,



infrastructure, etc. to determine the areas which are more profitable and areas which are less profitable or unprofitable. CMAs can play a very effective role by sitting in the leading position on the Board of various Banks and Financial Institutions, including as a member of their Audit Committees to oversee the effectiveness of the lending process and internal control framework.

As the pain inflicted by the second wave was diminishing, the emergence of the more transmissible Omicron variant set off fresh worries. The RBI has already warned about the possible risks the latest strain poses and its likely impact on the economic recovery. Coronavirus, by all accounts, will again be the decisive factor, along with the asset quality, for the banking industry for the year 2022. Innovation within the banking industry remains strong, as banks continue to evolve and adapt to changing customer demographics and preferences. As 2022 approaches, the key question for banks is about its relevance to customers – and how well equipped they are to meet changing customer needs and preferences.

This issue presents a good number of articles on the cover story "Future of Banking in India" written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers will enjoy the articles.

Our next month's theme is "Azadi Ka Amrit Mahotsav: Promoting a spirit of Pride and Aatmanirbharta". Looking forward to your valuable contribution for this special issue.

Hope that the New Year brings us lots of new and exciting opportunities in our lives and also for professionals like us. Happy New Year!