

Highlights of Learning Programs

CAFRAL Program on Governance and Assurance for Directors on Boards of Banks, FIs and NBFCs: January 5 2023 Mumbai



Shri. J K Dash, Executive Director, Reserve Bank of India, Smt. Indrani Banerjee, Additional Director, CAFRAL and program participants during the Program on Governance and Assurance for Directors on Boards of Banks, FIs and NBFCs.

CAFRAL had organised a one-day program on Governance and Assurance for Directors on Boards of Banks, FIs and NBFCs on January 05, 2023

This program sought to enhance board effectiveness through inputs on policy and practical aspects of board governance and functioning, it delving deep into some of the core and strategic issues that should engage the Board's attention. It offered opportunities to interact with regulators and industry leaders on challenges and remedial measures on Governance and Assurance issues.

J K Dash, Executive Director, Reserve Bank of India delivered the keynote address and Indrani Banerjee, Additional Director, CAFRAL made the opening remarks.

Topics deliberated in the program were Governance Practices: Looking Beyond Regulation; Risk Based Supervision-Assessment of Governance Standards and Assurance Functions; Corporate Governance Framework in Banks, FIs and NBFCs- Role of Independent Directors; Ethical Performance and Value Oriented Decision-making; Strategic Issues & Behavioural Dynamics in Board Functioning and Governance Challenges in use of Advanced Technologies in Financial Intermediation

Other speakers were Dr. Anil Khandelwal, Former Chairman, Bank of Baroda; G Mahalingam, Former Whole Time Director, SEBI; Dr. Vijay Singh Shekhawat, Chief General Manager, Reserve Bank of India; Nagesh Pinge, Independent Director, Aditya Birla Capital; Rajnish Kumar, General Manager, Reserve Bank of India.

Conference of Heads of Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of Banks, Financial Institutions (FIs) and NBFCs: January 24, 2023 Mumbai



Shri. J K Dash, Executive Director, Reserve Bank of India, Smt. Indrani Banerjee, Additional Director, CAFRAL and participants during the Conference of Heads of Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of Banks, Financial Institutions (FIs) and NBFCs.

CAFRAL had organised the captioned half day Conference on January 24, 2023.

The Conference deliberated on the new trends and provided crucial inputs to CAFRAL on the new learning challenges and requirements. It provided an opportunity for interaction and ideation with HR experts on recent trends and developments in the capacity building space, relevant key issues and on emerging HR requirements. J K Dash, Executive Director, Reserve Bank of India delivered the keynote address.

Topics covered in this conference were Human Capital in Transformed Financial Services – A Side View; Emerging Trends in HR and The Way Forward; Managing HR in Current Times: Issues & Strategies; Competencies and Skill Sets Required for a Future Ready Workforce; CAFRAL Learning Programs: Approaches and Strategies; Creating a Future Ready Workforce - Need for Skilling and Reskilling; Bridging Learning Gaps & Meeting Emerging Needs. Other speakers in this conference were Dinesh Kumar Khara, Chairman, State Bank of India; Mahabaleshwara M.S., Managing Director & CEO, Karnataka Bank; K Ramkumar, Managing Director, Leadership Centre Pvt. Ltd. and Prabir Jha, Founder & CEO, Prabir Jha People Advisory.

Program on Cyber Risk & Resilience: Evolving Paradigm: February 16, 2023 Mumbai.



Smt. Indrani Banerjee, Additional Director, CAFRAL and other speakers with program participants at Program on Cyber Risk & Resilience: Evolving Paradigm.

CAFRAL had organised a one-day program on Cyber Risk and Resilience: Evolving Paradigm on February 16, 2023. This one-day program aimed at contributing to capacity building at senior & top executive level, providing insights into the emerging trends in cyber-defence from the perspectives of strategy, governance and technology. Recent trends in cyber risk & resilience were discussed to facilitate improved cyber-defence mechanisms.

Indrani Banerjee, Additional Director, CAFRAL made the opening remarks.

Topics deliberated in the program were Cyber Risk & Resilience: Emerging Threats and Regulatory Expectations; Data Protection and Privacy: Cyber Risk; Responding and Managing Cyber Attack & Cyber Crisis Management Plan; Cybercrime and Trends New Tools for Combat: Developing a Robust Threat Intelligence; Managing Cyber Risk: Audit Perspective & Approach.

Speakers were C. Maheshwaran, General Manager, Department of Supervision, Reserve Bank of India; Prerna Advani, Senior Manager, E&Y India; Sameer Ratolikar, Senior Executive Vice President & CISO, HDFC Bank; Krishna Sastry Pendyala, Partner, Cyber Security, Ernst & Young India; Vittal Raj, Founder Partner, Kumar and Raj Chartered Accountants.

CAFRAL Virtual Learning Program on Issues in Digital Lending: February 22, 2023 Mumbai.



Saurav Sinha



Indrani Banerjee



Manoranjan Mishra



Dr. Goutam Sanyal



Harshvardhan Lunia



C.Sankaranarayanan

CAFRAL had organised the captioned half day virtual learning program on Issues in Digital Lending on February 22, 2023.

The half day virtual learning program sought to provide a perspective on the digital lending ecosystem in the country and the regulatory approach. The experience of digital lending practitioners, both from banks & fintechs, in respect of business strategies, products and processes were also discussed.

Saurav Sinha, Executive Director, Reserve Bank of India delivered the keynote address and Indrani Banerjee, Additional Director, CAFRAL made opening remarks.

Topics covered in this virtual program were Digital Lending - Regulatory Perspective; Digital Lending Ecosystem: Issues and Concerns; Digital Lending by Banks: Emerging Areas and Opportunities; Digital Lending: Fintech Perspective.

Other speakers in this program were Manoranjan Mishra, Chief General Manager, Department of Regulation, Reserve Bank of India; Dr. Goutam Sanyal, Advisor, ICICI Bank Ltd. and Harshvardhan Lunia, Co-founder and Managing Director, Lendingkart.

Talk on CBDC and Crypto Assets by Sir Jon Cunliffe, Deputy Governor, Bank of England: February 22, 2023 Mumbai



R:L - Smt. Indrani Banerjee, Additional Director, CAFRAL, Shri. B. P. Kanungo, Director, CAFRAL, Shri. T Rabi Sankar, Deputy Governor, Reserve Bank of India, Sir Jon Cunliffe, Deputy Governor, Bank of England, and Shri. J K Pandey, Sr. Program Director, CAFRAL at Talk on CBDC and Crypto Assets by Sir Jon Cunliffe, Mumbai

CAFRAL invited Sir Jon Cunliffe, Deputy Governor, Bank of England, to deliver a talk on CBDC and Crypto Assets on February 22, 2023 in Mumbai. The talk was attended by top and senior executives from the Reserve Bank of India and the banking industry.

Highlights of Research Activities

Dr. Nirupama Kulkarni was invited as a Distinguished Speaker at O.P. Jindal Global University at the Global Finance Conclave 2023 on February 18, 2023. The title of the talk was “State-owned banks: Challenges and the way forward”

Abstract: The pandemic underscored the importance of the role of the public sector in saving lives and in helping households tide through economic uncertainty. State-owned enterprises, particularly state-owned banks played a vital role by stepping in to provide loans to distressed households and small businesses during the pandemic. Relying on state-owned banks for policy interventions, especially during crisis periods, can lead to common policy traps and potentially stress government finances. Drawing on lessons from the past, this talk highlights ways to navigate the challenges arising from massive state intervention as we enter the post-pandemic world.

Dr. Kulkarni presented her paper “Bank Deposit Franchise, Interest Rate Risk, and Credit Booms: Evidence from India” at the Asian Econometric Society, Mumbai held between January 10-12, 2023.

Abstract: Deposit franchise allows banks to pay deposit rates that are low and insensitive to market interest rates. However, maintaining this franchise requires high fixed costs. In order to hedge against interest rate risk arising from these fixed costs, banks with strong deposit franchises seek to reduce the sensitivity of their interest income to market rates by holding longer-term fixed-rate assets. We provide evidence for this theory from India and show that this behavior can help partially rationalize India's infrastructure credit boom of the 2000s. During this period, banks with stronger deposit franchises switched from long-term government securities to long-term fixed-rate loans, particularly in the infrastructure sector. We highlight that rising bond yields and associated mark-to-market losses on bond holdings may have exacerbated the switch towards the risky infrastructure sector, eventually resulting in high non-performing loans. Overall, while maturity transformation allows banks to shield their net interest margins from interest rate risk, we propose that market incompleteness in developing economies may lead to a trade-off between stabilizing net interest margin and default risk.

Dr. Kulkarni was also invited as a seminar speaker at Ashoka University on February 1, 2023. She presented her research on mortgage policies and racial segregation.

Title: Mortgage Policies, Racial Segregation, and Upward Mobility

Abstract: For several decades, US housing policies have aimed at increasing homeownership and reducing racial disparities but have seen limited success. We argue that the endogenous sorting of residents in response to place-based policies and deteriorating place-based factors explain. In the context of the 1992 GSE Act, we show that the targeted support of specific neighborhoods mildly increased Black homeownership but strongly reduced white homeownership, especially when mortgage financing became more accessible in nearby census tracts. As a result, racial segregation increased, and upward mobility deteriorated among low-income Black families and those low-income white families who remained. As plausible channels, we identify declining house prices, reduced education spending, and lower school quality in targeted areas.

Dr. Kulkarni also posted a new working paper, “Distributional Implications of Bank Branch Expansions: Evidence From India” co-authored with Dr. Kanika Mahajan and Dr. S.K.Ritadhi

Abstract: Does financial deepening affect capital investment by credit-constrained firms? We examine this question by exploiting a nationwide branch expansion policy in India that incentivized banks to open branches in “underbanked” districts i.e., where the ex-ante bank branch density was less than the national district level average. Extending a regression discontinuity design, we find large increases in both capital expenditures and credit growth undertaken by manufacturing establishments in underbanked districts following the policy intervention. The increase in capital spending is driven by small and young establishments, which are also the most likely to be credit constrained. Two key channels explain our findings: increased physical proximity of lenders to borrowers and the comparative advantage of select banks in lending to small manufacturing units. Our results show that financial deepening can aid in the relaxation of credit constraints in developing economies with imperfect capital and credit markets.

Dr. Yogeshwar Bharat presented his paper “Credit Constraints, Bank Incentive and Firm Exports: Evidence from India” at Shiv Nadar University, Institution of Eminence on February 24, 2023

Abstract: This paper estimates the impact of credit constraints on firms' export. I use detailed panel data from Indian manufacturing and service firms that provide a firm-specific measure of credit access based directly on firms' annual financial statements. I was able to map these firms with the kind of banks they were borrowing. I find that firms borrowing from state-owned banks are less likely to exit the export market than those not borrowing from them. After controlling for liquidity and other relevant firm attributes and accounting for the endogeneity of firms borrowing from state-owned banks, the highly leveraged firm has a 1.6% lower probability of leaving the export sector—and it decreases by a further 2.6% if borrowing from at least one of the state-owned banks missing their priority sector lending target. The analysis didn't find any significant effect of policy change on firms trying to enter the export market. There was no significant effect of the policy change on non-exporting small and medium enterprises.

CAFRAL is jointly hosting a conference with IIM A on March 10-11, 2023 at the IIM A campus in Ahmedabad titled "International Research Conference on Fintech: Innovation, Inclusion and Regulation".

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