



# IBS VIGYAN

## VISIONING BANKERS



### Evangelistically Speaking

Dear Stakeholders,

#### The Role of Artificial Intelligence in Modern Banking

The rapid advancement of Artificial Intelligence (AI) is currently transforming every major sector of the global economy, and the banking industry is no exception. At IBS, we recognize that the integration of AI into financial services is not merely a technical upgrade; it represents a significant step towards creating a smarter, more personalized financial environment for every client. By leveraging AI, financial institutions can enhance the quality, accessibility, and overall effectiveness of their services.

One of the most transformative aspects of AI is its ability to enable institutions to understand customer behavior with unprecedented precision. Through the application of intelligent analytics, banks can now identify a client's financial strengths, risk patterns, and specific areas that require professional attention. This data-driven approach allows for the design of highly customized financial products, targeted investment strategies, and bespoke wealth management plans. These tools are especially essential in the context of complex global markets where personalized guidance is key to success.

Furthermore, AI-based tools provide the distinct advantage of continuous support. Clients no longer need to wait for traditional banking hours to resolve queries or manage their portfolios; instead, they can test their financial strategies and clarify doubts at any time. This 24/7 flexibility is particularly beneficial for working professionals who must manage their personal finances alongside demanding regular responsibilities.

However, at IBS, we firmly believe that technology should support, not replace, the vital role of human expertise. While we are incorporating AI-supported methods such as smart risk assessment and performance analysis to make our programs more effective, the guidance and experience provided by professional advisors remain the backbone of successful banking. The future of the industry lies in a balanced combination of human expertise and artificial intelligence, ensuring every client receives the right guidance at the precisely right time.

Looking forward to a sustaining engagement with all.

Sincerely yours

Satheesh Kumar. S  
Managing Director



## Curated Cube

### Global Conflicts and Their Implications for the Financial Sector

The contemporary global geopolitical landscape is currently defined by significant volatility, driven by multiple ongoing conflicts, including the Russia-Ukraine war and escalating tensions in the Middle East involving Iran, Israel, and the United States. These conflicts have introduced profound uncertainty into global economy and financial markets, impacting the international system through trade disruptions and increased market volatility.

One of the most immediate and damaging financial impacts of these wars is the surge in energy prices. Conflicts in oil-producing regions, particularly West Asia, have pushed crude oil prices toward the \$100 per barrel mark, creating instability in energy markets. Because higher oil prices increase production and transportation costs worldwide, they act as a major driver of global inflation and effectively slow down economic growth.

Global financial markets often react sharply to such geopolitical shocks. We see a consistent trend where investors move their capital away from volatile stock markets and towards safer assets like gold and government bonds. Additionally, these wars disrupt critical global supply chains and trade routes, which further erodes business confidence

and negatively affects long-term investment returns.

For a major developing economy like India, these global conflicts are particularly sensitive due to heavy dependence on imported crude oil. Rising oil prices significantly increase India's import bill, widen the current account deficit, and exert downward pressure on the Indian rupee, which has recently touched record lows. Analysts warn of a severe domestic impact: a mere 10% increase in oil prices could potentially reduce India's GDP growth by 20-25 basis points.

In conclusion, while economies like India have shown resilience, prolonged global wars pose a serious challenge to the international financial system. It is imperative that governments and financial institutions adopt robust policies to strengthen economic resilience and reduce vulnerability to these inevitable geopolitical shocks.

*(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)*

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## FOURTH PILLAR

### CHANGE OF LIMITS IN PORTFOLIO INVESTMENT SCHEME (PIS):

The Portfolio Investment Scheme (PIS) is a Reserve Bank of India (RBI) regulated scheme that enables Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) to purchase and sell shares or convertible debentures of Indian companies on a recognized stock exchange. It requires a dedicated NRE/NRO PIS account with a designated bank branch, ensuring all transactions are on a delivery basis. Investment limits under the PIS for Individual Persons Resident Outside India (PROI) are being increased as: (i) Individual limit: from 5% to 10%, and (ii) Aggregate limit: from 10% to 24% of the paid-up capital of the Company.

### CREDIT GUARANTEE FUND TRUST FOR MICRO SMALL ENTERPRISES LIMIT:

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme, now provides collateral-free loans up to ₹10 crore (earlier limit was ₹5 crore) for new and existing MSEs. For startups the limit has been increased from ₹10 crore to ₹20 crore, and well-run exporter MSMEs also get enhanced cover of up to ₹20 crore.

### INFLATION STATUS AS PER THE LATEST BUDGET ANNOUNCEMENT:

India recorded its lowest average CPI inflation at 1.7% (Apr-Dec 2025) since the inception of the CPI series. Inflation moderation was largely driven by easing food and fuel prices, which constitute over half of the CPI basket. India achieved one of the sharpest inflation declines among EMDEs (Emerging Markets & Developing Economies), falling by about 1.8 percentage points over the previous year. The lower inflation has improved real incomes, boosted consumption, and supported investment sentiment in our country.

### MODIFICATION IN PRIORITY SECTOR LENDING (PSL) NORMS:

Under existing norms, advances extended in India against incremental FCNR(B)/NRE deposits (eligible for CRR/SLR exemption) are excluded while computing Adjusted Net Bank Credit (ANBC) for PSL targets.

The RBI has now clarified that incremental advances are calculated as the difference between outstanding advances in India as of March 7, 2014 (June 13, 2014 for UCBs), and the Base Date - July 26, 2013. The exclusion from ANBC will not exceed the eligible incremental FCNR(B)/NRE deposits qualifying for CRR/SLR exemption. This prevents over-exclusion and ensures more accurate computation of PSL obligations. Further the earlier target of PSL for Small Finance Banks (SFBs) has been reduced to 60% from 75% of ANBC or CBOBSE whichever is higher.

### LENDING RESTRICTIONS FOR FOREIGN BANK BRANCHES IN INDIA:

A foreign bank branch in India is prohibited from lending to: (a) A firm/company in India where a director on the foreign bank's overseas Board has an interest, or (b) A subsidiary of any Indian/foreign parent company in which such director has an interest. This closes potential governance gaps in cross-border banking structures.

### VISA TO LAUNCH DEBIT-CUM-CREDIT CARD IN INDIA:

Visa is set to introduce Visa Flexible Credential (Visa Flex) in India following its successful rollout in Japan. The product is a single 16-digit card that combines debit and credit functionalities, allowing customers to switch between debit, credit, prepaid, or buy-now-pay-later (BNPL) modes based on transaction value, merchant type, user preference, or the bank's risk settings. For instance, small purchases can be routed through debit while higher-value spends can automatically move to credit, with customers able to set usage rules via their bank's app. India is seen as a high-potential market due to low credit penetration, heavy reliance on cash (nearly 50% of transactions in a \$1 trillion consumer market), and the common practice of carrying multiple cards. Visa Flex aims to simplify payments, enhance customer convenience, and improve cash flow management by consolidating multiple payment options into a single card.

*(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)*

# INQUISITIVELY SPEAKING

1. What is the maximum cap on distribution of dividends by commercial banks in India?  
a) 40% of Profit After Tax (PAT)  
b) 50% of PAT  
c) 60% of PAT  
d) 75% of PAT
2. What is the maximum compensation limit under Mental Anguish & Harassment that the Integrated Ombudsman can offer to complainant?  
a) ₹1 Lakh                      b) ₹2 Lakh  
c) ₹3 Lakh                      d) ₹5 Lakh
3. The increase in individual Portfolio Investment Scheme (PIS) limits (5% to 10%) and aggregate limits (10% to 24%) for Persons Resident Outside India (PROI) is most likely to:  
a) Restrict foreign participation in Indian equities  
b) Increase depth and liquidity in domestic equity markets  
c) Replace FDI flows with portfolio flows  
d) Reduce currency volatility automatically
4. The enhancement of the CGTMSE guarantee limit from ₹5 crore to ₹10 crore for MSEs, and up to ₹20 crore for Startups and exporter MSMEs, is primarily intended to:  
a) Reduce dependence on bank lending  
b) Lower collateral requirements and expand formal credit access  
c) Replace working capital financing with equity funding  
d) Increase provisioning requirements for banks

5. As per the recent Union Budget for 2026-26, the per year threshold for TDS on rent paid by tenants has been fixed at:  
a) ₹3 Lakh                      b) ₹4 Lakh  
c) ₹5 Lakh                      d) ₹6 Lakh
6. The erstwhile Banking Codes and Standard Board of India (BCSBI) has since been dissolved and have been taken over by the RBI in its ..... Department.  
a) Integrated Ombudsman Scheme  
b) Customer Service  
c) Customer Education and Protection  
d) Customer's Rights
7. An imprest account which is placed at the disposal of the President of India, which is used by the Central Government to incur its urgent, unforeseen and emergency expenditure is known as:  
a) Consolidated Fund      b) Public Account  
c) Vote on Account        d) Contingency Fund

## ANSWER KEY

1.d    2.c    3.b    4.b    5.d    6.c    7.d

## Stretch n Speak

**CCSO:** Chief Customer Service Officer

**ICAAP:** Internal Capital Adequacy Assessment Process

**FATCA:** Foreign Account Tax Compliance Act

**SHAKTI:** Strategy for Healthcare Advancement through Knowledge, Technology & Innovation

**PROI:** Persons Resident Outside India

**STT:** Securities Transaction Tax

**GVC:** Global Value Chains