



# ATLAS

BY BNP PARIBAS

## CASH MANAGEMENT

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India is the world's largest democracy with a population of more than 1.3 billion, the second most populous nation behind China, but only the eighth country in emerging Asia in GDP per capita (on a purchasing power parity, or PPP, basis), just above Vietnam. Indeed, while Indian economic growth has averaged 6.7% over the period 2015-2019, real GDP per capita has increased by only 5.6%.

The COVID-19 crisis did not spare India, and like many of the emerging economies, the country's economic and social situation has deteriorated sharply. India recorded its first recession since the fiscal year 1979/1980. However, India's situation had already begun to deteriorate well before the onset of the pandemic, which only accentuated the country's weaknesses. The very sharp contraction in GDP triggered by COVID-19 highlights the economy's structural vulnerabilities, especially the large number of workers without social protection. Moreover, in the medium term, growth might fall short of 6% unless there is a significant easing of the structural constraints that are restricting the employment of regular workers and private investment. The fragility of India's banking and financial system is hampering economic growth even though banks are more solid than they were five years ago. Meanwhile, public finances are weak and the government's fiscal room for manoeuvre to support economic growth or face a new shock is very limited.

On the political front, Modi's government, elected for a second term in May 2019, managed to adopt key economic reforms to support medium term economic prospects in fall 2020. However, their implementation is still problematic.

## Summary

## BNP Paribas presence

BNP Paribas has been present in India since 1860, the second longest-established foreign bank in the country. The Bank has 8 business centres in Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Chennai, Pune and Ahmedabad, and 14,000 employees. It is one of the few international banks catering for the domestic, regional and global requirements of corporate customers.

BNP Paribas is a member of the local clearing house and offers comprehensive payment, collection and trade finance solutions. This includes partnering with leading local vendors for providing cash in transit and card collection solutions. The bank offers a variety of solutions to address the specific functional requirements in India, including online tax payments, remote [cheque](#) printing of cheques, a 'BankSmart' application for mobile phone authorisation, an online payment gateway, pre-signed blank cheques and post-dated [cheque](#) collections. These services enable customers to optimise efficiency and control whilst observing local payment practices.

## Currency

### Currency

- Indian rupee (INR).

### Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: INR per USD	67.195	65.122	68.39	70.42	74.10

Source: IMF, International Financial Statistics, June 2021.

### Central Bank

- The Indian central bank is the Reserve Bank of India ([www.rbi.org.in](http://www.rbi.org.in)).

#### Bank supervision

- Most Indian banks are supervised by the RBI's Department of Supervision.
- Rural and most cooperative banks are supervised by the National Bank for Agriculture and Rural Development (NABARD – [www.nabard.org](http://www.nabard.org)).

## Bank accounts

### Resident / non-resident status

- A company is resident in India in any tax year if it has registered under the Indian Companies Act 1956, other specified Acts/laws or if, during the relevant tax year, the control and management of its



affairs were situated wholly in India.

- A non-resident company is one that is at least 60 percent owned by a non-resident or a Non-Resident Indian (NRI), i.e., someone with Indian citizenship who resides outside India.

## Bank accounts for resident entities

	Within INDIA	Outside INDIA
Local Currency	Permitted without restriction, not convertible	Not permitted
Foreign Currency	Permitted with restrictions, convertible	Permitted, with restrictions

## Bank accounts for non-resident entities

	Within INDIA	Outside INDIA
Local Currency	Permitted with restrictions, convertible for some entities	Not permitted
Foreign Currency	Permitted with restrictions, convertible	Not applicable

## Lifting fees

- Lifting fees may be applied on payments between resident and non-resident bank accounts.











## BNP Paribas Cash Management Capabilities

## Collections

Cash collections	✓
Cheque collections	✓

Direct debit collections	
Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

## Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

## Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

## Payments & collections

### Market overview

The rapid adoption of digital payments in India – they accounted for 97% of the total non-cash retail payments in 2019-20 – has been encouraged by the central bank and the government. The RBI has established a Payments Infrastructure Development Fund to promote digital payment adoption across the country and removed charges for making online transactions via NEFT. It has also mandated that companies with an annual turnover of more than INR 500 million need to offer customers low-cost digital payment options, including the UPI QR Code and Aadhaar Pay. However, cash remains the dominant payment method for medium- and small-value transactions in India accounting for as much as 96% of total payment transaction volume in 2019-20

Electronic banking services are available from most banks, with services predominantly used by larger companies. There is no national electronic banking standard in India, so companies use banks' proprietary services.

Online and mobile banking services are provided by the country's leading commercial banks. As of March 2021, there were 566 banks permitted to provide mobile banking services. Digital systems include:

- The Bharat Interface for Money (BHIM) is a mobile app based on the UPI. It enables transfers between accounts directly through banks. Transactions are near real-time and can be conducted 24/7. Users can also check balances and use mobile numbers to send payments. There are 180 participant banks.
- The National Payments Corporation of India operates the Interbank Mobile Payments Service (IMPS), a real-time electronic funds transfer system. There are 629 participant banks in IMPS, with a customer base of over 22 million mobile phone subscribers.
- The Unified Payments Interface (UPI) enables users to make, receive and schedule online payments via smartphone. Payments are transferred directly between any two banks. There are 216 members of UPI.

# Payment Systems

RTGS	Type	<ul style="list-style-type: none"> <li>Real-time gross settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>242 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>High-value (above INR 200,000) and urgent INR-denominated credit transfers.</li> <li>Net obligations from India's other payment systems.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>24/7/365.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>Payments are cleared and settled in near real time (within two hours).</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>The NG-RTGS is closed on all Indian bank holidays.</li> <li>India's bank holidays are:               <ul style="list-style-type: none"> <li>2nd half 2021: July 11, 25, 31*, August 8, 15, 19*, 20*, 22, 29*, September 12, 26, October 2, 10, 24, 25*, 29*, November 14, 16*, 17*, 28, 29*, December 12, 25, 26.</li> <li>2022: January 8, 22, 26, February 12, 19*, 26, March 1*, 12, 19*, 26, April 1, 2*, 9, 10*, 14, 15, 23*, May 1, 3*, 14, 16*, 28, June 11, 25, July 9*, 10*, 23, August 9*, 13, 15, 16*, 27, September 10, 24, October 2, 5*, 8, 9*, 22, 24*, 25, November 8*, 12, 26, December 10, 24, 25.</li> </ul> </li> <li>* The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</li> </ul>
ECS	Type	<ul style="list-style-type: none"> <li>Multilateral deferred net settlement system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>2,101 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>Low-value and bulk electronic credit and debit payments.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>09:00-18:00 IST, Monday to Friday.</li> <li>09:00-15:00 IST, Saturday.</li> </ul>



	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> <li>• Cheques are processed by one of four centralised clearing houses.</li> <li>• Cut-off times differ for each clearing house.</li> <li>• Locally cleared cheque payments are settled on a same-day basis.</li> <li>• Intercity cheque payments are settled on a next-day basis.</li> <li>• Cheques can also be cleared within two working days if they are processed by the speed clearing system.</li> <li>• Final settlement takes place via the RTGS.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• NECS is closed on all Indian bank holidays. (Dates as above)</li> </ul>
<b>CTS</b>	Type	<ul style="list-style-type: none"> <li>• Multilateral deferred net settlement system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 2,005 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• <a href="#">Cheque</a> payments which are truncated into electronic items before being processed.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• Monday to Saturday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Cheques are processed by one of four centralised clearing houses.</li> <li>• Cut-off times differ for each clearing house.</li> <li>• Locally cleared cheque payments are settled on a same-day basis.</li> <li>• Intercity cheque payments are settled on a next-day basis.</li> <li>• Cheques can also be cleared within two working days if they are processed by the speed clearing system.</li> <li>• Cheques processed between banks in clearing zones that are not subject to speed clearing can take between 7 days and three weeks to clear.</li> <li>• Final settlement takes place via the RTGS.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• CTS is closed on all Indian holidays. (Dates as above)</li> </ul>
<b>NEFT</b>	Type	<ul style="list-style-type: none"> <li>• Multilateral deferred net settlement system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 233 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• One-off and low-value electronic credit transfers.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• Settlement takes place on a half-hourly basis. There are 48 half-hourly batches every day.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Settlement takes place on a half-hourly basis. There are 48 half-hourly batches every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at 00:00 hours.</li> </ul>

	System holidays	<ul style="list-style-type: none"> <li>• NEFT is closed on all Indian holidays. (Dates as above)</li> </ul>
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## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers.
- High-value (above INR 200,000) and urgent INR-denominated credit transfers are settled in near real time via the RTGS. As of April 1, 2021, all payment transactions of INR 50 crore and above by entities processed via the RTGS or NEFT will require a Legal Entity Identifier.
- Low-value and non-urgent bulk credit transfers can be settled on a same-day or next-day basis via the ECS.
- Low-value and high-volume credit transfers can also be processed via the NACH on a same-day basis. NACH mandates have replaced all ECS mandates for all recurring payments such as credit card and utility bills.
- One-off and low-value credit transfers can also be settled via NEFT, IMPS and the UPI system.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- In 2019, the volume of credit transfers processed totalled 18,486 million, with a value of INR 284 trillion, a 56% and 8.8% increase respectively on 2018.

## Direct debits

- Direct debits are used for regular payments, such as utility bills.
- Direct debits are settled on a next-day basis via the ECS or NACH system (NACH mandates have replaced ECS mandates for all regular bill payments).
- In 2019, 826 million direct debits and debit transfers were processed, with a value of INR 8 trillion, a 54.7% and 33.3% increase on 2018.

## Cheques

- The cheque is a popular cashless payment instrument, used by both consumers and companies.
- From January 1, 2021 the positive pay system' for cheques came into effect. Under the positive pay system, key details will require re-confirmation for payments above INR 50,000. It is hoped the new system will reduce cheque banking fraud.
- Cheques are truncated into electronic items before being processed via the CTS. In March 2021, the use of the check truncation system (CTS) was extended across all bank branches throughout the country.
- Settlement is on a same-day basis for local cheques and a next-day basis for intercity cheques.

- Non-local cheques in areas subject to speed clearing are cleared within two days.
- Non-local cheques in areas that are not subject to speed clearing can take up to three weeks to clear.
- Banks use courier services for cheque collection in areas where they do not have branch coverage. These cheques are cleared at local clearing houses through correspondent or partner banks.

## Card payments

- Card payments are increasingly popular, especially for retail transactions.
- As of January 2021, there were 888 million debit and 61.1 million credit cards.
- RuPay is India's national domestic payment card operator. There are over 600 million RuPay cards in circulation.
- Visa and MasterCard-branded payment cards are the most widely issued.
- Most debit and credit card payments are processed by the National Financial Switch (NFS) on a same-day or next-day basis.
- Visa card payments are processed via the Visa switch for settlement through Bank of America. MasterCard payments are processed via the MasterCard switch before being settled by the Bank of India. Visa and MasterCard payments are cleared on a next-day basis.
- The RBI is currently implementing a scheme for all cards to carry EMV chips.
- The number of card payment transactions carried out through credit cards and debit cards increased by 23.5% and 16.1% respectively in 2019/20, to 2,177.3 million and 5,123.9 million. Value increased by 21.1% and 35.6% to INR 7 trillion and INR 8.0 trillion respectively.

## ATM/POS

- There were 210,000 ATMs in India at the end of January 2021.
- There were six million POS terminals in India at the end of January 2021.
- Most card payments are settled on a same-day basis via the NFS network. A total of 112 banks participate in the NFS ATM network. A further 978 banks participate as sub-members.

## Electronic wallet

- The dominant electronic wallet schemes in India are pre-paid cards scheme. All prepaid payment instruments (PPI) in India are subject to a maximum value limit of INR 50,000 per month. Fifty-seven banks are permitted to issue pre-paid cards.
- There are an estimated 1,946 million PPI wallets and 175 million PPI cards in India. Mobile wallets can hold a maximum of INR 20,000.
- E-money payments are settled via their individual schemes.

- The UPI enables users to transfer money without sharing bank details. The UPI@PoS app can be used to make retail payments in-store. Paytm is the country's largest digital wallet provider, with approximately 200 million users. There are 207 live banks on UPI.
- QR payment options are available. The Reserve Bank has advised that all payment service operators shift to the interoperable UPI QR or Bharat QR by March 31, 2022. The launch of new proprietary QR codes is prohibited.
- In January 2021, there were 2,319 million mobile payments transacted, with a value of INR 9,384 billion.

## Short term investments

### Market overview

#### Interest payable on credit balances

- Interest-bearing current accounts are not available.

#### Demand deposits

- Demand deposits denominated in INR or major foreign currencies are available with terms ranging from overnight to one year.

#### Time deposits

- Time deposits are available in INR or major foreign currencies with terms ranging from one week to one year. Non-residents are required to invest for a minimum of 1 one year.

#### Certificates of deposit

- Domestic banks issue certificates of deposit with terms ranging from one week to 12 months. Terms of three months are most common.
- Certificates of deposit can be issued paying fixed or variable interest.
- The minimum investment amount is INR 100,000.
- Companies can also issue inter-corporate deposits. Terms are typically up to six months.

#### Treasury (government) bills

- The RBI issues Treasury bills at weekly auctions. Terms are typically for three, six and 12 months.
- India's government has also started to issue Cash Management Bills (CMBs), which are similar to Treasury Bills and have maturities of less than 91 days.

### Commercial paper

- Domestic commercial paper is issued by companies. Most paper is issued for three months, although terms ranging from seven days to 12 months are available.
- Commercial paper must have a published credit rating.
- The minimum investment amount is INR 500,000.

### **Money market funds**

- Money market funds are available.

### **Repurchase agreements**

- Repurchase agreements are only available in India for institutions approved by the RBI.

### **Banker's acceptances**

- Banker's acceptances are not available in India.

## BNP Paribas Trade Finance Capabilities

### Trade payments

Documentary credits	✓
Documentary collections	✓

### Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	●

## Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
	●
	●

- BNP Paribas Global Trade Solutions' (GTS) team in India consists of 15 trade managers across 6 trade centres in Ahmedabad, Bangalore, Chennai, Mumbai, Pune and New Delhi, and as such is one of the largest and most well-established presences within Asia Pacific. In addition to comprehensive support, BNP Paribas GTS' team in India supports a large volume of domestic trade activities.

## International trade

## General trade rules



- India is a member of the South Asian Association for Regional Cooperation (SAARC), which aims to abolish most trade tariffs between member states. SAARC comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
- India has 231 operational special economic zones.

## Trade agreements

- India is a signatory of the SAARC South Asia Free Trade Agreement (SAFTA).
- India has preferential access, economic co-operation and Free Trade Agreements (FTA) with about 54 individual countries. Most recently in April 2021, India's FTA with Mauritius came into effect.
- India is in FTA talks with a number of countries and trading blocs including Bangladesh, Chile, Indonesia, the European Union, South Africa Customs Union (SACU), the Gulf Cooperation Council (GCC), Australia, New Zealand, Israel, Panama and Colombia. Trade talks with the European Union (stalled since 2013) are set to revive in 2021.

## Imports / exports

Imports	Crude oil	Gold	Coal	Diamonds	Natural gas
Primary Import sources	China (15.0%)	USA (7.0%)	UAE (6.0%)	Saudi Arabia (5.0%)	
Exports	Petroleum products	Precious stones	Packaged medicine	Jewellery	Vehicles
Export markets	USA (17.0%)	UAE (9.0%)	China (5.0%)		

## Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	268,615	304,107	332,087	331,272	281,701
	- services USD m	161,819	185,294	204,956	214,762	203,253

Imports	- goods    USD m	376,090	452,241	518,779	488,950	376,946
	- services    USD m	95,922	109,371	124,182	130,535	116,230
Current account as % GDP		– 0.5	– 1.5	– 2.4	– 1.1	NA

Source: IMF, International Financial Statistics , June 2021.



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