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January 2025

Volume XIV

Issue I

पेंशन निधि विनियामक और विकास प्राधिकरण
PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

January 2025

पेंशन बुलेटिन

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Volume XIV

Issue I

Acknowledgment

The Pension Bulletin is issued monthly by the Department of Policy Research, Market Watch, and Systemic Risk under the direction of the Pension Bulletin Editorial Committee. The Committee and PFRDA are not responsible for the interpretation and opinions expressed. In the case of articles, the responsibility is that of the author and not of the PFRDA.

Comments and observations may please be forwarded to the department at market.watch@pfrda.org.in.

प्रमाणन

पेंशन बुलेटिन प्रत्येक महीने नीति अनुसंधान, मार्केट वॉच और सिस्टमिक रिस्क विभाग द्वारा, पेंशन बुलेटिन संपादकीय समिति के निर्देशन में जारी किया जाता है। समिति और पीएफआरडीए व्याख्याओं और प्रकट किए गए मतों के लिए उत्तरदायी नहीं हैं। लेखों के मामले में, जिम्मेदारी लेखक की होती है, न कि पीएफआरडीए की।

तिप्पणियाँ और अवलोकन कृपया विभाग को market.watch@pfrda.org.in पर अग्रेषित किए जा सकते हैं।

Glossary

AA	Account Aggregators
AIF	Alternate Investment Fund
DPDP Act	Digital Personal Data Protection Act, 2023
APY	Atal Pension Yojana
ASP	Annuity Service Provider
AUM	Assets Under Management
CAGR	Compound Annual Growth Rate
CDD	Client Due Diligence
CFT	Combating the Financing of Terrorism
CIP	Customer Identification Procedures
CKYCR	Central KYC Records Registry
CRA	Central Recordkeeping Agency
CPI	Consumer Price Index
DC	Defined Contribution
Debt-VRR	Debt Voluntary Retention Route
E	Equity and Related Instruments
EPF	Employees Provident Fund
EPFO	Employees Provident Fund Organization
ETF	Exchange-Traded Fund
EU	European Union
FAR	Fully Accessible Route
FBIL	Financial Benchmarks India Pvt. Ltd.
FII/FPI	Foreign Institutional Investors/Foreign Portfolio Investors
FIP	Financial Information Providers
FIU	Financial Information Users
FSDC	Financial Stability and Development Council

G	Government Bonds and Related Instruments
G-sec	Government securities
GBP	Pound Sterling
GDP	Gross Domestic Product
GST	Goods and Service Tax
GSTN	Goods and Services Tax Network
IGB	Indian Government Bonds
INR	Indian Rupee
IIP	Index of Industrial Production
IRDAI	Insurance Regulatory and Development Authority of India
IT Act	Information Technology Act, 2000
KYC	Know Your Customer
LTCG	Long Term Capital Gain
NBFC	Non-Banking Financial Company
NPS	National Pension System
OECD	Organization for Economic Cooperation and Development
PIPE	Private Investment in Public Equity
PoP	Points of Presence
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
STCG	Short Term Capital Gain
USD	United States Dollar
VCF	Venture Capital Fund
WPI	Wholesale Price Index

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Section 1/खंड 1

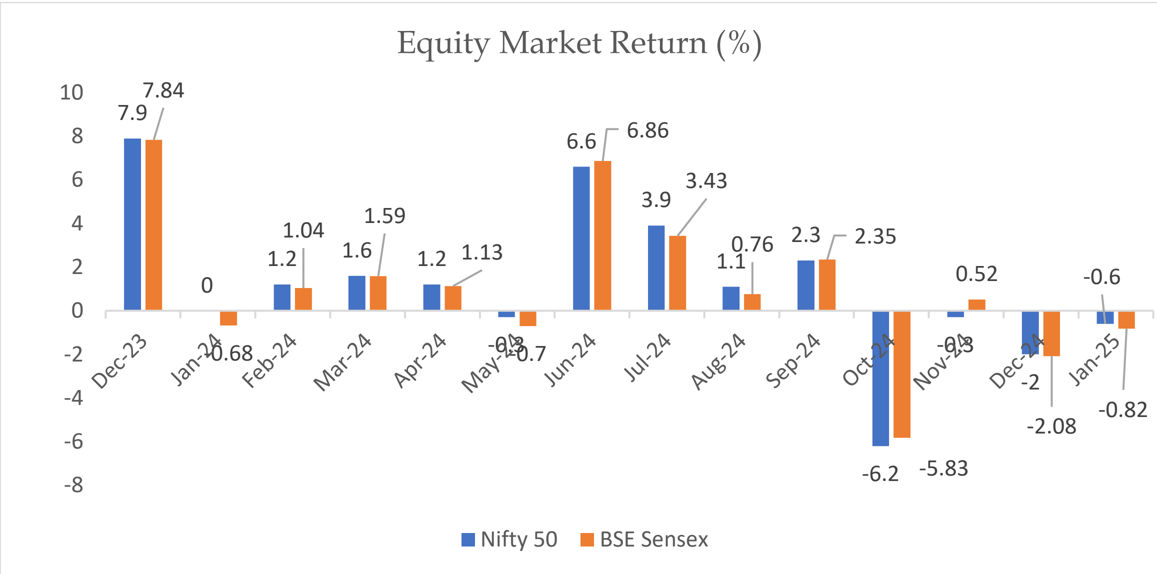
Economy/ अर्थव्यवस्था

Indian Economy[1]

Indian Economy – January 2025

January 2025 was a better month for stock market investors compared to December 2024. The benchmark indices, BSE Sensex and Nifty 50, registered modest declines of 0.8% and 0.6%, respectively, in January'25—an improvement from the steeper losses of 2.1% and 2% recorded in the previous month. The Nifty 50 has now posted losses for four consecutive months, signalling a prolonged correction phase.

Since peaking at 26,216 in September'24, the Nifty 50 has corrected nearly 12.5%, closing at 23,508 by the end of January'25. The Nifty Next 50, which comprises the next tier of liquid stocks beyond the Nifty 50, has faced even sharper selling pressure. The index has plunged approximately 23.4% from its September'24 peak, hitting a nine-month low by January'25.

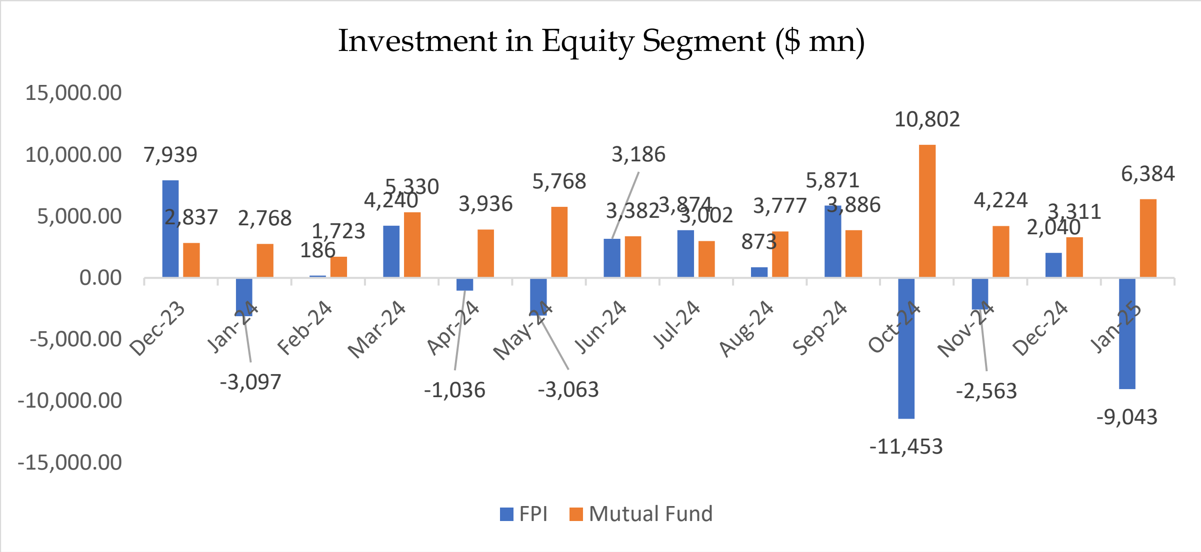


Selling pressure in January was largely driven by foreign portfolio investors (FPIs), amid concerns over high valuations and slowing earnings growth. Additionally, apprehensions surrounding potential tariff impositions by U.S. President and their broader economic impact further unsettled investor sentiment.

Foreign investors withdrew a net USD 9 billion during January'25, reversing the net inflows of USD 3.3 billion recorded in December 2024. The sustained selling pressure by FPIs was primarily driven by the sharp depreciation of the INR, rising U.S. bond yields, and a subdued corporate earnings season.

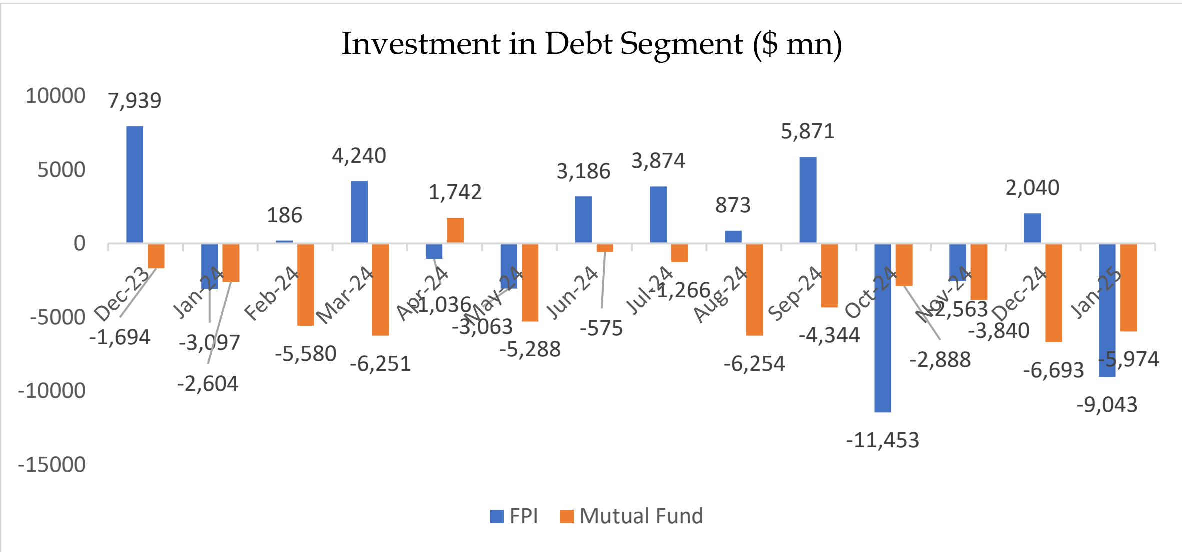
The equity market bore the brunt of FPI sell-offs, with foreign investors offloading a net USD 9 billion in January, following a net investment of USD 2 billion in December.

[1] The data used in this section has been taken from CMIE's Economic Outlook and MOSPI. While every effort is made to ensure the accuracy and reliability of the content, the Authority makes no representations regarding the accuracy, or reliability of any information provided.



Despite heavy outflows from equities, FPIs maintained a buying streak in the Indian debt market for the third consecutive month. However, their net investment dropped sharply to USD 51 million in January 2025 from USD 1.5 billion in December 2024. The majority of this allocation was directed toward the FAR segment.

In contrast to FPI outflows, Domestic Institutional Investors (DIIs) remained strong buyers in the Indian equity market, injecting USD 10 billion in January. This marked a significant increase from their average monthly investment of USD 4.6 billion over the previous two months.

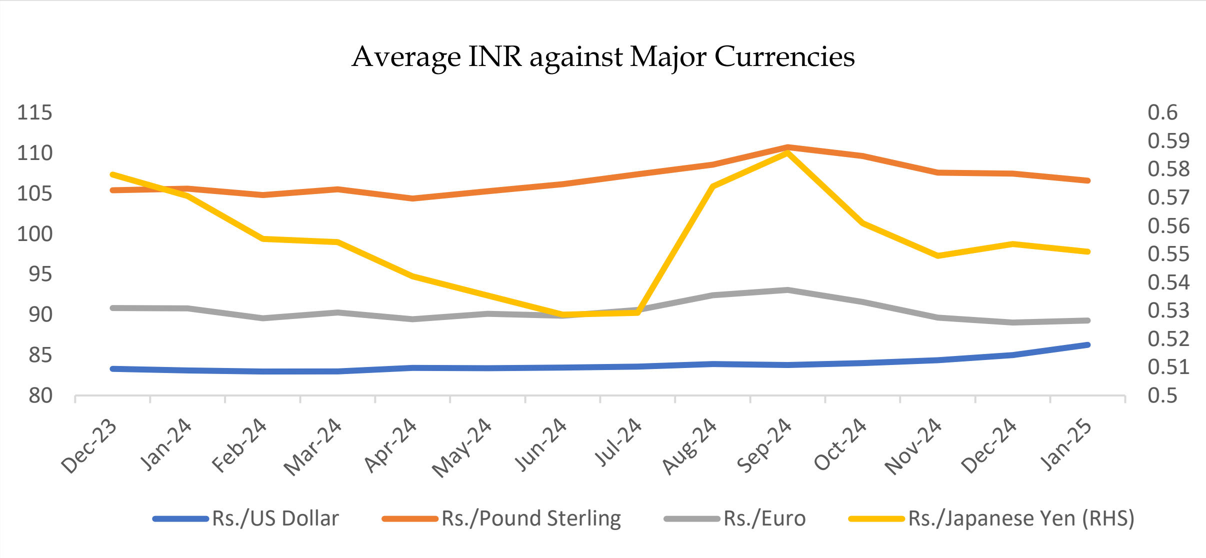


Currency Market

In January 2025, the INR depreciated by 1.5% against the USD, marking its sharpest decline since October 2022. The currency weakened to an average exchange rate of ₹86.27 per USD, compared to ₹84.99 per USD in December 2024. The INR has been on a steady downward trajectory since October 2024. While it took 14 months for the rupee to depreciate from ₹83 to ₹84 per USD, it surpassed ₹85 per USD in just three months. The decline accelerated further in January, with the INR breaching the ₹86 per USD level within a single month.

The downward momentum continued into early February when the INR briefly crossed ₹87 per USD. This sharp fall coincided with a surge in the US Dollar Index, which climbed over 1% to reach 108.9 following the imposition of tariffs on Canada, Mexico, and China by US. The move triggered widespread fears of a global trade war, adding further pressure on the INR.

Despite its depreciation against the USD, the INR strengthened against the Pound Sterling (GBP) and the Japanese Yen (JPY) in January but weakened against the Euro. The rupee appreciated for the fourth consecutive month against the GBP, rising 0.8% to an average exchange rate of ₹106.61 per GBP. Against the JPY, it gained 0.5%, settling at an average of ₹0.5509 per JPY. However, after three months of consistent appreciation against the Euro, the INR declined by 0.3% in January, averaging ₹89.30 per Euro.

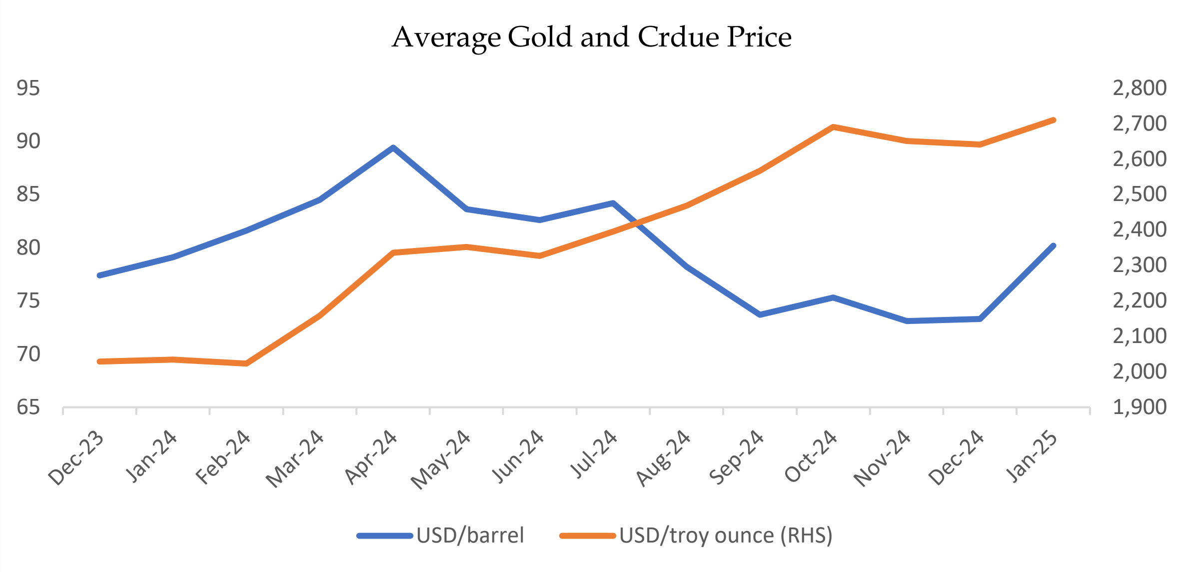


Commodity Market

The price of the Indian basket of crude oil surged by 9.4% in January 2025, averaging USD 80.2 per barrel. This marked a sharp acceleration from the modest 0.4% increase recorded in December 2024. For five consecutive months, crude oil prices had remained below the USD 80 per barrel mark, only to break past it in January'25.

Meanwhile, gold prices in the London Bullion market surged to a new all-time high in January 2025, averaging USD 2,709.7 per troy ounce. This represented a 2.6% monthly gain, following declines in the previous two months. Investor interest in gold intensified as global economic uncertainty deepened, particularly after introduction of new US tariffs. The entire month saw a sustained upward rally in gold prices. Additionally, expectations of interest rate cuts by major central banks, such as the European Central Bank, further fuelled the bullish trend.

In India, domestic gold prices on the BSE spot market mirrored the global surge, rising 2.9% in January to reach a record-high average monthly price of ₹78,421.4 per 10 grams in Mumbai.

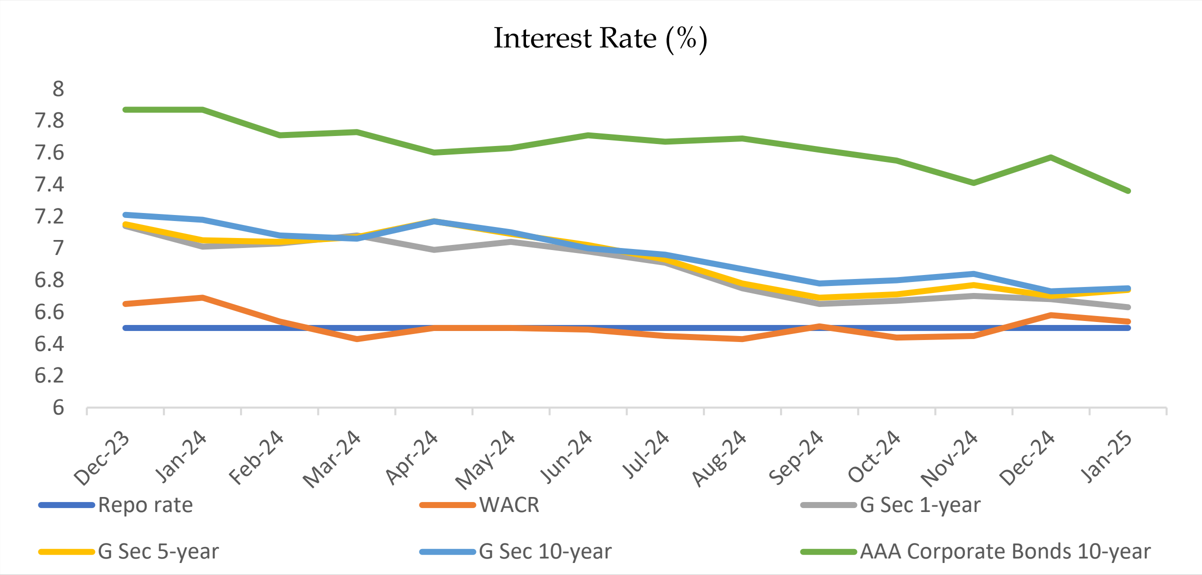


Interest Rates

In January 2025, G-sec yields with a one-year residual maturity declined for the second month, averaging 6.63 percent—five basis points (bps) lower than the previous month. Yields on 3-year and 5-year G-secs rose slightly, while the 10-year benchmark yield increased marginally to 6.75 percent. Yields on 12-year and 15-year G-secs remained unchanged.

AAA-rated corporate bond yields showed mixed trends. The 1-year yield increased to 7.80 percent, while the 5-year yield remained at 7.45 percent. The 3-year and 10-year yields rose to 7.59 percent and 7.36 percent, respectively.

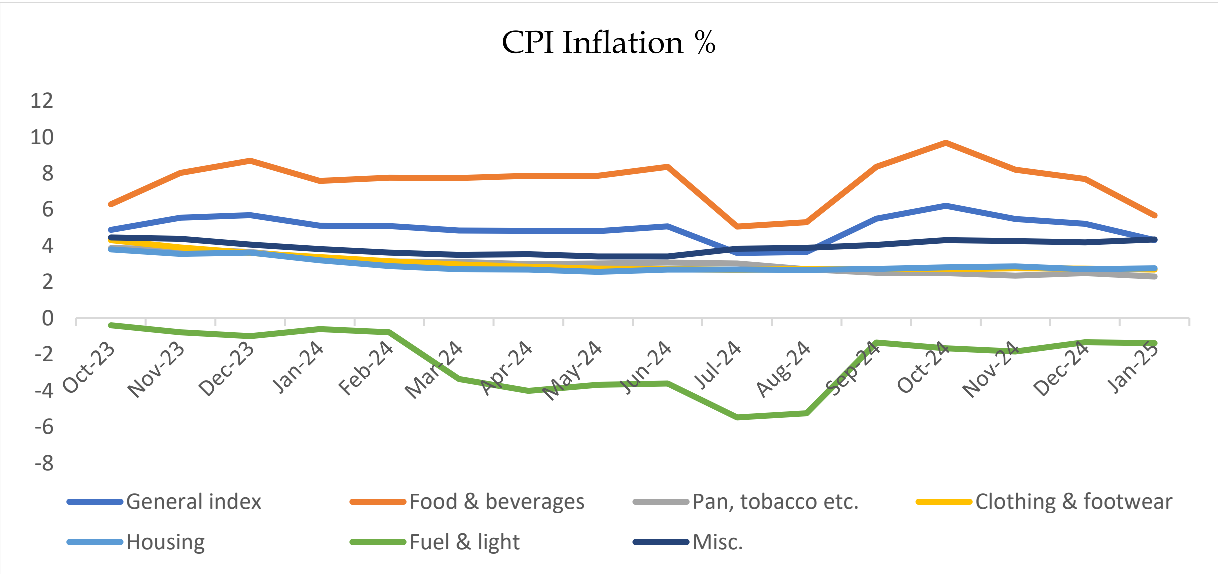
Risk premiums exhibited mixed trends across different bond maturities. The 1-year premium increased to 117 bps, while those for 3-year and 5-year bonds declined. The 3-year and 5-year bond premiums fell from 100 bps to 89 bps and from 74 bps to 71 bps, respectively. However, the risk premium for another set of 5-year bonds increased from 84 bps to 91 bps. The premium on 10-year bonds fell to 61 bps due to rising G-sec yields, coupled with a decline in 10-year corporate bond yields in January.



CPI Inflation

Year-on-year inflation rate based on All India Consumer Price Index (CPI) for the month of January 2025 remained at 4.31% marking a decline of 91 basis points in comparison to December 2024.

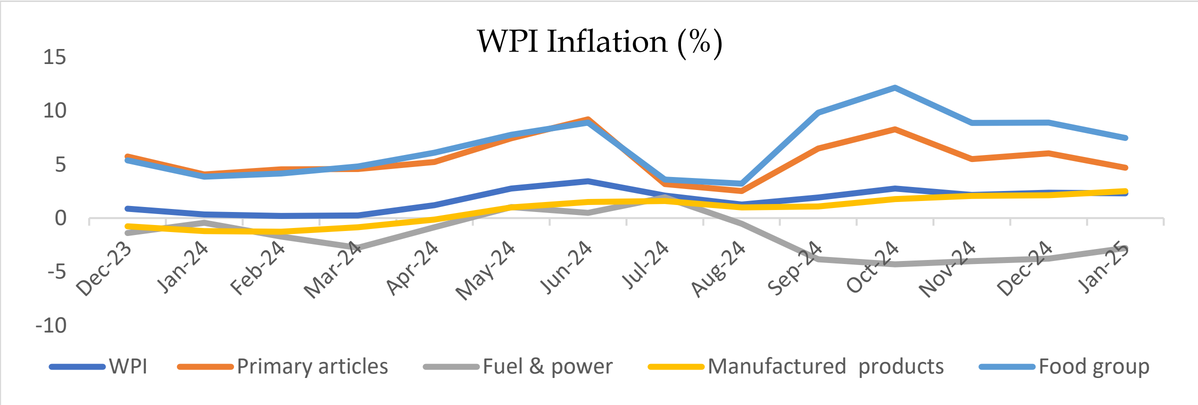
Food Inflation: Year-on-year inflation rate based on All India Consumer Food Price Index (CFPI) for the month of January 2025 over January, 2024 is 6.02% (Provisional). Corresponding inflation rate for rural and urban are 6.31% and 5.53%, respectively. All India inflation rates for CPI(General) and CFPI over the last 13 months are shown below. A sharp decline of 237 basis point is observed in food inflation in January, 2025 in comparison to December, 2024. The food inflation in January, 2025 is the lowest since August, 2024.



WPI Inflation

The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 2.31% for the month of January, 2025.Positive rate of inflation in January, 2025 is primarily due to increase in prices of manufacture of food products, food articles, other manufacturing, non-food articles and manufacture of textiles etc.

The annual rate of inflation based on WPI Food Index decreased from 8.89% in December, 2024 to 7.47% in January, 2025.

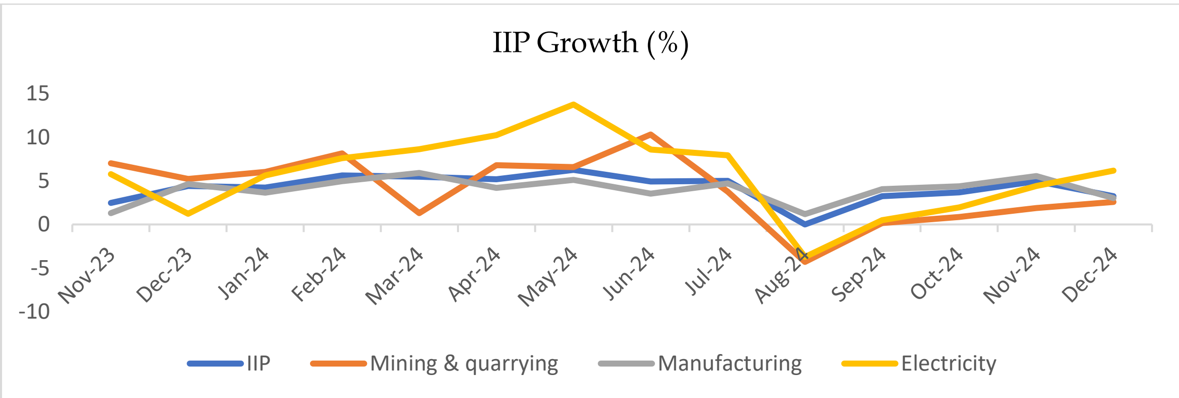


Index of Industrial Production

The IIP growth rate for the month of December 2024 is 3.2 percent which was 5.2 percent (Quick Estimate) in the month of November 2024. The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of December 2024 are 2.6 percent, 3.0 percent and 6.2 percent respectively.

The top three positive contributors for the month of December 2024 are – “Manufacture of basic metals” (6.7%), “Manufacture of electrical equipment” (40.1%) and “Manufacture of coke and refined petroleum products” (3.9%).

The corresponding growth rates of IIP as per Use-based classification in December 2024 over December 2023 are 3.8 percent in Primary goods, 10.3 percent in Capital goods, 5.9 percent in Intermediate goods, 6.3 percent in Infrastructure/ Construction Goods, 8.3 percent in Consumer durables and (-)7.6 percent in Consumer non-durables.



Data Table

Economic Indicators

Indicators	Jan-24	Dec-24	Jan-25	YoY change (% / bps)
FPI Equity Investments (USD billion)	-3.096	2.040	-9.042	-192.02
Rupees per dollar	83.12	84.99	86.27	3.78
Rupees per Pound Sterling*	105.60	107.48	106.61	0.95
Rupees per Euro*	90.77	89.03	89.30	-1.62
Rupees per Japanese Yen*	0.5706	0.5536	0.5509	-3.45
Gold (USD/troy ounce)*	2034.00	2640.90	2709.70	33.22
Crude Oil (USD/Barrel)*	79.10	73.30	80.20	1.39
Weighted Average Call rate (%)	6.69	6.58	6.54	-15
Market repo rate (%)	6.50	6.50	6.50	0
G sec 1-year (%)	7.01	6.68	6.63	-38
G sec 10-year (%)	7.18	6.73	6.75	-43
AAA rated corporate bond 10-year (%)	7.87	7.57	7.36	-51
CPI Inflation (%)	5.10	5.22	4.31	-79
WPI Inflation (%)	0.33	2.37	2.31	198
IIP# (%)	4.40	5.00	3.20	-120

IIP data as on Dec 2023, Nov 2024 and Dec 2024 respectively.

* *Average Monthly Exchange Rate*

Section 2/खंड 2

Management Speaks/ प्रबंधन का वक्तव्य

Progress and Prospects of Pension in India[2]

I thank the HT Media Group for this opportunity to be part of this distinguished gathering of BFSI. Finance is the lifeblood of the economy. As we aspire to *Viksit Bharat* 2047, it is important that various segments of the financial sector develop commensurately to support the process. In this context, I am happy to share my thoughts on the pension segment, particularly the national pension system (NPS), reviewing the development so far and concluding by underscoring the need for wider coverage of pension going forward.

The pension assets form a major chunk of global investment, estimated around 43 percent of the total assets managed (AUM). In India, pension assets, estimated around ₹ 50 lakh crore (US$ 600 billion), are relatively modest compared to such global assets over US$ 63 trillion[3]. The largest retirement fund in India is the Employees' Provident Fund (EPF), ranks 21st by size in global pension funds ranking,[3] with Government Pension Investment, Japan ranking 1st with AUM of US$ 1.6 trillion. The National Pension System (NPS) including the Atal Pension Yojana (APY) that we in PFRDA manage, has assets of ₹ 13.8 lakh crore (US$ 162 billion).

In the past, pension was perceived to be the privilege of government employment. It is no longer so with the introduction of the NPS in 2004, first for the government employees, and then extended to private corporates including the common person in 2009, and now to children with the scheme of NPS Vatsalya in 2024.

Slower pension adoption

Anyone coming of age and joining the workforce will retire sometime. Hence financial provision for post-retirement life ought to be made when one is working, that too early in the working career to build a corpus harnessing the power of compounding that could provide adequate regular income support post-retirement. Pension products are designed for that purpose. Why then pension adoption, relative to both the size of our population and workforce, is low? There could be several reasons. Let me emphasise three of those.

First, financial literacy and awareness. Financial literacy is a key driver in taking sound financial decision. The objective of financial education is to make citizens better prepared to manage their money and finances and attain their financial goals so as to avoid financial stress later in their lives. Elevated level of financial knowledge ultimately leads to improvement in individual's financial well-being. The challenge of financial literacy is not limited to India alone, only a third of adults surveyed across 39 countries by the Organisation for Economic Co-operation and Development (OECD) reached the minimum target score on financial literacy[4]. RBI-NCFE Financial Literacy Survey for India suggested that only 25 percent of people were thinking to make retirement savings.

The additional challenge in present times is also to improve digital financial literacy levels of citizens, as all of us are exposed to fintech for delivery of financial services. For example,

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[2] Address by Dr. Deepak Mohanty, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) at 17th Mint BFSI Summit and Awards, Mumbai, January 17, 2025.

[3] Pension Markets in Focus 2024, published by Organisation for Economic Co-operation and Development (OECD)

[3] Willis Towers Watson 's (WTW) Think Ahead Institute and Pensions & Investments joint study, Sep 2024.

[4] OECD/INFE 2023 International survey of adult financial literacy 2023

NPS is fully digital, though there is a physical mode of onboarding. It is important to be aware of one's responsibility in a digital financial environment while being cognizant of the risks of digital/cyber frauds. Considering our diverse population in terms of social, economic and cultural factors, a one size fits all approach of financial literacy programme may not yield the desired results and customisation at different levels or geographies is warranted. More than content the manner of communication become important. As in the standard-curriculum, aspects of personal finance are not generally covered, it is worth the effort to improve financial literacy which is seen to contribute positively to one's financial wellbeing.

Second, the nature of our labour market. The bulk of our workforce is engaged in the unorganized and informal sectors where they do not have access to occupational pension as in the organized sector. According to India Employment Report 2024, 81 percent of our labour force was in the unorganized sector in 2022. Efforts are made by the government to provide pension to low-income households. For example, under

APY, a guaranteed pension of ₹ 1,000-5,000 is available depending on one's contribution. We have enrolled 7.3 crore subscribers under APY among whom 6.2 crore are currently active. Self-initiated savings by them for old age is a necessity. In addition, government does provide some social security assistance to underprivileged and low-income individuals. But that may not be adequate without one's own savings.

The composition of our labour force creates its own challenge to retirement planning. The rise of the gig economy and digital platforms has redefined the character of our labour force. The Social Security Code 2020 envisages social security for them. While that takes shape, such workers could enroll under NPS or APY depending on their capacity.

Third, affordability. In a contributory pension system individual earnings do matter to a long-term financial decision like pension. Currently, with per capita income of around US$ 2,500, we are a lower middle-income country, as per the World Bank classification. With sustained GDP growth, India for sure will progress to an upper middle-income country with per capita income of upwards of US$ 4,200 in the next decade. We aspire to be a high income, developed country by the middle of the century. One implication of this is that the financial ability of our population to adopt pension would continue to increase with rise in income.

Changing financial behaviour

The financial behaviour of the retail investors in India is going through a phase of rapid transition. Financial attitude seems to be changing. Components of household gross financial assets indicate that in a decade between 2013-14 and 2023-24, the share of cash and bank deposits has declined from 62 percent to 44 percent and that of bond and equity has risen from 2 percent to 8 percent. Financial saving for social security such as in insurance and pension has shown a steady increase from 32 percent to 38 percent.

The pension sector that PFRDA regulates, covering NPS and APY, has investment of ₹ 13.8 lakh crore, out of which infrastructure investments is about ₹ 2 lakh crore and equity investment is about ₹ 2.6 lakh crore. As our income levels rise and with the growing participation in these schemes, this sector is poised for growth as in advance countries such as in OECD countries, pension assets average about 87 percent of their total GDP.

When it comes to wealth accumulation, diversification becomes very important and a balanced approach is required as per the age, need and risk appetite of the individual. In this context, NPS becomes a very good tool for disciplined saving as well as balanced investment so as to accumulate a good amount of wealth during the working lifetime of an individual. It has a robust regulatory framework and established architecture where every function is managed by professionals. It is fully digital, very flexible and offers a wide range of choices for the investors as per their need and risk appetite.

Progress of NPS

NPS provides both active and auto choice for investing one's own corpus. The financially sophisticated individuals can go for active choice under NPS where they can choose upto 75 percent allocation into equity and upto 100 percent in debt. The investors who do not want to actively involve in fund allocation may make auto choices or life cycle funds where the investment allocation automatically changes as per the age of the subscriber. There are four type of auto choices giving a predetermined mix of equity and debt matching the requirement of varied investors – conservative Lifecycle (LC25), Moderate Lifecycle (LC50), aggressive Lifecycle (LC75) and recently introduced Balanced Lifecycle (BLC) fund.

In addition, NPS has offered very attractive returns of about 13.2 percent per annum in equity since its inception. NPS scheme for government employees, with a conservative mix of more debt and less equity, has given a return of 9.5 percent per annum since inception.

It is tax efficient: both the accumulation and corpus are exempt from income tax. For corporate subscribers, 14 percent of salary contributed to NPS is exempt from income tax, both for the employer and employee under the new tax regime. Of course, under the old tax regime there is an additional deduction of contribution upto ₹ 50,000.

NPS Vatsalya introduced in September 2024 is accepted well with 86,000 subscribers so far. It can be seamlessly ported to workplace pension on the child coming of age and joining the workforce, thereby providing continuity to one's retirement savings account. Thus, it has become a family product. Now any member of the family from infancy to 70-years old can join NPS. As the vesting period is enlarged, one could harness the power of compounding to accumulate substantial corpus ensuring adequate pension on one's retirement.

The subscriber numbers under NPS are growing rapidly with an active subscriber base of 1.6 crore, however, the NPS subscribers under the private sector, both corporate and individual, at 64 lakh suggest ample scope for further expansion. While NPS has made pension accessible for all, there is a need for greater adoption, appreciating the need for post-retirement financial security. It is important to bear in mind the imperatives of our demographics and economic trajectory.

Conclusion

India currently is the fastest growing large economy in the world. At the same time, it also is projected to age rapidly. Currently, every tenth person is over the age of 60 years, by the middle of this century, every fifth Indian is expected to be over 60 years of age. Further, the old-age dependency ratio is expected to increase from 18 percent in 2020 to 30 percent in 2050 exerting pressure not only on our younger generation but also on our overall financial resources.[5]

Longevity of present and future generations of Indian would be much higher. The longevity of women is more than men, underscoring the need for better gender balance in pension coverage. NPS subscriber data for the private sector including individuals suggests that only

[5] Aging Well in Asia: Asian Development Policy Report 2024.

one-quarter are women. Living longer implies that one needs money for a longer period to take care of oneself when one is not able to work to earn for oneself. The retirement phase becomes more challenging because of the rise in medical expenses, increasing nuclear family structure and limited access to formal credit facilities. Thus, with every passing year after superannuation, one gets exposed to financial risks unless adequate provision has been made to take care of retirement.

The issue of pension coverage, adequacy and sustainability is not limited to us. It is a global challenge in the face of ageing that countries are grappling with. NPS has emerged as a well-regulated, digitally enabled, low cost, pension scheme for all with competitive returns. We at PFRDA are committed to protecting the interests of subscribers and fostering trust in the pension ecosystem through continuous improvements in security, transparency and operational efficiency.

Once again, I thank the Hindustan Times group for inviting me to interact with you.

Thank you.

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Section 3/खंड 3

Article/लेख

January 2025

Assessing India's AML/CFT Framework - Insights from FATF's Mutual Evaluation

Financial crimes like money laundering and terrorist financing pose a significant threat to global economic stability. These illicit activities fuel organized crime, corruption, and terrorism, undermining national security and economic development. In response to these challenges, the global community has established comprehensive regulatory frameworks aimed at mitigating financial crime risks.

At the forefront of these efforts is the Financial Action Task Force (FATF), a 40-member intergovernmental body that formulates international standards to foil the money laundering and funding of terrorism and proliferation. To ensure adherence to the stipulated standards, member countries must implement FATF's 40 Recommendations and undergo periodic Mutual Evaluations (MEs). The FATF's decision-making body, the *FATF Plenary*, convenes three times a year and holds countries to account if they do not conform to the standards.

Understanding Mutual Evaluation Process

The Mutual Evaluation (ME) is a rigorous peer-review assessment conducted by FATF and its regional counterparts, such as Asia/Pacific Group on Money Laundering (APG) and Eurasian Group (EAG), where members from different countries assess another country. The ME process involves multiple stages, starting with a self-assessment in which the country provides details of its AML/CFT framework. This is followed by an on-site visit by FATF & APG experts, who engage with policymakers, regulatory agencies, financial institutions, and law enforcement bodies to assess real-world implementation. The findings are compiled into a draft report, which is shared for review before the final evaluation is adopted and published.

FATF's Assessment methodology

During a Mutual Evaluation, the assessed country must demonstrate that it has an effective framework, to implement FATF's 40 Recommendations, that protects its financial system from ML/TF abuse. These 40 recommendations are categorized under seven broad chapters as under:

a) AML/CFT Policies and Coordination
b) Money Laundering and Confiscation
c) Terrorist Financing and Financing of Proliferation
d) Preventive Measures
e) Transparency and beneficial ownership of legal persons and arrangements
f) Powers and responsibilities of competent authorities and other institutional measures
g) International cooperation

ME evaluates two primary aspects: *Technical compliance* and *Effectiveness*.

a) *Technical Compliance* assesses whether a country has the necessary legal and institutional frameworks in place to meet specific requirements under FATF's 40 Recommendations. This

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includes specific provisions under Law, and regulations related to AML and CFT inter-alia criminalizing money laundering, implementing customer due diligence (CDD) measures and ensuring financial institutions divulge suspicious transactions etc. FATF evaluates a country's compliance with its 40 Recommendations through a Mutual Evaluation Process. Each recommendation is assessed across different sectors (e.g., banking, insurance, pension, securities, DNFP, etc.) and their compliance is rated as Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC), or Not Applicable (N/A).

b) *Effectiveness* evaluates how well AML/CFT laws and frameworks are implemented in practice. It focuses on the practical impact of these measures, including risk mitigation, law enforcement actions, prosecutions, asset recoveries, and international cooperation. This assessment is conducted through 11 Immediate Outcomes (IOs), which examine various aspects of a country's AML/CFT efforts. These include the country's policy, international coordination and co-operation to mitigate the menace of Money Laundering, funds in support of terrorism which are barred from entering into Financial Sector or other sector are detected and reported and criminals are sanctioned. Each Immediate Outcome is evaluated sector-wise, and the country is evaluated based on its level of effectiveness as High Level of Effectiveness (HE), Substantial (SE), Moderate (ME), or Low (LE).

A country's FATF assessment considers both technical compliance and effectiveness. Technical compliance ensures the necessary AML/CFT laws and frameworks align with FATF recommendations, while effectiveness evaluates their enforcement, implementation and its impact. Basis the technical compliance and effectiveness ratings, FATF places member countries overall in any of the four categories viz.,

a) Regular follow-up – Reporting post 3 years of MER adoption
b) Enhanced follow-up – Reporting every year for 3 years post MER adoption
c) Jurisdictions under Increased Monitoring ('Grey list')
d) High-Risk Jurisdictions subject to a Call for Action ('Black list')

The recommendations and the procedure for assessing compliance with recommendations are subject to amendment by FATF from time to time.

A dive into the India's Mutual Evaluation of 2010

India's previous Mutual Evaluation took place around 2010, where it was assessed on the applicable FATF standards. The ME of 2010 was carried out pursuant to the FATF's 2004 Methodology wherein country's compliance on the 40 Recommendations 2003 and the Nine Special Recommendations (SR) on Terrorist Financing 2001 (9 SR were consolidated into the 40 Recommendations in 2012) was assessed. According to the MER, India was placed in the regular follow-up process category. India became FATF member in 2010.

Later, India moved an application for removal from the follow-up and submitted a detailed action plan to strengthen its AML / CFT compliance framework. The evaluation did not end there as India reached out to eight FATF plenaries with progress on the detailed action plan by amendments to PMLA, UAPA and Banking laws over a period of 3 years. Finally, in June 2013, the 8th follow-up report was adopted at FATF plenary wherein the progress made by India on all the core and key Recommendations was found satisfactory. Finally, the FATF in year 2013 while acknowledging that India has made considerable progress in its AML/CFT efforts, recommended that India be removed from the regular follow-up process category.

India's approach to AML/CFT campaign

India's overarching framework for AML and CFT is defined in the Prevention of Money-Laundering Act, 2002 (PMLA) and the Unlawful Activities (Prevention) Act, 1967 (UAPA) respectively. The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 and UAPA provide the legal backing for focused financial sanctions. Additionally, the Code of Criminal Procedure, 1973 (CrPC) sets guidelines for law enforcement, ensuring a comprehensive legal framework to combat financial crimes.

Beside the aforementioned legal framework, the legal provisions for asset recovery are further supported by the Fugitive Economic Offenders Act, 2018 (FEOA), Prevention of Corruption Act, 1988 (PCA), Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA), Customs Act, 1962, Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPS Act), and Arms Act, 1959.

Over the course of time, India has made meaningful progress in enhancing its AML/CFT framework to align with global best practices. India's approach to strengthening its AML/CFT campaign is based on a thorough risk assessment emerging from internal and external threats. Accordingly, India undertook a National Money Laundering and Terrorist Financing Risk Assessment (NRA) in 2022, which aimed to assess ML/TF risks in the financial system through a structured, multi-agency approach. It encompassed national threat assessment and sectoral risk assessment for banking, securities, insurance, pensions, Designated Non-Financial Businesses and Professions (DNFBPs), Virtual Asset Service Providers (VASPs) and financial inclusion services. This led to India adopting a National Strategy on AML/CFT in 2023.

How did India fare in FATF's 2024 Mutual Evaluation?

During 2022-23, India underwent an extensive self-assessment process, requiring financial sector regulators and other key stakeholders to go through various rounds of deliberations and provide submissions on the sector-specific AML/CFT framework put in place along with the findings of NRA.

In November 2023, the FATF team conducted an onsite assessment, wherein the FATF team engaged with the officials of the FSRs and the representatives of the select Reporting Entities (REs) to gauge the AML/CFT framework and steps taken to strengthen the same. The Department of Revenue acted as a National nodal agency during the Mutual Evaluation process.

After nearly a year of comprehensive exercise, the Mutual Evaluation report was accepted by FATF plenary in June 2024, as a part of its 4th round of evaluation of global countries. In September 2024, FATF, in collaboration with its regional counterparts APG and EAG, released its latest evaluation of India. The report acknowledges India's significant regulatory advancements and also recognizing areas that require further attention.

In FATF's terms *"India has achieved a high-level of technical compliance across the FATF Recommendations and has taken significant steps to implement measures to tackle illicit finance"*. Among several other things, FATF has recognised the hard work put in by India on:

a) Mitigating the ML/TF risks, as well as the laundering of proceeds from corruption, fraud, and organised crime.
b) Effective measures implemented by India to shift from a cash-based to a digital economy.
c) Implementation of the JAM (Jan Dhan, Aadhaar, Mobile) Trinity, along with rigorous regulations on cash transactions which has led to a substantial growth in financial inclusion and digital transactions; thereby making them easily traceable.

The report also calls for priority actions in several key areas in including the following 3 areas where it has been rated Partially Compliant:

a) Protect Non-Profit Organisations (NPOs) from terror abuse with risk-based measures.
b) Establish clear obligations for identifying and taking risk-based enhanced measures for domestic PEPs.
c) Address regulatory and supervisory gaps in DNFBPs in sectors like precious metals, stones, and real estate, which are vulnerable to money laundering.

Overall India's effectiveness was Substantial on 6 Immediate Outcomes (IOs) and Moderate on 5 IOs out of total 11 IOs. In terms of technical compliance on the 40 Recommendations, India was compliant with 11; largely compliant with 26; partially compliant with 3. As per the MER 2024, India has been placed in the regular follow-up process category a distinction which it shares with another four G20 countries (U.K, France, Italy and Russia). It is worthwhile to note that, several developed nations, including the US, Australia, Canada, New Zealand, Singapore, and Germany, have been placed under enhanced follow-up category, given significant deficiencies in their AML/CFT frameworks.

As per FATF, India has made notable progress in strengthening its AML/CFT framework, as reflected in the increase in compliant ratings from 4 to 11 recommendations, marking a significant improvement.

Assessment of Pension Sector under Mutual Evaluation Process

The pension sector was for the first time comprehensively assessed under the Mutual Evaluation process and PFRDA as a pension regulator was included in the FATF mutual evaluation. The ME report has acknowledged the ensuing significant points pertaining to PFRDA's AML/CFT framework and its compliance to FATF recommendations:

a) PFRDA demonstrates a fair understanding of the ML and TF risks, along with mitigation measures that effectively limit the sector's exposure to these risks.
b) PFRDA's Guidelines on KYC/AML/CFT outline various control and preventive measures, including CDD, EDD.
c) PFRDA's Regulations stipulate the "fit-and-proper" person criteria for its intermediaries, making sure that only those who meet these standards are permitted to operate within the sector.
d) Supervision by PFRDA is prudentially driven, with AML/CFT aspects integrated into on-site inspections. In FY 2022-23, PFRDA inspected approximately 5% of entities (PoPs). Additionally, supervised entities undergo external audits covering AML/CFT aspects, in line with the risk these sectors represent.
e) PFRDA has not imposed sanctions or taken remedial actions due to the lack of significant AML/CFT violations in the pension sector. The volume of ML/TF cases involving the pension sectors in India is minimal, and India's 2022 NRA categorizes the risk in pension sector as "Low."

As per MER, the key focus area in reference to the pension sector includes, widening the ambit of the Politically Exposed Persons (PEPs) to include domestic PEP (Recommendation 12 of FATF), devising guidelines for countermeasures on the request received from international / inter-governmental organisation (Recommendation 19 of FATF), and information sharing with foreign counterparts (Recommendation 40 of FATF).

What lies ahead for India?

With the completion of Mutual evaluation, India has a chance to self-report to FATF after a period of three years with respect to:

a) the progress on the key recommendations / priority actions suggested in the MER; and
b) demonstrate improvement in 3 Recommendations where it is rated PC for TCRR.

Based on the review of progress made on action plan, in case FATF is able to determine after that India has demonstrated significant improvements may be remove India from the regular follow-up category.

As the FATF has reduced the assessment cycle period to 6 years for the mutual evaluations beginning 2024 as per the revised FATF mutual evaluation procedures adopted in 2022. Accordingly, the next round of mutual evaluation of India is likely to take place in 2031.

Conclusion

The outcome of the recently concluded FATF Mutual Evaluation Process for India has been positive with the FATF recognizing the efforts undertaken by India for combating ML/TF. The rating given to India as country further gives strength to the integrity and the solidity of the financial system and provides a boost to the growing economy.

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Section 4/खंड 4

International Section/ अंतर्राष्ट्रीय खंड

Pension System in Tanzania

In 2008 the government established the Social Security Regulatory Authority (SSRA). The main goal of SSRA is to regulate the social security activities in the country. Due to competition on attracting members, some funds were paying higher benefits, which put them in the risk of insolvency. In 2014, SSRA issued the pension benefit harmonization rules to be applied for all mandatory defined benefit pension schemes (SSRA 2014). The rules described two benefit formulas, which are, commuted benefit (lump sum) to be paid at retirement and monthly benefit to be paid after retirement until the death of the retiree. The harmonization rules lowered the benefits for some funds and removed the early retirement pensions such as withdrawal benefits.

Before 2018, the Tanzanian pension system comprised five mandatory defined benefit schemes operated under the pay-as-you-go principle. These funds were Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF), Local Authority Pension Fund (LAPF), Government Employees Provident Fund (GEPF) and National Security Social Fund (NSSF). In 2018, the parliament passed Act No. 2 of 2018 which consolidated the social security schemes by merging four public funds, PPF, PSPF, LAPF and GEPF, into one scheme which is the Public Service Social Security Fund (PSSSF). The main purpose of PSSSF is to collect contributions and make payments of terminal benefits to employees of public service. NSSF remained for private sector employees.

Structure:

The pension system in Tanzania is structured to provide social security to its citizens through various schemes. Here are some key points about the structure:

1. Contributory System: The pension system in Tanzania operates on a contributory basis, where both employers and employees contribute to the pension funds. This is known as a pay-as-you-go defined benefit system.

2. Types of Benefits: The system provides two main types of benefits: a commuted pension (lump sum at retirement) and a monthly old-age pension.

3. Governance: The governance of the pension funds involves strict controls and professional oversight. The system is governed by a hierarchical structure that includes the Ministries, the Regulator, and the Central Bank.

4. Challenges: The system faces several challenges, including low coverage, high administrative costs, and the heavy involvement of the government in the governance of the funds. There are also issues related to employer compliance and beneficiary withdrawal.

5. Sustainability: Projections indicate that the pension fund may face sustainability issues in the long term due to increased life expectancy of its members. Contributions may not fully cover benefit payouts, and asset values may not fully cover liabilities.

Tanzania's current pension arrangement covers people only working in the formal sector, who contribute to the country's social security funds, the National Social Security Fund (NSSF), which covers employees in the private sector, and the Public Service Social Security Fund (PSSSF), which covers civil servants.

Tanzania does have other schemes designed to support poor households in the country, including the Tanzania Social Action Fund (TASAF), which does not necessarily pay people after retiring and instead operates under different criteria, mainly the household's level of poverty.

The Pension Funds (PFs) hold a small fraction of Dar es Salaam Stock Exchange (DSEs) market capitalization. PFs purchases and holds securities for longer terms. The low liquidity of the DSE is partially contributed by low participation of PFs in secondary market trading. Pension funds, commercial banks, and the Bank of Tanzania jointly held about 80 percent of domestic debt at end-June 2023.

Table 1: ***Key Indicators***

		Tanzania
Expenditures on social protection (2016)	%of GDP	2.35%
Life expectancy (2021)	at birth (Men/Women)	65.2/68.4
	At age 65 (Men/Women)	17/17
Age distribution, 2023	(0-14, 15-64, 65+)	21.5%, 74.4%, 4.2%

Payment of benefits in Tanzania is based on replacement rate, which is the rate of

salary, paid as pension to a retiree. In Tanzania, despite the fragmentation of benefits (both short- and long-term), replacement rates have remained uniform across income groups.

Parametric reforms implanted in Tanzania for over two decades have improved the social security system by establishing a strong legal, regulatory framework; enhancing scheme governance; safeguarding investment prudence; and reducing administrative expenses.

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Section 5/ खंड 5

Did You Know?

क्या आप जानते हैं?

Economic Survey 2024-25

Economic Survey 2025 has predicted FY26 growth at 6.3-6.8%.

Projections by other organizations are also provided for reference-

Projection by	GDP Growth Forecast for FY 2025-26
Economic Survey 2024-25	6.3% - 6.8%
International Monetary Fund (IMF)	6.5%
World Bank	6.7%
Asian Development Bank (ADB)	7.2%
Reserve Bank of India (RBI)	6.7%

The estimate range is in line with the International Monetary Fund's 6.5% but lower than the 6.7% projected by the World Bank and Asian Development Bank.

W.r.t. inflation, survey highlighted that despite challenges, there are positive signs for inflation management. The Reserve Bank of India and the International Monetary Fund (IMF) project that India's consumer price inflation will gradually align with the target of around 4 per cent in FY26.

Outlook of Financial Sector

India's financial sector has performed well amidst unfavourable geopolitical conditions. On the monetary front, system liquidity, represented by the net position under the Liquidity Adjustment Facility, remained in surplus during October-November 2024. The financial parameters of banks continue to be strong, reflected in improved profitability indicators.

Capital markets significantly contribute to capital formation, the financialization of domestic savings, and wealth creation. Strong macroeconomic fundamentals, healthy corporate earnings, supportive institutional investment, robust inflows from SIPs, and increased formalisation, digitisation, and accessibility have all fuelled the market's continued growth.

India's insurance sector is performing well and is projected to become the fastest-growing market among G20 nations over the next five years (2024-2028).

Pension Sector:

The pension sector is expected to grow as the economy transitions from a lower-middle-income to an upper middle-income country.

Economic Survey has also included a first of its type analysis on India's Pension Sector, with the heading: ***Securing Retirement: Transforming India's Pension Landscape.***
Survey mentions that scalability and sustainability are crucial for any efficient pension system and survey acknowledges that in principle, taking into consideration both scalability and sustainability, **India's pension system design seems robust and stable**.

Survey also mentions that progress under APY has been notable, its scalability in practice remains an area for further development.

Making pension system more accessible to the informal sector has been highlighted as a key issue.

The survey highlights key policy directions, digital integration, and behavioural interventions to expand coverage.

A significant step for Integrating a significant portion of the informal sector into the pension framework is raising awareness about pension and financial literacy and utilising modern, application-based interfaces that allow seamless access to these services.

Increasing participation can be achieved through behavioural interventions, which can involve changing how information is presented, simplifying the enrolment process (for example, using UPI enabled pension payments), and providing timely reminders. (Note - UPI enabled payments are already allowed under NPS).

Pension sector has been considered under untapped service sectors by the survey.

W.r.t. overwhelming preference for a low pension amount among APY subscribers, survey mentions that it can be attributed to several factors, the most significant being that the target population primarily consists of low-income households, where daily consumption needs take precedence over savings.

The overall pension coverage for NPS and APY schemes has increased from 0.95 per cent of the total population in FY16 to 5.3 per cent in FY24. Despite this growth, India's pension system has considerable potential for further expansion.

Financial sector regulators

Survey mentions that the efficiency and effectiveness of regulatory action are directly dependent on the quality of regulations.

The quality of regulations can be broadly assessed based on five criteria: democratic legitimacy, accountability of the regulator, fair, accessible and open procedures, expertise and efficiency.

While these criteria are impacted by many structural and operational factors in the regulator and beyond, using a 'fair, accessible and open procedure' for regulation making is more practicable than the others. A systematic procedure for regulation-making is one way to ensure that the quality of regulations is right. Regulatory impact assessment (RIA) has been identified as an effective tool when used as part of the regulation-making process to ensure the quality of regulations.

Financial sector IRBs have been including the elements/aspects of RIA and related regulatory best practices. The RBI has set a Medium-term Strategy Framework – Utkarsh 2022, and the SEBI indicates regulatory plans as part of its annual reports.

The IBBI governs the regulation-making process through the IBBI (Mechanism for Issuing Regulations) Regulations, 2018. It provides for at least 21 days for public consultations while proposing/amending regulations, consultations with stakeholders and advisory committees, and an economic analysis covering the expected costs and benefits to society, economy, stakeholders, and itself on account of the proposed regulation.
(Note- Similar process has been adopted in PFRDA also with notification of PFRDA(Mechanism for Making and Review of Regulations) Regulations, 2015).

Survey has observed that most regulators practice consultations with stakeholders during regulation-making through discussion papers shared on their websites.

Deregulation drives growth

Survey highlights the significance of deregulation in achieving the goal of "Viksit Bharat".

Enhancing the economic freedom of individuals and businesses is both the means and the ends to unleashing internal growth levers.

Undertaking systematic deregulation in 2 phases:

Phase 1- pursued
- Reduced Compliance Burden
- Streamlined system, process and info
- Digitised system, process and info
- Provided incentives

Phase 2- to be pursued
- Liberalise standards and controls
- Set legal safeguards for enforcement
- Reduce tariffs and fees
- Use risk-based regulation

Concerted actions by states towards deregulation will lift sentiment, enhance faith and trust in governance, and even improve compliance as the relationship between the governing and the governed turns into a partnership. Once some regulations are repealed or simplified, the remaining ones become progressively easier.

Key points from Economic Survey Chapters

1. State of the Economy: Resilience Amid Global Uncertainties

Global perspective:

i. The International Monetary Fund (IMF) has projected growth of 3.2 per cent and 3.3 per cent for 2024 and 2025, respectively. Over the next five years, global growth is expected to average around 3.2 per cent, which is modest by historical standards.

ii. Central banks have adopted more accommodative monetary policies. However, the pace of rate cuts varies across regions depending on the growth imperatives and the pace of disinflation, creating potential divergences in economic recovery. Inflation rates across economies have trended downward steadily, approaching central bank target levels. This has been the result of tighter monetary policy regimes across the globe and supply chains adapting to higher levels of economic uncertainty.

iii. Taking advantage of the steep decline in inflation, major central banks have implemented a policy pivot to lower policy rates. Given the differentials in the trajectories of economic activity across countries, the pace of policy rate reduction is bound to differ.

iv. Renewed global uncertainty over inflationary pressures and the direction of monetary policies have pushed bond yields up in October - December 2024.

Indian Scenario:

i. The Union government's indicators of fiscal discipline have improved progressively.

ii. India displayed steady economic growth and economic prospects for FY26 are balanced.

iii. India's real GDP is estimated to grow by 6.4 per cent in FY25.

iv. Private consumption remained stable, reflecting steady domestic demand.

v. Fiscal discipline and strong external balance supported by a services trade surplus and healthy remittance growth contributed to macroeconomic stability.

vi. Together, these factors provided a solid foundation for sustained growth amid external uncertainties.

vii. Headwinds to growth include elevated geopolitical and trade uncertainties and possible commodity price shocks.

viii. Domestically, the translation of order books of private capital goods sector into sustained investment pick-up, improvements in consumer confidence, and corporate wage pick-up will be key to promoting growth.

ix. Overall, India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential.

x. Navigating global headwinds will require strategic and prudent policy management and reinforcing the domestic fundamentals.

xi. Foreign portfolio investment (FPI) flows have been volatile in the second half of 2024, primarily on account of global geopolitical and monetary policy developments. Net FPI inflows slowed to USD 10.6 billion in April – December 2024 from USD 31.7 billion during the same period the previous year. The inclusion of India's sovereign government securities (G-secs) of certain tenors in the JP Morgan EM Bond Index induced heightened activity within the debt segment of the FPIs.

xii. As per the 2023-24 annual Periodic Labour Force Survey (PLFS) report, the unemployment rate for individuals aged 15 years and above has steadily declined from 6 per cent in 2017-18 to 3.2 per cent in 2023-24. The labour force participation rate (LFPR) and the worker-to-population ratio (WPR) have also increased.

2. Monetary and Financial Sector: Strengthening the Backbone:

i. Banking Sector Health: The Gross Non-Performing Assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) has declined significantly, from 7.3% in March 2021 to 2.6% in September 2024, reflecting improved asset quality.

ii. Profitability: The Return on Assets (RoA) of SCBs has improved, indicating better profitability and financial health of the banking sector.

iii. Capital Markets Boom: The capital markets have seen remarkable growth, with ₹11.1 lakh crore mobilized from primary markets during April-December 2024, a 5% increase over FY24.

iv. Demat Accounts: The number of demat accounts rose by 33% to 18.5 crore, reflecting increased retail participation in the stock market.

v. IPO Market: The IPO market saw a 32.1% increase in the number of IPOs, with funds raised tripling to ₹1.53 lakh crore from ₹53,023 crore in the same period.

vi. Mutual Funds: The number of unique mutual fund investors doubled from 2.9 crore in FY21 to 5.6 crore as of December 2024, indicating growing investor confidence.

vii. Financial Inclusion: The RBI's Financial Inclusion Index improved from 53.9 in March 2021 to 64.2 by March 2024, driven by the expansion of rural financial institutions

viii. SIP Flows: Monthly average gross SIP flows more than doubled in the last three years, from ₹0.10 lakh crore in FY22 to ₹0.23 lakh crore as of December 2024, indicating growing retail investor participation.

3. External Sector: Navigating Global Trade Dynamics:

i. Trade Performance: India's merchandise trade deficit widened in FY25, primarily due to a surge in imports reflecting rebounding domestic demand. However, non-petroleum exports performed well, indicating diversification in export baskets.

ii. Services Trade Surplus: The services trade surplus increased to USD 150 billion, driven by strong exports in IT and other services.

iii. Forex Reserves: India's forex reserves reached a high of USD 706 billion in September 2024, covering 89.9% of external debt, providing a strong buffer against external shocks.

iv. FDI Inflows: The services sector led FDI inflows with a 19.1% share, followed by technology, trading, and non-conventional energy, reflecting India's attractiveness as a destination for foreign investment.

4. Prices and Inflation: Managing Volatility:

i. Headline Inflation: Headline inflation has softened, driven by cooling core inflation, but food inflation remains a concern due to volatile prices of vegetables and pulses.

ii. Core Inflation: Core inflation has cooled, indicating that underlying inflationary pressures are under control, despite volatile food prices.

iii. Food Inflation: Food inflation remains elevated, driven by a few key items like vegetables and pulses, highlighting the need for better supply chain management.

iv. Extreme Weather Impact: Extreme weather events have had a significant impact on vegetable inflation, with price spikes lasting up to three months, underscoring the need for climate-resilient agricultural practices.

v. Administrative Measures: The government has implemented measures like stock limits, open market sales, and subsidized sales to control food inflation.

vi. Policy Response: The government's policy response to inflation has been proactive, with a focus on both short-term measures (like stock limits) and long-term solutions (like improving supply chains).

5. Medium-Term Outlook: Deregulation and Domestic Drivers:

i. Deregulation: The survey emphasizes the importance of deregulation to enhance economic freedom and drive growth. The Ease of Doing Business (EoDB) 2.0 initiative focuses on reducing compliance burdens, streamlining processes, and liberalizing standards.

ii. EoDB 2.0: The Ease of Doing Business (EoDB) 2.0 initiative aims to undertake systematic deregulation, focusing on reducing compliance burdens, streamlining processes, and liberalizing standards.

iii. Phase 1 Reforms: In Phase 1, the government focused on reducing compliance burdens, streamlining systems, and digitizing processes, which have already yielded positive results.

iv. Phase 2 Reforms: In Phase 2, the focus will be on liberalizing standards, reducing tariffs, and adopting risk-based regulation to further enhance economic freedom.

v. Risk-Based Regulation: The survey advocates for risk-based regulation, where legal norms are tailored to the risk profile of businesses, reducing unnecessary regulatory burdens.

6. Investment and Infrastructure: Building the Foundation for Growth:

i. Railways: The Vande Bharat trains and increased production of railway coaches have significantly improved rail connectivity and passenger comfort.

ii. Civil Aviation: The UDAN scheme has operationalized 84 new airports and 545 routes, improving regional connectivity and making air travel more accessible.

iii. Ports and Shipping: The average container turnaround time in major ports has reduced, improving efficiency and reducing logistics costs.

iv. Power Sector: The power sector has seen substantial capacity addition, with 61.4% of new capacity coming from non-fossil fuels as of December 2024, aligning with India's renewable energy goals.

v. Digital Connectivity: Telecommunication infrastructure has expanded, with increasing internet penetration and digital services, supporting India's growing digital economy.

vi. Rural Infrastructure: The Jal Jeevan Mission has provided tap water connections to 12.2 crore rural households, improving access to safe drinking water.

vii. Urban Infrastructure: The Smart Cities Mission has completed 93% of its projects, improving urban infrastructure and quality of life in cities.

viii. Renewable Energy: India's reliance on renewable energy has grown, with non-fossil fuels accounting for 46.8% of installed electricity generation capacity as of November 2024.

7. Industry: Reforms and Resilience:

i. Business Optimism: The Business Expectations Index indicates growing optimism, reflecting confidence in the economy's recovery and future growth prospects.

ii. Consumer Goods: The consumer goods industry has shown resilience, with steady growth in production and exports, supported by strong domestic demand.

iii. Policy Reforms: The survey highlights the importance of business reforms in driving industrial growth, including simplifying regulations and improving ease of doing business.

iv. Innovation Ecosystem: The increase in intellectual property filings reflects the growth of India's innovation ecosystem, which is crucial for transitioning to a knowledge-based economy.

v. Export Performance: Strong export performance in sectors like textiles and electronics indicates India's growing competitiveness in global markets.

vi. Infrastructure Growth: The steady growth in cement and steel production underscores the importance of infrastructure development in driving industrial growth.

8. Services: Challenges and Opportunities:

i. Services Sector Growth: The services sector's share in Gross Value Added (GVA) has increased to 56%, reflecting its growing importance in the economy.

ii. Global Services Exports: India's share in global services exports has grown to 4.3%, driven by strong performance in IT and other services.

iii. Offshore Work: The traditional apprenticeship model faces challenges like inadequate supervision and regulatory differences across countries, which need to be addressed to sustain growth.

iv. Servicification: The increasing demand for embedded services and the adoption of digital technologies and AI in services and manufacturing present new opportunities for growth.

v. Policy Support: The survey calls for policy support to address challenges in the services sector, including skilling initiatives and regulatory reforms.

9. Agriculture and Food Management: Sustainable Growth:

i. Credit Flow: Institutional credit to agriculture has increased, particularly for small and marginal farmers, supporting agricultural growth and improving farmer incomes.

ii. Micro-Irrigation: The area under micro-irrigation has expanded, promoting sustainable farming practices and improving water use efficiency.

iii. Government Schemes: Initiatives like PM-KISAN, Soil Health Cards, and the National Bamboo Mission have been instrumental in supporting agricultural growth.

iv. Non-Institutional Credit: The share of non-institutional credit in agriculture has declined, reflecting the growing role of institutional credit in supporting farmers.

v. Sustainable Farming: The government has promoted sustainable farming through schemes like Paramparagat Krishi Vikas Yojana and Mission Organic Value Chain Development.

vi. Soil Health: The Soil Health Card scheme has helped farmers improve soil fertility and crop yields, contributing to sustainable agriculture.

10. Climate & Environment: Balancing Growth and Sustainability:

i. Climate Challenges: India faces the dual challenge of achieving high economic growth while transitioning to a low-carbon economy, requiring significant investments in renewable energy and green technologies.

ii. Renewable Energy: India has made significant progress towards its Nationally Determined Contributions (NDCs), with 46.8% of electricity generation capacity from non-fossil fuels as of November 2024.

iii. Forest Cover: India has created an additional carbon sink of 2.29 billion tonnes CO_2 eq. between 2005 and 2023, contributing to its climate goals.

iv. International Support: The survey highlights the need for international support on finance and technology to meet India's climate goals, given the inadequacy of current global climate finance.

v. Adaptation: India's adaptation-related expenditure has increased from 3.7% to 5.6% of GDP between FY16 and FY22, reflecting the growing importance of adaptation in climate policy.

vi. Mission LiFE: The Lifestyle for Environment (LiFE) initiative emphasizes collective action to reduce carbon emissions and promote sustainable living.

vii. Low-Carbon Development: India is following a low-carbon development path, focusing on renewable energy and energy efficiency while ensuring job creation and affordable energy security.

11. Social Sector: Extending Reach and Driving Empowerment:

i. Social Services Expenditure: There has been a significant increase in social services expenditure, with the total expenditure rising to ₹98 lakh crore in FY25 (BE), reflecting the government's focus on inclusive development.

ii. Education: The total expenditure on education is estimated at ₹9.7 lakh crore for FY22 (BE), with initiatives like NIPUN Bharat and PM e-Vidya improving access to quality education.

iii. Health: Programs like Ayushman Bharat and the National Health Mission have improved healthcare access, with over 36.36 crore Ayushman cards issued and 1,75,560 Ayushman Arogya Mandirs operationalized.

iv. Rural Development: The Pradhan Mantri Gram Sadak Yojana (PMGSY) has completed 7,70,983 km of road length, improving rural connectivity and access to markets.

v. Sanitation: The Swachh Bharat Mission (Gramin) has constructed 11.8 crore toilets and 2.51 lakh community sanitary complexes, improving sanitation in rural areas.

vi. Housing: The Pradhan Mantri Awas Yojana-Gramin (PMAY-G) has completed 2.69 crore houses, providing affordable housing to rural households.

vii. Water Supply: The Jal Jeevan Mission has provided tap water connections to 12.2 crore rural households, improving access to safe drinking water.

viii. Health Infrastructure: The National Health Mission has established 165.6k Sub-Centres (SCs), 25.4k Primary Health Centres (PHCs), and 5.5k Community Health Centres (CHCs), strengthening rural healthcare infrastructure.

ix. Digital Health: Initiatives like ABHA and e-Sanjeevani have enhanced healthcare delivery, with 72.81 crore ABHA IDs created and 31.19 crore patients served through telemedicine.

12. Employment and Skill Development: Existential Priorities:

i. Labour Market Indicators: The labour force participation rate (LFPR) and worker population ratio (WPR) have improved, with the LFPR reaching 58.2% in 2023-24, reflecting positive trends in job creation.

ii. Female Labour Force Participation: The female labour force participation rate (FLFPR) has increased to 34% in 2023-24, up from 24% in 2017-18, indicating greater economic inclusion of women.

iii. Urban Labour Market: The urban unemployment rate (UR) has declined to 6.3% in 2023-24, reflecting improved job opportunities in urban areas.

iv. Skill Development: Initiatives like PM Kaushal Vikas Yojana (PMKVY) and SANKALP have trained 1.57 crore and 2.71 lakh individuals, respectively, enhancing employability.

v. Women Entrepreneurs: Programs like the Credit Guarantee Scheme and Start-up support have empowered women entrepreneurs, with 3% of procurement by CPSEs reserved for women-owned enterprises.

13. Labour in the AI Era: Crisis or Catalyst

i. AI and Labour: The deployment of AI presents both opportunities and challenges for India's labour market, with the potential to augment labour and boost productivity.

ii. Labour Augmentation: AI can augment labour by automating repetitive tasks, allowing workers to focus on higher-value activities, and improving overall productivity.

iii. Labour Replacement: There is a risk that AI could replace labour in certain sectors, particularly in low-skilled jobs, leading to job displacement and increased inequality.

iv. Enabling Institutions: The survey emphasizes the need for robust institutions to manage the transition to an AI-driven economy, including enabling, insuring, and stewarding institutions.

v. Long-Term Horizon: AI deployment should be optimized over a long horizon to ensure that it delivers broad-based societal benefits and does not exacerbate inequality.

vi. Coordinated Efforts: Coordinated efforts between the government, private sector, and academia are required to ensure that AI is labour-augmenting rather than labour-replacing.

vii. Practical Challenges: Translating AI breakthroughs into practical applications remains challenging, with experimental and uneven utility in real-world scenarios.

viii. Reliability: Ensuring AI reliability is critical, particularly in key industries like autonomous vehicles and healthcare, where failures can have serious consequences.

ix. Infrastructure: Scaling AI requires substantial investments in infrastructure, including data centres, clean data pipelines, and computational resources.

x. Resource Intensity: Large AI models are resource-intensive, requiring high energy consumption and scarce minerals for hardware, making sustainable innovation essential.

Section 6/ खंड 6

Circulars/Regulations/Guidelines

परिपत्र/विनियम/दिशानिर्देश

Circular No: PFRDA/Master Circular/2025/01/PoP-01	
14 January 2025	**Advisories to be followed by Point of Presence (PoPs) under NPS (All Citizen and Corporate)/NPS-Lite/ APY**

This master circular consolidates the existing instructions with regard to "Advisories to be followed by PoPs".

Some of the advisories to be followed by Point of Presence (PoPs) under NPS (All Citizen and Corporate)/NPS Lite are as under:

All the PoPs are advised to check the subscriber registration with respect to the abovementioned reasons before submitting it to CRA-FC/CRA for account opening, in order to minimize rejections.

While opening an 'Individual Pension Account' in NPS digital consent of applicant may be obtained through 'digital signature'.

The 'penny drop procedure' will be an additional method for verifying the applicant's bank account details by the PoP.

PoPs may also extend this 'penny drop procedure' to their existing NPS subscribers for changing his/ her bank account details with CRA.

The PoPs also need to ensure that in case, they provide the facility to their NPS subscribers for remittance of NPS contributions directly to the collection accounts of the PoPs, the NPS contributions are not collected without capturing details of the PRAN in which the same have to be credited.

All the Nodal Offices/ Points-of-Presence are hereby advised to ensure that NPS contributions being made by the Subscriber to his/her Tier Il account is being made from his/her own Bank account and through his own legitimate source of funds.

All the nodal offices/ POPs/Aggregators & APY-SPs are advised to ensure that data in the withdrawal/exit form is correctly filled in by the Subscriber and verified/authorized by the PAOs / CDDOs / DTOs / DDOs / POPs / Aggregators / APY-SPs in order to ensure timely credit of funds into subscriber's savings bank account; post exit/withdrawal from NPS (National Pension System) and Atal Pension Yojana (APY).

The facility of payment of subscriptions/contributions using credit card as a mode of payment in the Tier-II account of NPS has been stopped. All the PoPs are advised to stop the acceptance of credit card as a mode of payment for the Tier-II account of NPS with effect from 03.08.2022.

All registered POPs are required to submit annual certificate to the Authority under regulation no. 11(1)(d) and regulation no. 29(1)(e) of PFRDA (Point of Presence) Regulations, 2018.

Circular No: PFRDA/Master Circular/2024/05/PoP- 03	
31 January 2025	**Master Circular – Service Charges that can be collected by POPs under NPS (All Citizen and Corporate)/ NPS Lite**

This master circular consolidates the existing instructions on the subject of "Service Charges for POPs under NPS (All Citizen and Corporate/NPS-Lite)".

The charges that can be collected for services rendered in respect of the NPS-Vatsalya account at any time shall be the same as the charges that be collected under NPS- All Citizen Model as stipulated by the Authority from time to time.

Lower limit on the charges that can be levied by PoPs has been removed. There are no minimum charges that must be collected by PoPs for rendering their services.

All Points of Presence (POPs) are required to provide their service charge structure for e-NPS (for subsequent contributions) and 'trail commission for D-Remit Contributions' to the Central Record Keeping Agencies to deduct applicable charges through upfront deduction from subscriber's contribution and unit deduction from subscriber's corpus on periodical basis respectively.

All Points of Presence (PoPs) are mandated to publicly display their updated charge structure on their respective websites. This information must also be clearly presented to subscribers during the transaction process through pop-up notification.

SERVICE CHARGES FOR THE POINT OF PRESENCE

The charge structure for PoPs under NPS (All Citizen and Corporate) are as below:

Intermediary	Service	Charges	Method of Deduction
POP	(i) Initial Subscriber Registration	Upto maximum ₹400/-	To be collected upfront
	(ii) Initial Contribution	Upto 0.50% of the contribution, subject to maximum ₹25000/-	
	(iii) All Subsequent Contribution		
	(iv) All Non-Financial Transaction	Upto maximum ₹30/-	
	(v) Persistency*	₹50/- p.a. for annual contribution ₹1000/ to ₹2999/- ₹75/- p.a. for annual contribution ₹3000/ to ₹6000/- ₹100/- p.a. for annual contribution above ₹6000/- (Only for NPS All Citizen model)	Through cancellation of units
	(vi) e-NPS (for subsequent contribution)	Upto 0.20% of the contribution, subject to maximum ₹10,000/- (Only for NPS All Citizen and Tier - II Accounts)	To be collected upfront

	(vii) Trail commission for DRemit Contributions	Upto 0.20% of the contribution subject to maximum ₹ 10,000/- (Only for NPS All Citizen and Tier - II Accounts)	Through unit deduction on periodical basis
	(viii) Processing of Exit/Withdrawal	Upto 0.125% of Corpus subject to maximum ₹500/-	To be collected upfront

*1. Persistency charges is payable to such POPs to which the subscriber is associated for more than six months in a financial year.

2. Minimum contribution per transaction is ₹500/- and minimum annual contribution is ₹1000/-

3. GST or other taxes as applicable, shall be additional.

Section 7/ खंड 7

NPS/ APY Statistics

एनपीएस/एपीवाई आँकड़े

I. Sector Wise Growth / क्षेत्रवार वृद्धि

The total number of subscribers, contributions, and assets under management for the NPS and APY as on 31st Jan 2025, are as under. The below data is a compilation of data from the three CRAs registered with PFRDA.

i. No. of Subscribers: The number of subscribers in various schemes under the NPS and APY rose to 816.13 Lakh by the end of January 2025 from 712.82 Lakh in January 2024 showing a year-on-year (Y-o-Y) growth of 14.49%.

Table 1: NPS & APY growth in Subscribers base as on 31st Jan 2025/ 31 जनवरी 2025 तक एनपीएस और एपीवाई के अभिदाताओं की संख्या में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	No. of Subscribers (in lakh) / अभिदाताओं की संख्या (लाख में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Jan-24	31-Mar-24	31-Jan-25		
i	CG	25.56	26.07	27.03	5.75	3.31
ii	SG	64.82	65.96	68.82	6.17	8.44
	Sub Total	90.38	92.03	95.85	6.05	11.75
iii	Corporate	19.03	19.48	22.34	17.39	2.74
iv	All Citizen	33.35	35.64	41.01	22.97	5.02
v	Vatsalya			0.91		0.11
	Sub Total	52.38	55.12	64.26	22.68	7.87
vi	NPS Lite	33.25	33.28	33.48	0.69	4.10
vii	APY	536.81	555.12	622.54	15.97	76.28
viii	**Grand Total**	**712.82**	**735.56**	**816.13**	14.49	100.00

Source: CRAs

ii. Contribution: As on 31st Jan 2025, total contribution for both NPS and APY stood at Rs. 10,01,897 crores showing a Y-o-Y growth of 22.51%.

iii. Assets under Management: As of 31st Jan 2025, the combined pension assets under management for both the NPS and the APY stood at Rs 13,88,882 crores showing a year-on-year growth of 24.53%.

January 2025

Table 2: NPS & APY growth in Contribution as on 31st Jan 2025/ 31 जनवरी 2025 तक एनपीएस और एपीवाई के कॉन्ट्रिब्यूशन में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	Contribution (Rs. in crore) / योगदान (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Jan-24	31-Mar-24	31-Jan-25		
(i)	CG	2,12,911	2,19,498	2,54,523	19.54	25.40
(ii)	SG	4,04,169	4,20,085	4,89,130	21.02	48.82
	Sub Total	**6,17,080**	**6,39,583**	**7,43,653**	20.51	74.22
(iii)	Corporate	1,10,358	1,16,097	1,44,373	30.82	14.41
(iv)	All Citizen	49,324	52,950	63,237	28.21	6.31
(v)	Vatsalya			69		0.01
(vi)	Tier-II	7,774	8,069	9,766	25.62	0.97
(vii)	TTS	15	16	19	26.67	0.00
	Sub Total	**1,67,471**	**1,77,132**	**2,17,464**	29.85	21.71
(viii)	NPS Lite	3,322	3,359	3,512	5.72	0.35
(ix)	APY*	29,910	31,098	37,268	24.60	3.72
	Grand Total	**8,17,783**	**8,51,172**	**10,01,897**	**22.51**	**100.00**

** Fig does not include APY Fund Scheme*
Source: CRAs

Table 3: NPS & APY growth in AUM as 31st Jan 2025/ 31 जनवरी 2025 तक एनपीएस और एपीवाई के एयूएम में वृद्धि

S.N. / क्रम संख्या	Sector / क्षेत्र	AUM (Rs. in crore) / एयूएम (रु. करोड़ में)			YoY (%) / वार्षिक वृद्धि (%)	Share (%) / हिस्सेदारी (%)
		31-Jan-24	31-Mar-24	31-Jan-25		
(i)	CG	3,10,223	3,22,215	3,71,935	19.89	26.78
(ii)	SG	5,54,075	5,82,673	6,89,801	24.50	49.67
	Sub Total	**8,64,298**	**9,04,888**	**10,61,736**	22.84	76.45
(iii)	Corporate	1,56,489	1,66,729	2,07,956	32.89	14.97
(iv)	All Citizen	50,183	54,396	63,437	26.41	4.57
(v)	Vatsalya			65		0.00
(vi)	Tier-II	5,092	5,413	6,690	31.38	0.48
(vii)	TTS	16	18	20	25.00	0.00

	Sub Total	**2,11,780**	**2,26,556**	**2,78,168**	31.35	20.03
(viii)	NPS Lite	5,413	5,560	5,980	10.47	0.43
(ix)	APY*	33,798	35,647	42,998	27.22	3.10
	Grand Total	**11,15,289**	**11,72,651**	**13,88,882**	**24.53**	**100.00**

** Fig does not include APY Fund Scheme*

Source: CRAs

II. PFM-wise Assets under NPS schemes / पीएफएम के अनुसार एनपीएस योजनाओं के अंतर्गत संपत्तियाँ

Table 4: Pension Fund-wise Assets under Management (in crore) as on 31st Jan 2025/ 31 जनवरी 2025 को पेंशन अनुसार एयुएम (करोड़ में)

Pension Fund	AUM (Rs. In Crore)			YoY (%)	% share
	31-Jan-24	31-Mar-24	31-Jan-25		
SBI PF	4,13,901.78	4,33,086.70	4,96,800.62	20.03	35.77
LIC PF	3,08,605.60	3,21,850.60	3,69,536.92	19.74	26.61
UTI PF	2,89,966.59	3,02,401.61	3,46,998.60	19.67	24.98
ICICI PF	24,954.32	28,419.13	42,407.37	69.94	3.05
Kotak PF	4,288.99	4,705.99	6,142.19	43.21	0.44
HDFC PF	69,802.56	76,954.78	1,08,858.00	55.95	7.84
Aditya Birla PF	1,339.48	1,508.72	3,517.40	162.59	0.25
Tata PF	441.60	834.71	4,149.45	839.64	0.30
Max Life PF	468.67	576.37	1,562.71	233.44	0.11
Axis PF	1,490.89	2,197.45	7,456.06	400.11	0.54
DSP PF	30.71	115.66	1,454.44	4636.76	0.10
Total	**11,15,291.18**	**11,72,651.72**	**13,88,883.76**	**24.53**	**100**

Source: NPS Trust

III. Scheme Wise AUM under NPS / एनपीएस के अंतर्गत योजनावार एयूएम

Table 5: Scheme-wise Assets under Management (in Crores) as of 31st Jan 2025/ 31 जनवरी 2025 को योजनावार एयूएम संपत्तियाँ (करोड़ में)

Scheme		AUM (Rs. In Crore)			Growth (%)		% share
		31-Jan-24	31-Mar-24	31-Jan-25	YOY	Over Mar 24	
CG		2,94,970.88	3,03,144.53	3,30,458.94	12.03	9.01	23.79
SG		5,46,959.01	5,73,527.22	6,66,102.53	21.78	16.14	47.96
Corporate CG		73,200.07	77,174.94	92,370.21	26.19	19.69	6.65
TIER I	**A**	373.67	411.38	596.39	59.60	44.97	0.04
	E	69,439.28	76,999.16	1,03,865.41	49.58	34.89	7.48
	C	30,772.21	34,012.02	51,346.80	66.86	50.97	3.70
	G	55,257.13	60,750.99	88,456.75	60.08	45.61	6.37
NPS Lite		5,413.06	5,559.67	5,980.45	10.48	7.57	0.43
TIER II	**E**	2,393.26	2,573.34	3,166.88	32.32	23.07	0.23
	C	996.04	1,035.34	1,269.51	27.46	22.62	0.09
	G	1,702.19	1,797.97	2,250.01	32.18	25.14	0.16
	TTS	16.17	17.51	19.55	20.94	11.66	0.00
APY		33,798.29	35,647.67	42,998.07	27.22	20.62	3.10
Tier II Composite		-	-	2.23	-	-	0.00
Total Asset		**11,15,291.25**	**11,72,651.75**	**13,88,883.73**	**24.53**	**18.44**	**100.00**

Source: NPS Trust

Minor difference in AUM provided in Table 3 is due to difference in the methodology of calculation of PFs and CRA.

IV. PFM-wise Return on NPS Schemes / पीएफएम के अनुसार एनपीएस योजनाओं पर लाभ

Table 6: Returns since inception (in %) as on 31st Jan 2025/ 31 जनवरी 2025 तक आरंभ से लाभ (% में)

Pension Funds		SBI PF	LIC PF	UTI PF	ICICI PF	KOTAK PF	HDFC PF	Aditya Birla PF	TATA PF	Max Life PF	Axis PF	DSP PF
CG		9.59%	9.46%	9.42%								
SG		9.31%	9.43%	9.39%								
Corporate-CG		9.35%	9.46%									
TIER I	A	9.04%	7.55%	6.85%	7.43%	7.16%	8.63%	6.64%	8.64%	0.37%	6.83%	6.61%
	E	11.13%	13.33%	12.96%	12.99%	12.45%	15.05%	13.56%	16.60%	13.27%	15.26%	20.79%
	C	9.56%	9.00%	8.72%	9.54%	9.24%	9.28%	8.41%	7.55%	7.72%	8.10%	8.80%
	G	9.10%	9.80%	8.34%	8.55%	8.53%	9.09%	8.10%	8.74%	9.07%	8.91%	11.10%
TIER II	E	11.20%	11.61%	11.76%	11.77%	12.00%	13.61%	13.70%	16.58%	15.69%	16.06%	18.39%
	C	9.14%	8.54%	8.72%	9.38%	8.61%	8.65%	7.94%	7.92%	8.25%	7.36%	10.46%
	G	9.09%	10.01%	8.82%	8.62%	8.30%	9.22%	7.54%	8.94%	7.89%	8.39%	9.43%
	TTS	6.32%	8.17%	6.96%	7.64%	8.19%	7.02%	8.44%	8.99%	6.86%	6.43%	6.27%
NPS Swavalamban		9.69%	9.75%	9.70%		9.61%						
APY		8.88%	9.20%	9.15%								
Tier II Composite		3.72%	4.46%	4.63%								

Source: NPS Trust

January 2025

Atal Pension Yojana	nps national pension system #Zaruri Hai	nps Vatsalya