

NEWSLETTER

March 2026



ABOUT NEWSLETTER

Presenting the latest edition of our newsletter! In this issue, we bring together key insights and updates on important developments influencing India's banking and digital payments ecosystem. The articles cover topics such as strengthening trends in banks' reliance on CDs and bulk deposits, and a clear overview of Payment Aggregators and Payment Gateways within the evolving fintech landscape. We also examine the potential impact of geopolitical tensions, including the Iran conflict, on the Indian banking sector, along with the growing role of electronic signatures in enabling secure and paperless digital transactions.

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Banks may have to pay more on CDs, bulk deposits in March



Indian banks are expected to offer higher interest rates on Certificates of Deposit (CDs) and bulk deposits in March, driven by increased funding requirements toward the close of the financial year.

March traditionally witnesses a surge in credit disbursements as banks aim to achieve annual growth targets and streamline their balance sheets before fiscal year-end. With credit growth continuing to outpace deposit mobilisation, the system-wide credit-to-deposit ratio remains elevated. As a result, banks are increasingly relying on wholesale funding instruments such as CDs and large-value bulk deposits to address liquidity needs.



Market indicators suggest that short-term CD yields have already strengthened compared to December levels, reflecting relatively tighter liquidity conditions. Treasury officials anticipate that rates may remain firm if credit demand sustains its current pace.

Liquidity dynamics, influenced by tax outflows, government cash balances, and broader money market conditions regulated by the Reserve Bank of India, have further contributed to upward pressure on funding costs.

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Higher deposit rates could potentially compress banks' net interest margins if lending rates are not adjusted proportionately. While retail deposit rates may not witness an immediate significant increase, competition for large-value deposits is expected to intensify in the near term.

Overall, the development underscores rising funding pressures within the banking sector amid robust credit expansion during the crucial fiscal year-end period

Conclusion

The anticipated rise in interest rates on Certificates of Deposit and bulk deposits reflects the increasing funding pressures faced by Indian banks during the financial year-end. As credit demand continues to remain strong and outpaces deposit growth, banks are likely to rely more on wholesale funding sources to manage liquidity requirements. This situation may lead to higher funding costs and could put pressure on banks' net interest margins if lending rates are not adjusted accordingly. Overall, the trend highlights the ongoing challenge for banks in balancing credit growth with stable and sufficient deposit mobilisation.



Electronic Signature: Enabling Secure and Paperless Digital Transactions



In today's rapidly evolving digital ecosystem, businesses and financial institutions are increasingly adopting technologies that simplify processes and enhance efficiency. One such technology is the Electronic Signature (E-Signature), which enables individuals and organizations to sign documents digitally without the need for physical paperwork. An electronic signature is a legally valid method of signing documents electronically and is widely used to complete secure and paperless transactions across industries

Electronic signatures allow users to approve agreements, contracts, and other important documents online. Instead of printing a document, signing it manually, and scanning it back, individuals can sign documents digitally in just a few seconds. This digital method ensures the signer's consent, approval, and authenticity while significantly reducing the time and effort involved in traditional documentation processes. Because of these advantages, e-signatures are now commonly used in business operations, legal agreements, banking, and financial services.



Electronic Signature: Enabling Secure and Paperless Digital Transactions

There are three primary types of electronic signatures, each offering different levels of security and verification. The Simple Electronic Signature (SES) is the most basic form of e-signature. It indicates the signer's intent to sign a document but does not involve strong identity verification mechanisms. The Advanced Electronic Signature (AES) provides a higher level of security because it is uniquely linked to the signer and can verify the signer's identity through specific authentication methods. The most secure form is the Qualified Electronic Signature (QES). This type uses certified digital certificates issued by trusted authorities and offers the highest level of legal assurance and security.

The adoption of e-signatures offers several significant benefits for organizations and individuals. One of the most important advantages is speed and efficiency. E-signatures accelerate documentation workflows by enabling faster approvals and agreements. Traditional processes that involve printing, signing, scanning, and resubmitting documents can create delays, especially if signers do not have access to the necessary tools or are located in different places. E-signatures eliminate these challenges and allow documents to be signed instantly.



Electronic Signature: Enabling Secure and Paperless Digital Transactions



Another key benefit is cost reduction and environmental sustainability. Because e-signatures eliminate the need for paper, printing, and physical storage, organizations can significantly reduce operational costs while also contributing to environmentally friendly practices.

E-signatures also offer flexibility and convenience. Users can sign documents from any location using their preferred device, such as a smartphone, tablet, or computer. This portability allows multiple parties involved in a transaction to sign and request signatures regardless of geographical location, making collaboration easier and more efficient.

Conclusion

Electronic signatures have become an essential tool in the modern digital economy. By enabling secure, fast, and paperless documentation processes, e-signatures are transforming the way organizations manage agreements and approvals. As businesses continue to move toward digital platforms, the adoption of e-signatures will play a crucial role in creating efficient, transparent, and environmentally responsible workflows.

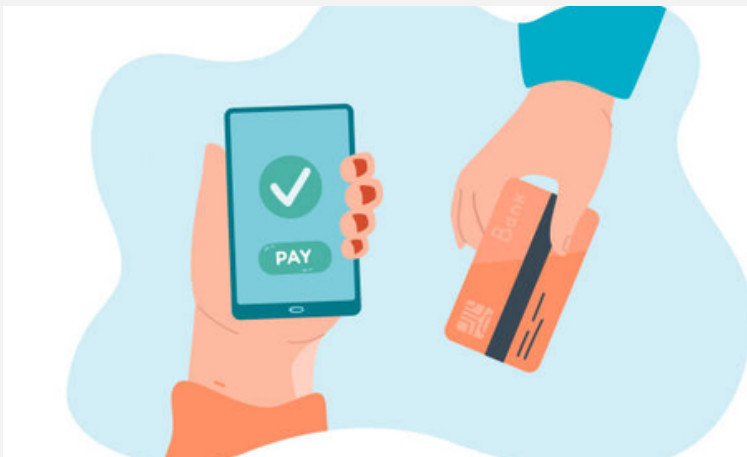


RBI Strengthens Regulatory Framework for Payment Aggregators



A Payment Aggregator is a financial intermediary that collects payments from customers on behalf of multiple merchants and then settles the funds into the merchants' bank accounts after processing. In India, the sector is regulated by the Reserve Bank of India (RBI) under the Payment and Settlement Systems Act, ensuring secure and efficient payment processing.

The Reserve Bank of India (RBI) has issued updated master directions to regulate Payment Aggregators (PAs) and strengthen India's digital payments ecosystem. The framework introduces stricter compliance requirements related to merchant KYC, cybersecurity standards, escrow management, and dispute resolution mechanisms. The objective is to improve transparency and consumer protection in the rapidly growing digital payment sector.



Under the new guidelines, non-bank entities operating as Payment Aggregators must obtain RBI authorization and maintain a minimum net worth of ₹15 crore at the time of application and ₹25 crore within three years. Several fintech companies are actively seeking regulatory approval to operate as Payment Aggregators. For example, Juspay has secured a cross-border Payment Aggregator licence from RBI, allowing it to facilitate international merchant payments and expand its global payment capabilities.

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Similarly, Razorpay POS recently obtained RBI approval for a Payment Aggregator – Physical (PA-P) licence, enabling it to process in-store payments and strengthen its omnichannel payment offerings for merchants.

Payment Aggregators are facing operational challenges due to compliance requirements such as merchant re-KYC, restrictions on certain payment categories, and thin margins in digital payments (especially due to zero MDR on UPI transactions). These regulatory pressures are reshaping business models across the fintech ecosystem.

Conclusion

The regulatory environment for Payment Aggregators in India is becoming more structured and compliance-driven. The Reserve Bank of India's strengthened framework aims to enhance transparency, security, and consumer protection within the rapidly expanding digital payments ecosystem. At the same time, fintech companies continue to pursue Payment Aggregator licenses to expand their capabilities across domestic and cross-border payment services. However, increased regulatory requirements such as stricter KYC norms, operational compliance, and revenue pressures are compelling Payment Aggregators to adapt their business models



Geopolitics Meets Finance: Assessing the Iran War's Impact on India's Banking System



The ongoing conflict involving Iran in the Middle East has created volatility in global energy markets, particularly crude oil prices. For a country like India, which imports more than 85% of its crude oil requirements, such geopolitical tensions can have significant economic consequences. These developments can indirectly influence the Indian banking sector through multiple channels including inflation, interest rates, credit demand, and asset quality.

One of the most immediate impacts of the conflict is the rise in global oil prices. When geopolitical tensions increase in oil-producing regions, concerns about supply disruptions push crude prices upward. Higher oil prices increase India's import bill and contribute to rising inflation in the domestic economy. In such situations, the Reserve Bank of India may delay cutting interest rates in order to control inflation. For banks, this means borrowing costs remain high for a longer period, which can slow down credit growth and reduce demand for loans.



At the same time, banks may experience pressure on their profitability. When economic uncertainty rises, banks often increase deposit rates to attract funds from customers. However, lending rates cannot always be increased at the same pace due to competition and regulatory considerations. This gap can put pressure on banks' net interest margins and affect their overall profitability. As a result, many companies in these industries may require additional working capital from banks to sustain their operations.

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While this could temporarily increase demand for bank loans, it also raises financial risks if businesses struggle to pass these higher costs on to consumers. If oil prices remain elevated for a prolonged period, some sectors may experience financial stress. Businesses operating on thin margins, particularly small and medium enterprises and transportation companies, may face difficulty repaying their loans. This situation could lead to a rise in non-performing assets for banks. Additionally, households may also feel the impact of higher fuel and transportation costs, which reduce disposable income and could affect repayment capacity for retail loans such as vehicle loans and personal loans.

Conclusion

Geopolitical tensions in the Middle East, particularly conflicts involving Iran, can have indirect but significant implications for the Indian banking sector. Rising crude oil prices increase inflationary pressures and may influence the Reserve Bank of India's monetary policy decisions, potentially keeping interest rates higher for longer periods. This environment can slow credit growth and create pressure on banks' profitability through tighter margins. Additionally, industries heavily dependent on fuel may face rising operational costs, increasing their reliance on bank financing while also elevating the risk of financial stress.

