A leading monthly journal on Banking & Finance

₹85/-

# Banking Finance

VOL.XXXIII NO. 08 AUGUST 2020 ISSN-0971-4498

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VOL. XXXIII NO. 08
August 2020, ISSN - 0971-4498







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Single Copy ₹ 85/-
Annual Subscription ₹ 990/- (Ord.) / ₹ 1340/- (Regd.)
Foreign air mail US$ 125
3 years subscription ₹ 2040/-
5 years subscription ₹ 3060/-

All the payment must be made by DD favouring **BANKING FINANCE** payable at Kolkata, India.

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Publisher Sushil Kumar Agarwala, 31/1, Sadananda Road, P.S. Kalighat, Kolkata -700 026, India. Printed by Satyajug Employee Co Operative Industrial Ltd, 13, Prafulla Sarkar Street, Kolkata - 700 072.

## From The Desk Of
## Editor-in-Chief

With huge population of 130 billion, India is fighting tooth and nail with Corona 19 pandemic but the same is spreading like wildfire beyond control of the human being in spite of all the precaution being taken at all the stages.

Indian economy is taking back foot due to spread of Corona-19, heavy rainfall all over the country, GDP going down minus 23% apart from China being aggressive on the Northern boarders of the country. This situation definitely hampers the overall growth, affecting agriculture Sector, loss of employment, high cost of food items and so on and so forth.

The moratorium period announced by RBI has ended. This will now create a tremendous pressure on banking channel to recover dues amidst poor economic and financial condition. There would be a significant increase in NPA and defaults. The Bankers must tread this path cautiously as any tough measures will further weaken the backbone of economy. They must allow sufficient credit line and help businesses to revive. It needs to be understood that banks are the sleeping partners of business who are the financiers and they must stand by their partners at the time of crisis.

It is important to know that under these circumstances RBI's foreign exchange reserve is all time high, import is all time low, Export is being maintained at existing level and more so 'Atmanirvar Bharat' and 'Local for Vocal' call of our Prime Minister is working in all Sector with the support of the people. Stock Market is also showing strength under this slow economy which proves that overall economy will grow once this pandemic period is over beyond of 2020 any time.

# Contents



# Banking News

## Govt may reduce number of PSU Banks to just five

The Central government is looking to privatise more than half of the state-owned banks to reduce their number to just five as part of an overhaul of the banking industry, government and banking sources said. The first part of the plan would be to sell majority stakes in Bank of India, Central Bank of India, Indian Overseas Bank, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank, leading to an effective privatisation of these state-owned lenders, a government official said.

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"The idea is to have 4-5 government owned banks," said one senior government official. At present, India has 12 state owned banks.

The government official said that such a plan would be laid out in a new privatisation proposal the government is currently formulating, and this would be put before the cabinet for approval. Finance Ministry declined to comment on the matter.

The government is working on a privatisation plan to help raise money by selling assets in non-core companies and sectors when the country is strapped for funds due to lack of economic growth caused by the Covid-19 pandemic.

## Jagdishan is new MD and CEO of HDFC Bank

Reserve Bank of India has approved the appointment of Sashidhar Jagdishan as MD and CEO of HDFC Bank.

"The RBI, vide its communication dated August 3, 2020, has approved the appointment of Sashidhar Jagdishan as Managing Director and CEO of the bank for a period of three years with effect from October 27, 2020," the private sector lender said in a regulatory filing. The bank's board will be meeting soon to approve Jagdishan's appointment.

## Central Govt may recapitalise bank in second half

The Centre will draw up the final contours of state-owned banks' recapitalisation in the second half of the current fiscal year after ascertaining how lifting the moratorium on loan repayment impacts the balance sheet of lenders. "It's somewhat early to evaluate the recapitalisation requirements of public sector banks," said a top government official.

The Centre will draw the final contours of state-owned banks' recapitalisation in the second half of the current fiscal year after ascertaining how lifting of the moratorium on loan repayment impacts the balance sheet of lenders.

"It's somewhat early to evaluate the recapitalisation requirements of public sector banks (PSBS). The moratorium imposed by the regulator is still in place. The real impact on the lenders' books will be palpable after it ends. We will have to see how much of these loans potentially turn into non-performing assets (NPAS)," said a top government official.

The Reserve Bank of India (RBI) had in March allowed a three-month moratorium (or temporary pause) on payment of all term loans from March 1-May 31, extending the window further to August 31. Last month, RBI Governor Shaktikanta Das had said a recapitalisation plan for banks has "become necessary" and had called for lenders to raise money in advance to "build resilience" in the financial system.

## Co-operative Banks may be part of MSME credit line

The government could allow urban co-operative banks to lend under the Rs. 3 lakh crore emergency credit line guarantee scheme for MSMEs, introduced under the Atmanirbhar Bharat package. The finance ministry is likely to take a decision soon, minister for MSMEs and road transport Nitin Gadkari said.

## Axis Bank profit down 19%

Axis Bank, reported a 19% year-on-year fall in net profit at Rs. 1,112 crore for June quarter. The bank reported a net profit of Rs. 1,370.08 crore for corresponding quarter last year.

Bank's Net Interest Income (NII) grew 20% YOY to Rs. 6,985 crores during the quarter. Non-Interest Income (comprising of fee, trading profit and miscellaneous income) for the June quarter declined by 33% to Rs. 2,587 crores. The operating profit inched lower by 1% to Rs. 5,844 crore.

Specific loan loss provisions for Q1FY21 stood at Rs. 3,512 crore, compared with Rs. 2,886 crore in Q1 last year and Rs. 4,204 crore in Q4FY20.

"The bank held additional provisions of around Rs. 5,983 crores towards various contingencies at the end of Q4FY20. It has made incremental provisions aggregating Rs. 733 crores in Q1 FY21 towards COVID-19. At June 30, 2020, the Bank holds in aggregate additional provisions of Rs. 6,898 crores," the lender said in a release.

The bank's gross non-performing assets (NPAs) ratio were at 4.72% in Q1 FY21, down 53 bps y-o-y and down 14 bps sequentially. Post-provisions, the net NPA ratio was at 1.23% in Q1, against 1.56% in the March quarter of FY20 and 2.04% in the year-ago quarter.

Amitabh Chaudhry, MD & CEO, Axis Bank said, "The disruption caused by the pandemic has led to immense economic and social impediments, however, it has also brought about innovations across the industry. Axis Bank has been in the forefront, working with all its stakeholders to constantly come up with new solutions that strengthen the institution and support customers, employees and partners through this challenging phase.

"This has led to many 'firsts' and we are in the process of coming up with more. Our journey has been rendered even more special with our 'Dil Se Open' spirit that reverberates across all our branches and customer service touch-points," he added.

The bank's balance sheet grew 16% YoY and stood at Rs. 8,97,138 crores as on 30th June 2020. The total deposits grew by 19% on quarterly average balance (QAB) basis and by 16% YOY on period end basis. On QAB basis, savings account deposits grew 15% YOY and 5% QOQ, current account deposits grew 8% YOY and retail term deposits grew 27% YOY. CASA and Retail Term Deposits on QAB basis put together recorded a growth of 20% YOY. The share of CASA and retail term deposits in the Total Deposits on QAB basis was 81% as of 30th June 2020.

## 2 cr Jan Dhan accounts opened in last 3 months

As Covid relief from the Centre and State governments flowed in, a significant number of new Jan Dhan accounts were opened in the last three months.

Government data show that the total number of Pradhan Mantri Jan Dhan Yojana accounts has gone up from 38 crore in April to 39.82 crore as on July 8, with a total balance of Rs. 1,31,576 crore.

Significantly, out of the 40 crore Jan Dhan beneficiaries, 22 crore are women.

The growth has been driven by the benefits announced as part of the Pradhan Mantri Garib Kalyan Yojana, under which Rs. 500 was deposited by the Centre into the Jan Dhan accounts of women.

"It has now been clearly established that Jan Dhan accounts have become the main channels of benefit disbursement. With unabated spurt in Covid-19 cases, more accounts are being opened in many rural areas," an Executive Director with a public sector bank.

The average balance in Jan Dhan accounts has also been steadily rising, in the range of 15 to 24 per cent for many banks the last two years and is now hovering around Rs. 2,240-2,400.

The data also show that in April-May, the main lockdown period, withdrawals from Jan Dhan accounts averaged Rs. 2,000 crore a week. However, the pace of withdrawal slowed in June and the average balance has gone up by at least 10 per cent compared to pre-Covid times.

An analysis of the growth in Jan Dhan accounts shows that while about three crore accounts were added every year in the last four years till April 2020 - from 28.23 crore as on April 2017 to 31.42 crore in April 2018, 35.39 crore by April 2019, and 38.07 crore in April 2020 - close to two crore were opened just in the last three months.

The total balance, too, has gone up from Rs. 63,971 crore in April 2017 to Rs. 1,19,680 crore in April 2020.

However, a spurt in Jan Dhan accounts also poses a problem for banks as some of them turn inoperative after a few months. Also, servicing the accounts and linking them with RuPay Cards could be a challenge for banks if the number continues to rise.

## HDFC Bank sacks six employees for corrupt practices

HDFC Bank fired at least six senior and mid-level officials after an internal investigation found that they breached the code of conduct and governance standards by indulging in corrupt practices.

It has been reported that car loan customers of the private sector lender were forced to purchase GPS devices by bundling them with loans in a possible violation of guidelines prohibiting banks from non-financial businesses. Plus, the internal scrutiny revealed that some customers were not even aware of buying a vehicle tracking device.

The products were allegedly bundled with auto loans to meet sales targets and potentially track borrowers in the event of loan default. Several news reports mentioned that executives of HDFC Bank had forced car loan customers to buy GPS devices costing Rs 18,000-19,500 from 2015 to December 2019. Recently, the bank said it took action against employees in the vehicle finance unit after a probe, without giving details.

The GPS device in question was sold by Trackpoint GPS, a Mumbai-based company, and the private sector lender has an alliance with the company. "This is a bank approved product. It's a minuscule portion of the bank's portfolio - hardly 4,000-5,000 of these devices costing Rs 18,000-19,000 each were sold every month. The gross failure for the bank has been its audit which failed to spot the misdoing," an executive with knowledge of the matter.

## Banks oppose Finance Ministry move to decriminalise cheque bounce offence

Banks have added their voice to the increasing chorus of stakeholders opposing the Finance Ministry's proposal to decriminalise the offence of cheque return under Section 138 of the Negotiable Instruments (NI) Act, 1881. Banks, under the aegis of the Indian Banks' Association, have represented to the Finance Ministry that this provision in the NI Act should continue.

## Dinesh Khara tipped to be next SBI chairman

The Banks Board Bureau (BBB) recommended Dinesh Kumar Khara as the Chairman, State Bank of India. The incumbent Rajnish Kumar will demit office in little over a month's time on 7th October.

“Keeping in view their performance in the interface and their overall experience, the Bureau recommends as follows—Dinesh Kumar Khara for the vacancy of Chairman in State Bank of India. Challa Sreenivasulu Setty as the candidate on the reserve list for the said vacancy," an official statement said.

## State Bank unveils KCC review on YONO Krishi

The State Bank of India (SBI) had introduced Kisan Credit Card (KCC) review option for YONO Krishi, the recently-unveiled platform that caters to farmers’ needs.

With this, farmers would no longer need to visit the branch to apply for a revision in their KCC limit.

“KCC review option on YONO Krishi will help farmers apply for the same in just four clicks from the comfort of their homes without any paperwork,” SBI said. This facility is expected to benefit over 75 lakh farmers.

Rajnish Kumar, chairman, SBI, said, “We believe that they (farmers) will now be experiencing hassle-free application process for their KCC limit revision.”

Separately, HDFC Bank unveiled ‘Shaurya KGC Card,’ a loan product for the armed forces personnel.

Targeted at 45 lakh Indian armed and paramilitary forces, this product comes with unique features and eligibility criteria specially crafted for people posted far away from their homes, HDFC Bank said.

Through the card, agriculture loans will be given to the personnel based on their land holdings and requirements. The product comes with a life cover worth Rs. 10 lakh against Rs. 2 lakh for other cards.

“With this, we have an equally good product for armed forces brethren as we have for farmers,” said Aditya Puri, managing director, HDFC Bank. ❑

# Reserve Bank News

## RBI bans borrowers from opening multiple current accounts

Reserve Bank of India has banned banks from routing funds from term loans taken by borrowers through their current accounts. Usually Borrowers take loan and divert it through other current accounts.

It has also banned a bank from opening current accounts for customers who have availed credit facilities in the form of cash credit (CC) or overdraft (OD) from other banks and stipulated that all transactions should be routed through the CC or OD account. This effectively means banks - mostly PSU banks - which have given loans will now handle the current accounts of borrowers who, in turn, can't divert money for other purposes through the current accounts of other banks, mainly private and foreign banks.

"Since term loans are meant for specific purposes, the funds should be remitted directly to the supplier of goods and services," the RBI said. "Expenses incurred by the borrower for day to day operations should be routed through CC/OD account, if the borrower has a CC/OD account, else through a current account," it said in a notification to banks. Analysts said the RBI move is to prevent misuse of funds by promoters and corporates in the wake of the proposed one-time loan recast scheme.

In a notification issued, the RBI has directed that debit (withdrawal) to the CC/OD account of a borrower can only be for credit (deposit) to the CC/OD account of that borrower with a bank that has 10 per cent or more of the exposure (loans) of the banking system to that borrower. This means the bank which have given 10 per cent or more of loans to a borrower or corporate will handle the current account transactions. "For most corporates, while loans are given by public sector banks current accounts are managed by private banks. This will stop now. PSU banks which have given credit and overdraft will now manage current accounts as well. Usually current accounts interest rates are low," said a source.

The RBI said the use of multiple operating accounts by borrowers, both current accounts as well as cash credit (CC) and overdraft accounts, has been observed to be prone to vitiating credit discipline. "The checks and balances put in place in the extant framework, for opening of current accounts, are found to be inadequate," it said.

"Where a bank's exposure to a borrower is less than 10 per cent of the exposure of the banking system to that borrower, while credits are freely permitted, debits to the CC/OD account can only be for credit to the CC/OD account of that borrower with a bank that has 10 per cent or more of the exposure of the banking system to that borrower," the RBI said.

The RBI has said the credit balances in such accounts should not be used as margin for availing any non-fund based credit facilities.

## 'We have not exhausted our ammunition yet,' assures RBI Governor

RBI Governor Shaktikanta Das cautioned banks that being extreme risk averse will be "self-defeating" and that lenders will not be able to "win their bread" if they do not carry out their basic task. Governor Das also added that India's banking sector needs reforms in terms of governance culture and risk management practices.

Speaking at a webinar, Das said, rather than becoming averse to lending, banks have to improve their risk management and governance frameworks, and also build sufficient resilience.

***RBI Governor Shaktikanta Das said***

- We have not exhausted our ammunition, whether on rate cuts or other policy actions
- Extreme risk aversion can be self-defeating, banks will not be able to win their bread.
- Government response to pandemic has been fiscally very responsible, prudent and very calibrated.
- Once there is clarity on COVID-19 curve and other aspects, RBI will start giving its estimates on inflation and growth.
- To say that banks will face stress is stating the obvious; what is more important is how banks react and respond to the challenge.
- There is considerable room for improvement in banks to avoid frauds.
- Being overly risk-averse is self-defeating for banks.
- By no sense should it be assumed that RBI will unwind the measures soon.
- Post containment of pandemic, careful trajectory needs to be followed for unwinding; financial sector should return to normalcy.
- Debt resolution framework is expected to give durable relief to borrowers facing COVID-related distress.

## Moratorium may impact banks' health: RBI

RBI in its annual report said that "Regulatory dispensations that the pandemic has necessitated in terms of the moratorium on loan instalments, deferment of interest payments and restructuring may have implications for the financial health of banks, unless they are closely monitored and judiciously used"

"Although gross and net non-performing asset ratios had come down in March 2020 along with receding slippage ratios, the economic fallout of the pandemic is likely to test this resilience, especially since the regulatory accommodations announced in the wake of the outbreak have masked the consequent build-up of stress," said the RBI in its 2019-20 annual report.

Beginning March, the RBI had announced several measures to help the COVID-19-hit economy. This include a six months moratorium on loans and a one-time loan restructuring of loans impacted by COVID-19. These measures have averted a big spike in NPAs (non performing assets) for now.

The RBI, citing the macro stress tests reported in the July 2020 Financial Stability Report, said the NPAs may surge 1.5 times above their March 2020 levels under the baseline scenario and by 1.7 times in a very severely stressed scenario. The system level CRAR can drop to 13.3 per cent in March 2021 from its March 2020 level under the baseline scenario and to 11.8 per cent under the very severe stress scenario, the RBI said.

In the backdrop of likely asset quality pressures on Indian banks, recapitalisation of public sector banks is key, the RBI said.

"Recapitalisation plan for public and private sector banks assumes critical importance. The minimum capital requirements, which are calibrated on the basis of historical loss events, may no longer suffice to absorb post-pandemic losses," the RBI said.

Recently, the Reserve Bank has already advised banks and NBFCs to carry out COVID-19 stress tests and take necessary remedial measures proactively.

"The ability to raise capital as well as build resilience to ensure financial stability in anticipation of more frequent, varied and bigger risk events than in the past shall be contingent on the governance standards in banks, particularly on strength of risk governance framework," the RBI said. RBI governor, Shaktikanta Das had recently asked banks to prepare for the Covid shock by enhancing their capital strength. A series of banks had recently raised capital from the market to guard against the bad loan shock.

## RBI cancels registration of 120 non-bank lenders

RBI has put 50 non-bank lenders under close monitoring and has cancelled the registrations of another 120 of such lenders for non-compliance of norms.

According to RBI, it has tightened the on-site supervision of non-banking financial companies (NBFCs) during the year, including stricter coverage of core investment companies and government-owned companies along with "incisive on-site supervision of smaller NBFCs".

RBI is also planning to undertake a scale-based approach for the regulation of Non-Banking Financial Companies (NBFCs) in a bid to identify a small set of so-called 'systemically significant' non-bank financiers, which can potentially affect the financial stability.

It will also be taking steps for improving the effectiveness of supervision and monitoring of NBFCs by firming the quality of Ind-AS implementation and subsequent regulatory guidance directions. Further, it plans to promote tough compliance and risk culture within non-banks, and monitor NBFCs for not compliant with its directions on the maintenance of adequate net owned funds (NOF) and returns filing. ❑

# GST News

## Centre will pay all GST compensation to states

The entire sum of compensation owed to states on account of shortfall in collections of Goods and Services Tax (GST) will be "honoured", the union government said.

Part of it, Rs. 97,000 crore, would be paid out immediately and the balance over a deferred period to be mutually decided by the GST Council, the apex body guiding the implementation of the indirect tax said.

Sources said the union government would prefer the states to borrow to fund the payout. "If the centre borrows then it will drive up yields and impact the cost of borrowing for everyone. Not the right thing to do when we are looking to revive the economy and encouraging companies to invest."

To make it easier for states, the union government has initiated a conversation with the Reserve Bank of India to open a special window wherein all the states would access loans at the same rate.

Further, these borrowings will be linked to the collections under cess-so repayments will be settled through the receipts of cess and thereby not pressure the budgets of the state governments.

The clarification by the union government comes after the differences in the last meeting of the Council had begun to threaten the GST compact-which had been held up as the new template of cooperative federalism. Things turned ugly after the Council split along political lines with the opposition raising its ante.

Delhi, along with Punjab, Kerala, Telangana and West Bengal, had rejected the two options proposed by the Centre at the GST Council meeting last month to fund their GST revenue gap.

## Focus on decriminalising offences in GST

The review of GST laws has been accelerated with a special focus on decriminalising offences and wider use of compounding provisions with the objective of improving business sentiment and reducing litigation. The Centre is evaluating removal of clauses in the law that provide officers powers to arrest taxpayers suspected of evasion. It is also considering revoking powers to arrest in case of claiming undue input ta credit or for want of actual invoicing, leaving out bank accounts from the ambit of attaching properties and limiting the scope of criminal offence to only high values of fraud.

These have been some of the key suggestions by industry bodies in a series of meetings held with the Central Board of Indirect Taxes and Customs (CBIC). The move follows the government's broader drive to decriminalise minor offences across several laws including the Companies Act, where technical and procedural defaults such as shortcomings in corporate social responsibility reporting, inadequacies in board report, ling defaults, delay in holding annual general meetings among others have been decriminalised.

"There has been a debate about building into statutes, criminal liability for acts that are civil in nature. Hence, for Companies Act, certain amendments are proposed to be made that will correct this. Similarly, other laws would also be examined, where such provisions exist and attempts would be made to correct them," Finance minister Nirmala Sitharaman had said in her Budget speech in February.

## Rajasthan demands full compensation for loss of revenue due to GST

The Congress government in Rajasthan has demanded full compensation to States for loss of revenue on account of the Goods and Services Tax (GST) implementation. The Centre should accept responsibility for the shortfall in GST collections because of downside of the economic cycle and help out the States, it said.

Chief Minister Ashok Gehlot has shot off a letter to Prime Minister Narendra Modi drawing his attention to the Centre's suggestion that the States resort to borrowing to cover the shortfall. "The Centre's stand is against the letter and spirit of the constitutional amendment by which the States had given up their right to levy certain taxes as well as the understanding reached in three meetings of the GST Council," he said.

Mr. Gehlot affirmed that the quantum of compensation to be paid to the States was not an executive decision of the Central government or the GST Council, but was a legal obligation on the Centre under the GST (Compensation to States) Act, 2017.

"The management of Indian economy is the responsibility of the Central government and as it benefits from the upside, it is also expected to accept full responsibility for the shortfall. Recognising the GST loss by assuming a 10% growth over the previous year and attributing the rest to the COVID-19 pandemic is arbitrary and has no legal justification," Mr. Gehlot said.

The Chief Minister asked in case the States borrowed from the Reserve Bank of India would the latter hold State governments' debt on its balance sheet as it did that of the Central government and would the loans be interest bearing. "It is inequitable because all RBI surpluses are transferred to the Centre as dividend," he said.

While the Central government reneged on its promise of paying compensation to the States, it would end up making profit from the interest paid by the States, Mr. Gehlot said. "The Centre should bear the responsibility of borrowing from the RBI and disbursing to the States as compensation. It can continue to collect cess to repay the RBI beyond the five-year period determined for raising of the cess for now," he said.

Mr. Gehlot requested the Prime Minister's intervention in the matter for fulfilling the promise made by the Centre while persuading the State governments to accede to the introduction of GST and give up their right to levy certain categories of taxes. He said the " underlying good faith and trust" should be restored in the fiscal relations between the Centre and the States.

## Goods can't be detained for Non- mention of Payment of GST on E-Way Bill: Kerala High Court

The Kerala High Court held that goods can't be detained for non-mention of payment of GST on the e-way bill as per the SGST Act, 2017, and R.138A of SGST Rules. The Petitioner was transporting the consignment of the old generator and the same was detained by the Assistant State Tax Officer.

The e-way bill that was accompanied by the transportation had no mention of payment of GST on it and the officer detained the vehicle along with the goods at the very instant. As the person in- charge of conveyance, the petitioner had an invoice that contained the details of tax paid, and the same was accompanied during the transportation. The Single Bench of Justice A.K Jayashankaran Nambiar pronounced the order based on the Writ Petition filed by Mr. Krishnakumar for quashing the detention order and demand notice issued by the respondent.

Rule 138A of SGST Rules elaborates the documents and devices to be carried by a person-in-charge of a conveyance; (1) The person in charge of a conveyance shall carry- (a) the invoice or bill of supply or delivery challan, as the case may be; and (b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance in such manner as may be notified by the Commissioner:

The bench observed the facts and circumstances of the case along with the submissions made across the bar and opined that this Writ is granted by quashing the detention order and demand notice. In the light of the judgment of the same court dated 12.08.2020, W.P(C).No.16356 of 2020, the Hon'ble bench allowed the Writ petition for the petitioner.

## Businesses to get GST registration within 3 days with Aadhaar authentication

Businesses which will provide Aadhaar number while applying for registration under the Goods and Services Tax will get the approval in three working days. The Central Board of Indirect Taxes and Customs (CBIC) notified Aadhaar authentication for GST registration with effect from August 21, 2020.

The notification also provides that in case businesses do not provide Aadhaar number, then GST registration would be granted only after physical verification of the place of business. Finance Ministry sources said the GST Council in its 39th meeting held on March 14, 2020, had approved operationalisation of Aadhaar authentication for new taxpayers. ❑

# Industry News

## IBM to increase investment in India

IBM has committed to increase investments in India, the technology company's chief executive Arvind Krishna told Prime Minister Narendra Modi over a video conference call.

The commitment comes a week after Modi held a similar video call with Google CEO Sundar Pichai. Google announced a $10 billion investment into India over the next 5-7 years, including a $4.5 billion infusion into Jio Platforms in return for a 7.73% stake.

India-born Krishna, who took over as CEO of IBM in April, also expressed confidence in the PM's vision of Aatmanirbhar Bharat (self-reliant India) and briefed him about his company's investment plans in India. The details of the investment were not immediately available.

Modi said that this was a great time to invest in India and the country is "welcoming and supporting" investments taking place in the technology sector.

While the world is witnessing a slowdown, foreign direct investment (FDI) inflow is increasing. "We are moving forward with the vision of a self-sufficient India so that a globally competent and disruption resilient local supply chain can be developed," Modi said. IBM has over 100,000 employees in India working for its global operations as well as the local market. In fiscal year 2019, IBM India reported revenues of $3.8 billion.

Modi and Krishna also explored the possibility of creating India-specific AI based tools in the healthcare sector and development of better models for disease prediction and analysis.

"India is moving towards development of an integrated, tech and data driven healthcare system which is affordable and hassle-free," Modi said. Krishna appreciated the government's Ayushman Bharat initiative and talked about using technology for early identification of diseases.

## Cabinet note on solar bank likely

The new and renewable energy ministry plans to shortly move a Cabinet note for setting up of a World Solar Bank (WSB), said sources.

With Beijing taking the lead in creating Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), the plan is to have the bank headquartered here, with India becoming its lead member by taking a stake in it.

Setting up a financial institution will add heft to India's credentials as a clean energy champion that was bolstered by co-founding International Solar Alliance (ISA), the first treaty-based international government organization headquartered here.

India's ministry of new and renewable energy may move the Cabinet note for inviting comments for the bank, to be set up to disburse around $50 billion to ISA member countries over the next ten years.

This comes in the backdrop of 30 ISA member countries ratifying its framework agreement, that opens up the membership of the first treaty-based international government organization headquartered here to all United Nations member countries.

## Policybazaar eyes $3.5-billion valuation in Sept 2021 IPO

Online insurance platform Policybazaar aims to go public in 2021 at a valuation north of $3.5 billion, potentially becoming the first of India's megastart-ups to debut as its digital economy booms.

The start-up plans to secure about $250 million in a round of financing at a $2 billion-plus valuation before a September 2021 initial public offering, co-founder Yashish Dahiya told. Policybazaar is now selecting two to three IPO lead underwriters from a roster that includes several Wall Street banks, said Dahiya, chief executive officer of Policybazaar parent Etech Aces Marketing and Consulting.

## LIC Housing cuts new loan rate to a low of 6.9%

LIC Housing Finance Ltd (LICHFL) has decided to take on giants in the housing finance space such as Housing Finance Development Finance Corporation (HDFC) and State Bank of India (SBI) by offering new home loans at 6.90 per cent. Currently, the lowest home loan rate on offer by HDFC and SBI is 6.95 per cent.

## SEBI fines Rs. 1 cr on CARE rating in RCom case

Sebi has imposed a penalty of Rs 1 crore on CARE Ratings in connection with lapses in assigning credit rating to non-convertible debentures of Reliance Communications (RCom). The case relates to default committed by RCom on the repayment of principal amount of Rs 375 crore and interest of Rs 9.7 crore due in February 2017 and March 2017, respectively.

In May 2017, CARE Ratings downgraded the ratings assigned to nonconvertible debentures (NCDs) issued by RCom to default.

Sebi found that CARE Ratings had failed to monitor the factors affecting the creditworthiness of RCom in a timely manner, resulting in significant delay in conducting the rating process and downgrading the rating.

It further said the rating agency had failed to initiate a review of its earlier ratings assigned to RCom even after the publication of third quarter of FY17 results. The results showed a major decline in cash accruals affecting its credit profile and major development in the telecommunications industry with the entry of Reliance Jio denting the profit margins of all other players in the market, it added.

## Centre issues norms for financing

The Centre has issued guidelines for financing under the recently announced Rs. 1-lakh-crore Agriculture Infrastructure Fund (AIF) scheme that seeks to facilitate creation and strengthening of post-harvest management and marketing infrastructure across the country. The scheme will be operational from the current financial year till 2029-30.

## Union govt amends certain Indian accounting standards

The government has amended certain Indian Accounting Standards (Ind-AS), including the standard relating to leases amid the coronavirus pandemic.

Ind-AS 103, 116 and some other standards have been amended by the Corporate Affairs Ministry.

While Ind-AS 103 pertains to business combinations, Ind-AS 116 relates to principles for recognition, presentation and disclosure of leases.

In the wake of the pandemic, many lessors have extended rent concessions to lessees. However, applying the Ind-AS 116 requirements for changes to lease payments could have posed practical difficulties in the current situation.

Against this backdrop, the ministry has amended the rules whereby entities would get relief from lease modification accounting due to COVID-19 related rent concessions. The amendments can be followed by lessees for annual reporting periods beginning on or after April 1, 2020.

Leading consultancy EY India's Partner and National Leader (Financial Accounting Advisory Services) Sandip Khetan said the amendment was keenly awaited by Indian companies who were gearing up for their quarterly results.

"Lease modification requires re-computation of lease liability using discount rate on the date of modification. This would have posed significant challenge to company whose volume of leases are very high.

"The amendment to Ind-AS 116 will provide significant relief to such lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic," he noted.

## I-T to share PAN, bank data with probe agencies

The Income Tax Department will share PAN and bank account details of any entity with 10 investigative and intelligence agencies, including the CBI and the NIA, under the integrated counter-terrorism platform NATGRID, according to an official order.

In an order dated July 21, the CBDT said information like permanent account number, tax deduction and collection account number, bank account details, summary of I-T returns and tax deducted at source and "any other information as mutually agreed" will be shared with the 10 agencies.

The "furnishing and receiving of information to and from" these agencies will be done through National Intelligence Grid (NATGRID), a robust mechanism envisaged to track suspects and prevent terrorist attacks with realtime data and access to classified information.

## Morgan Stanley values retail biz of RIL at $29 bn

Wall Street powerhouse Morgan Stanley has pegged the net asset value of Reliance Retail at about $29 billion with increasing revenue contribution from the e-commerce venture Jio Mart over the next three years.

E-commerce is expected to account for 15% of core retail sales estimates by 2023, pegged at $19 billion, based on which the valuation has been calculated. The core retail sales here exclude connecting revenues (mobile recharges) and petro-retail, where it has sold a stake to British Petroleum. The development comes as Reliance Retail looks to bring in strategic and financial investors after the record $20-billion fund-raise by Mukesh Ambani for his telecom business.

## Govt looking at non-tariff barriers

To check the inflow of non-essential imports, primarily from China and Hong Kong, the government will focus on non-tariff barriers (NTBs) that are mainly a mix of stricter quality standards, such as mandatory certification requirement from the Bureau of Indian Standards, and imposition of import licence restrictions, according to officials dealing with the matter.

The Commerce & Industry Ministry is in consultations with a number of other line-Ministries to evaluate the best-suited NTBs for imports that are to be regulated including that of consumer items such as footwear, furniture, plastic goods, toys, leather products and sports items.

## Export curbs on ventilators to go

India plans to ease restrictions on exports of ventilators very soon, and the last bit of paper work is now being done, said Commerce and Industry Minister Piyush Goyal.

"Business in India is bouncing back very quickly and all temporary restrictions on medicines, pharmaceutical products and medical equipment are now being eased. Very soon, we plan to ease restrictions on ventilators as well, and the last bit of paper work is going on," Goyal said

The export of ventilators was banned in March soon after the outbreak of the Covid-19 pandemic in the country. The Centre had imposed export restrictions on a variety of other medical equipment too, such as masks and PPE (personal protection equipment), and medicines such as hydroxychloroquine and paracetamol, fearing a domestic shortage due to the fast spread of the virus.

With the industry now assuring the government that there is enough production to not only meet domestic need but also export, a gradual relaxation of restrictions is taking place.

Earlier this week, the Centre removed export prohibition on surgical masks and medical goggles and made the export of face shields free. Exports of PPE coveralls are also now allowed subject to quotas.

"We have demonstrated to the world that any restrictions were temporary for a defined period. And we have removed them and eased them," Goyal said.

## Centre may set up agency to manage govt-owned lands

The government is weighing a plan to set up a National Land Management Corporation to facilitate monetisation of land and act as an asset manager for real estate owned by it and central public sector enterprises (CPSEs).

Apart from Railways and Defence, other government departments do not have a specialise dorganisation to handle commercial development of land.

There is a need for a separate authority which can work with various departments to utilise the surplus land assets effectively, said a government official. The objective is to set up an empowered organisation with competencies to carry out commercial exploitation of land, manage land concessions, as well as raise funds for re-investment in CPSEs and for infrastructure development. 'Surplus' land or property are those that are not needed or are not appropriate for provision of public service for which the agency owning the property is responsible. Land which is vacant and not planned for future service use may also be termed as surplus.

A National Land Management Corporation could be a systematic and specialised way of monetising land assets, unlock greater economic benefits for the government and also deal with the restricted supply of land, the official said.

A per initial plans, the Corporation, will use the special purpose vehicle (SPV) route to pursue land lease or concessions as a primary mode of commercial exploitation. However, option of sale of land may also beexplored, the source said. The SPV may be given a legal backing through an appropriate legislation. It will also consider development or co-development of land belonging to Defence or Railways if required by these agencies and also consider co-development of private land adjoining government lands so as to maximise revenue.

## Need to unshackle banks, insurance sector from 'over protection', says Finance Commission chief

Asserting that banking and insurance sectors remain "overprotected" in the economy, the 15th Finance Commission Chairman NK Singh made a case for Indian policymakers to visit these sectors with the same kind of liberalisation process as was seen in rest of the economy in 1991.

"When we opened up the Indian economy in 1991, one of the sectors that did not really receive fundamental reform initiatives by way of liberalisation and opening up was banking and insurance. It remains overprotected even till this day," Singh said in his virtual address to All India Management Association's Council on the impact of Covid-19 on Indian economy.

On ownership of banks, Singh highlighted that although the circumstances behind nationalisation is well understood, the fact remains that the daunting objective of nationalisation has proved to be somewhat elusive and even opaque.

"If government is to have ownership of banks, we need to have far more decisive banking recapitalisation plan. Over next five years, huge public outlay will be needed to keep PSBs properly and adequately recapitalised considering the erosion in NPA," he added.

NK Singh, Chairman of Finance Commission Singh also stressed the need to look at changes in rules and regulations around Insolvency and Bankruptcy Code (IBC) so as to deliver timely outcomes and much faster resolution of pending bank cases.

He highlighted that Indian policymakers are currently faced with an impossible trinity - Covid-19 pandemic, defence security and economic recovery.

Singh said that the current pandemic is an ongoing one and is far from over with the number of deaths being significant. He said that the last word is yet to be written on the stimulus package even as lot is being said about its inadequacy, timing etc.

## Centre announces Rs. 10,000-cr booster dose for domestic drug production

The Centre announced a Rs. 10,000-crore booster for ramping up domestic production of raw materials for producing drugs and indigenous medical devices.

Minister for Chemicals and Fertilisers DV Sadananda Gowda launched schemes from the Department of Pharmaceuticals for promotion of domestic manufacturing of bulk drugs and medical devices parks in the country.

Addressing the media he said, the proposal is divided into four key segments - Production Linked Incentive Scheme (PLI) for Active Pharmaceutical Ingredients (APIs) which consists of an outlay of Rs. 6,490 crore, Rs. 3,000 crore in all for three bulk drug parks, outlay of Rs. 3,420 crore for PLI scheme for medical devices, and grant-in-aid of Rs. 400 crore in all for four medical device parks.

PD Vaghela, Secretary, DoP, said, "This booster including incentives will bring in an expected investment of Rs. 77,900 crore, and generate employment for 2,55,500 persons. Applicants will be selected on basis of capacity of proposed plant and sale price of APIs they offer. We are looking for those companies which are offering APIs at the cheapest price," said Vaghela.

But, according to industry, it will take at least six months for pharma companies to apply and get approvals for PLI scheme to manufacture APIs, which are basic raw materials to produce drugs.

The technical committee of bulk drugs identified 53 critical key starting materials, drug intermediaries and API for doling out incentives linked with starting indigenous manufacturing to in all 136 applicants.

In the PLI scheme for APIs, in case of Penicillin G which is a key fermentation-based starting material for several antibiotics, two pharma manufacturers can apply, and have a minimum production capacity of 5,000 tonnes. ❑

# Housing News

## Rental housing in India may boom in coming years

Driven by rapid urbanization, migration to cities and the rising cost of home ownership, rental housing in India is likely to see a boom in the next two years, according to a report by Savills India.

As per the 2011 census, urban households on rent stood at over 21 million, which is around 20% of the total number of houses in urban India. Almost 80% of the rental housing market in the country is concentrated in urban centres.

Policy measures since 2005, since it can enhance liveability in the quickest time - compared to other measures which require longer implementation-time frames. If implemented via one of the two models, the rental housing availability can begin in less than 2 years.

As per the report, the guidelines have laid a clear roadmap for investors looking at stable long-term returns. ARHCs can match the risk-return profiles of offshore wealth, insurance and sovereign funds, and give them a strong foothold in the large residential market of the country. ARHCs also open the prospects of having a residential REIT in the country.

"Rental housing is another market that is yet to be tapped, especially in the urban areas which have seen prices of homes go beyond the cusp of most of the city dwellers. The recently released operational guidelines on Affordable Rental Housing Complexes (ARHC) are a long-awaited giant leap in the right direction," says Anurag Mathur, Chief Executive Officer, Savills India.

Rental housing in India, in fact, is in its infancy. However, there is a tremendous upside potential for the market participants to explore. Much like REITs, India can take a leaf out of the immense learning experience worldwide.

Singapore, Hongkong, Germany, UK, etc., have significantly mature rental housing markets. In due course, the Indian market should explore some of the concepts in play in these countries, such as

- 99-year lease models
- Greater private and community ownership of assets
- Negative Gearing, a concept in use in Australia
- Utilisation of centrally sponsored savings schemes to fund buying or leasing of rental houses, among others.

Interestingly, senior living and co-living segments have also commoditised the monthly rentals derived from households. Only, their target segments are obviously different, since they focus on elderly population and the millennial age bracket, instead of the low-income group focus of affordable rental housing schemes.

These classes of rental houses are clearly complimentary in nature, and can well be stepping-stones for investors to achieve higher returns and diversification of residential portfolio.

## Housing market in India after Covid set to be up again?

Like other industries, the construction sector was also severely impacted after the nationwide lockdown was imposed in late March. The unavailability of workers (a majority being migrants) coupled with the rising cost of materials were additional blows. Projects were stalled, delivery dates pushed, and several buyers postponed their decision to buy a property.

Sales dipped by nearly 30% in Q1 2020 on a y-o-y basis, says Rajesh Gurumurthy, Senior Director, Head, Strategic Consulting, Tamil Nadu & Sri Lanka, at Jones Lang LaSalle.

Market sentiment in Q2 2020, according to the Knight Frank-FICCI-NAREDCO Real Estate Sentiment Index Survey, dropped to its lowest at 22. The sentiment score had hit a low of 31 in Q1, but with the impact of the crisis becoming more apparent in Q2, sentiments slid further.

According to Shishir Baijal, CMD, Knight Frank India, quoted in the report, some macroeconomic indicators have shown marginal improvement. This coupled with the coming festive season has improved sentiments even though they still remain "in the pessimistic zone". He says the few stimulus measures announced by the RBI and the government have provided some reprieve, but there is a need for further demand-boosting measures such as tax benefits for buying and renting a house, ease of credit availability, and so on.

After June, construction activities resumed in many places in a phased manner. The RBI's announcement on lowering interest rates, the reduction in stamp duty and registration charges in many States, and the six months loan moratorium appear to have helped marginally.

Many States are already claiming to have registered more properties sales compared to the March-June period, says Gurumurthy.

The first signs of recovery in the residential market will emerge in the affordable and mid-segments across top cities, says Gurumurthy. "More than 50% of the prospective home buyers we surveyed are likely to buy their dream house within the next six months. The markets of Hyderabad, Pune and Chennai provide indications of relatively healthy inventory management in terms of average construction period and YTS (years to sell). Recovery signs may appear first in the southern markets of Bengaluru and Chennai," he adds.

"While there was initial ambiguity among buyers, the Covid situation has made many realise the importance of owning their own home," says Eshwar N, Chief Marketing Officer, Casagrand. He adds that lower interest rates on home loans and some attractive deals are the reasons behind the realty segment seeing these revival signs.

With several States mulling a reduction in stamp duty charges, this could work in favour of both builders and buyers. Maharashtra has been the first to announce a cut in prices and according to Prashant Thakur, Director & Head - Research, Anarock Property Consultants, ready-to-move-in homes are now the most compelling option for home buyers in MMR and Pune. "The combination of GST exemption, reduced stamp duty, and the lowest home loan interest rates (in almost two decades) are favouring ready homes. If we factor in ongoing incentives being offered by developers, buyers focussed on ready homes are at a distinct advantage,"

In the under-construction category, properties due to be completed are the next best bet. While these are not exempt from GST, they are invariably priced 5-10% lower than their ready-to-move-in counterparts, adds Thakur, based on a recent report.

Developers have been pushed to think beyond the repercussions and understand the changing needs of buyers, says T. Chitty Babu, Chairman and CEO, Akshaya. The real estate market in Chennai can see a change in fortunes due to the proposed expansion of industries, and manufacturing and commercial activity in the State. "It will be important to understand the change in consumer behavioural patterns in the post-Covid era. Hygiene, safety, comfort, and convenience will take centre stage and its effect will rub off on developers," he says.

Across the board, ongoing projects were delayed and completion deadlines pushed indefinitely. Now, developers are slowly getting back on track. "We resumed construction after labour and construction materials became available again. Work has resumed with new deadlines," says Eshwar of Casagrand.

Liquidity, already a concern before the pandemic, worsened after March as lenders delayed disbursements to buyers and developers. According to Mittal, projects will be delayed by six to eight months on average, and RERA has extended all project timelines by six months.

This is why buyers now prefer completed projects over under-construction ones. "Over the last couple of months, activity has picked up and developers have 80-90% of labour back on site. Going forward, we expect fewer delays," he says.

The slew of MoUs signed by the government, inviting investors into the State, can further drive demand for residential spaces in Chennai. "New project launches continue to be delayed but real estate activity is expected to pick up," says Babu.

He adds that millennials are moving into apartments in urban locations and are not open to PG digs or shared living. "This year, affordable and mid-segment homes will see more demand than villas and luxury homes. The trend will change once things return to normal. Ready homes will help revive the city's housing market in the upcoming festive season," says Babu. ❑

# Mutual Fund News

## Mirae MF launches Mirae Asset Equity Allocator Fund of Fund

Mirae Asset Investment Managers India has announced the launch of Mirae Asset Equity Allocator Fund of Fund, an open-ended scheme predominantly investing in units of domestic equity Exchange Traded Funds (ETFs). The fund will be benchmarked with Nifty 200 Index (TRI) and will be managed by Bharti Sawant.

The fund will follow active asset allocation in Nifty 50 ETF, Nifty Next 50 ETF, and Midcap 150 ETFs with exposure to large and mid cap segment. Investors can invest in this Fund of Fund and thereby gain access to ETFs even if they have no demat account.

"As the spread of COVID-19 continues, market volatility is expected to exist in the near to medium term. In such a situation, allocation within equities, diversification into different categories and continuously rebalancing the portfolio to maintain the market cap allocation becomes a challenge for investors," said Swarup Mohanty, CEO, Mirae Asset Investment Managers (India) Pvt. Ltd.

He also said Mirae Asset Equity Allocator Fund of Fund seeks to help investors deal with this concern by making the most of the opportunities available in equities thereby aiming to optimize returns by actively rebalancing the portfolio based on the market scenario at minimal cost.

"The Fund of Fund provides benet of using MF structure to make underlying investments in low cost ETFs with benets of equity fund taxation. Investors can make investments in SIP mode for their long term planning and they also don't need a demat account for making investments" added Swarup Mohanty.

The minimum initial investment in the scheme will be Rs 5,000 and in multiples of Re 1 thereafter. The goal of investment is to generate market returns with low cost ETFs and long-term capital appreciation/ income with moderately high risk. The Mirae Asset Equity Allocator Fund of Fund will over Regular Plan and Direct Plan with Growth Option and Dividend Option (Pay-out & Re-investment).

## Blackstone frontrunner for Rs 3,200 crore L&T Mutual Fund buy

Blackstone is closing in on the acquisition of L&T Mutual Fund, but the deal closure would hinge upon approval from the capital markets regulator, which generally frowns upon private equity ownership of mutual funds. Both sides are currently in "exclusivity" to continue bilateral negotiations that are believed to be primarily focussed on valuations, said a person with knowledge of the development.

Blackstone, which lost out to PAG in the race to buy Edelweiss' wealth management business has offered to pay not more than Rs 3,200 crore, or around 5% of L&T Mutual Fund's total assets under management. L&T Finance, which owns the mutual fund business is believed to be expecting around Rs 4,000 crore.

The move is part of L&T Finance's drive to monetise non-core businesses. An L&T MF spokesperson declined comment and Blackstone did not respond to an email requesting comment. Market experts believe Securities and Exchange Board of India's

(Sebi) approval might prove to be a problem. "Limited life funds are not allowed to own mutual fund AMCs in India by the market regulator," said Sandeep Parekh, managing partner, Finsec Law Advisors.

Concerns over Stable Capital "Hence it is not easy for private equity funds to acquire any such businesses," he said. Most private equity funds are raised for a limited period (not more than seven to nine years) and hence they cannot provide stable capital, according to the regulator.

## Mutual funds Industry 3.30 crore SIP accounts as on August 31

AUM of mutual fund companies that have come through the systematic investment plan (SIP) route touched Rs 3.36 lakh crore in August, an increase of 17 lakh from a month ago.

The monthly SIP contribution in August fell to Rs 7,792 crore, marginally down from Rs 7,831 crore a month ago.

The data was shared by NS Venkatesh, Chief Executive Officer, Association of Mutual Funds in India.

Mutual fund experts say that while in the short-term investors may go a bit slow in terms of investments in SIPs, in the long-run, SIPs will reap good returns.

"With SIP flows reducing, it is clear that the retail investor is impacted due to the current economic environment brought on by COVID-19," said Jean-Christophe Gougeon, Director - Investment Solutions, Sharekhan by BNP Paribas.

"In such a challenging economic environment, retail investors tend to reduce their SIP investments and reduce risk on their portfolios by selling equity MFs," he added.

He further pointed out that while the long-term opportunity of mutual funds through both lumpsum and SIP remains very promising, the pain in the short term is not likely to go away soon.

The silver lining is that the mutual fund industry added 11.16 lakh new SIP accounts in August. Almost equal additions were made in the month of July as well. Currently, mutual funds have about 3.30 crore SIP folios through which investors regularly invest in schemes.

In August, benchmark indices Nifty and Sensex rose 2.84 percent and 2.72 percent, respectively.

Overall, the 42-player mutual fund industry manages assets under management (AUM) of Rs 27.7 lakh crore in August, as against Rs 27.2 lakh crore in July.

Equity mutual funds witnessed an outflow for the second straight month as investors continue to cash out in a market that has recovered bulk of the pandemic-fuelled losses despite mounting infections and dire economic forecasts. Equity and equity-linked schemes witnessed an outflow of Rs 4,000 crore in August compared with an outflow of Rs 2,480 crore in July, according to data released by the Association of Mutual Funds in India.

Net investments into such stock plans have been dwindling for months as investors reduce holdings amid worries that the worst impact of the coronavirus may not have passed even as equities continue their ascent. Indian benchmarks have jumped more than 50% of their March low. The Nifty 50 gained 3% in August.

All segments witnessed an outflow in August. Among schemes, investors pulled out the most from large caps. Mid and small caps witnessed outflow for the second straight month, while multi caps for the third. AMFI started releasing granular data in April 2019. Contribution through systematic investment plans fell for the fifth straight month. Net investments into such schemes stood at Rs 7,791.6 crore in August compared with Rs 7,831 crore in July.

"This is general investor behaviour - post-recovery, we generally see outflows. This was also seen post-recovery from the global financial crisis. This is also a function of the uncertain environment where markets recovered significantly but we are still seeing significant negative data for virus and the economy.

We have seen multiple market participants advising caution, and this is a cautious stance of the investors," Santosh Kumar Singh, head of research at Motilal Oswal Asset Management Company, said. But "I do not see it as a long-term trend. Once we see clarity emerging we would again start seeing inflows in the asset management industry given financialisation of assets".

According to G Pradeep Kumar, chief executive officer at Union Asset Management Company, while investors have continued to book profits from equity mutual funds about 4.65 lakh new folios were added in August, indicating sustained retail interest in mutual funds.

Again, though the SIP amount has dropped very nominally, there is a net addition of about 3.43 lakh SIP folios. "It also appears that some investors have taken a tactical asset allocation call by moving from equity to low-duration or ultra short-term funds with the objective of re-entering equity funds at lower levels in the event of a correction in the markets," Pradeep kumar told.

## Axis MF launches global fund, aims to raise up to Rs 1,500 cr

Axis Mutual Fund has launched 'Axis Global Alpha Equity Fund of Fund' which will invest in Schroder International Selection Fund Global Equity Alpha. The fund house said it is targeting to collect up to Rs 1,500 crore from a new offering which will help domestic investors take bets in the global markets.

It can be noted that Indian indices are experiencing a rally in a contracting economy, and there have been concerns about high valuation of Indian equities. Some asset managers have started dedicated offerings towards such a scheme already. The fund house is targeting to get Rs 1,000-1,500 crore from up to 75,000 investors in the new fund offering, a senior official told.

At present, nearly all of the Indian wealth is invested in the Indian markets, which account for only 3 per cent of the global market capitalisation, the company said, pointing to the opportunities which might be lost. Schroder is the largest asset manager in Europe with over USD 500 billion under management and also owns 25 per cent in Axis AMC, as per a statement.

Schroder International Selection Fund Global Equity Alpha fund invests in a compact, high conviction portfolio of geographically and sectorally diversified equity stocks with a strong focus on North America and technology sectors.

The fund is managed out of London and the money (in rupees) will be converted into dollars for investment, the official said, adding the expense ratio has been capped at 2.25 per cent as per Sebi regulations.

## Invesco Mutual Fund launches Invesco India Focused 20 Equity Fund

Invesco Mutual Fund announced the launch of its new fund Invesco India Focused 20 Equity Fund, an open-ended multi cap equity scheme investing in a maximum 20 stocks across market capitalizations. The New Fund Offer (NFO) had opened for subscription on September 09. The minimum investment amount during the NFO is Rs 1,000 and in multiples of Rs 1 thereafter.

For SIP investments, the minimum application amount is Rs 500 and in multiples of Rs 1 thereafter. The scheme will not charge any exit load if up to 10 percent of the units are redeemed/ switched out within one year from the date of allotment. If more than 10 percent of the units are redeemed/ switched within one year from the date of allotment, exit load of 1% will be charged.

No exit load will be charged for units redeemed / switched after one year from the date of allotment. Invesco India Focused 20 Equity Fund will adopt a high conviction approach to investing with meaningful allocation to each stock idea, maintaining a balance between conviction and diversification.

Currently, a large portion of the portfolio will be invested in large cap stocks (approximately between 50-70%), exposure to mid-cap stocks will be in the range of 30-50%, while exposure to small cap stocks will be in the range 0-20% of the portfolio (based on current views and may change from time to time).

Further, the portfolio will comprise of both growth and value stocks. The fund will be benchmarked to S&P BSE 500 TRI. The fund will be managed by Taher Badshah, who has over 26 years of experience in the Indian equity markets.

"If you analyze the data you will find a handful of stocks have contributed to most of the returns at different points in time. Further, there is also huge divergence in returns across and within the sectors which lays emphasis on the right stock selection, said Saurabh Nanavati, Chief Executive Officer, Invesco Mutual Fund.

"Our investment expertise and research prowess enables us to identify the right investment ideas with the potential of generating wealth and helping investors get closer to their financial objectives." ❑

# Co-Operative Bank News

## RBI Extends Curbs Over 3 Maharashtra-based Cooperative Banks - Customers Pay for Banks' Fault

On 30 July 2020, the Reserve Bank of India (RBI) extended its directions to the Vasantdada Nagari Sahakari Bank, the Kapol Cooperative Bank and the Maratha Sahakari Bank. All three urban cooperative banks are from Maharashtra.

Mumbai-based Maratha Sahakari Bank was placed under RBI directions vide directive dated 31 August 2016, from the close of business on 31 August 2016, for a period of six months. The validity of the above directions has been extended from time to time, the last one being vide directive dated 18 March 2020, valid up to 31 July 2020, for a further period of five months from 1 August 2020 to 31 December 2020.

The Kapol Co-operative Bank from Mumbai was placed under directions vide directive dated 30 March 2017, from the close of business on 30 March 2017. The validity of the above directions was extended from time to time, the last one being vide directive dated 29 January 2020, valid up to 31 July 2020, for a further period of six months from 1 August 2020, to 31 January 2021.

The RBI in separate notifications for these two banks (The Kapol Cooperative Bank and The Maratha Sahakari Bank Ltd) said that extension should not "per-se be construed to imply that it is satisfied of substantive improvement in the financial position of the aforementioned banks."

## RBI asks urban cooperative banks to implement system-based asset classification from June 2021

The Reserve Bank has asked large urban cooperative banks (UCBs) to undertake the system-based asset classification from June 30, 2021, to improve efficiency and transparency. The UCBs having total assets of over Rs 2,000 crore as on March 31, 2020, will be required to implement the system-based asset classification from June 30, 2021, an RBI circular said.

UCBs having total assets of over Rs 1,000 crore but less than Rs 2,000 crore as on March 31, 2020 and having self-assessed themselves as being under Level III or Level IV on the Comprehensive Cyber Security Framework will be required to implement system-based asset classification from September 30, 2021.

"UCBs which meet the (specified) criteria as at the end of the current or subsequent financial years shall implement system-based asset classification within a period of six months from the end of the financial year concerned," the RBI said.

System-based asset classification, refers to asset classification (downgrading as well as upgrading) carried out by the CBS /computerized systems of the bank in an automated manner on an ongoing basis, based on the relevant RBI instructions/guidelines.

Meanwhile, the RBI has also asked all concerned UCBs to conduct pilot/parallel run and evaluate the results for accuracy/integrity of the asset classification in compliance with the RBI instructions so that they can implement it from the appointed date.

## Govt mulling merger of District Co-op banks

The Uttar Pradesh government is mulling a proposal to merge all the district cooperative banks (DCBs) with the apex cooperative banking body the 'UP Cooperative Bank'.

The proposed 'UP Cooperative Bank', created after the merger, will comprise more than 1,000 branches with a balance sheet of nearly Rs 35,000 crore, which could even grow to more than

Rs 50,000 crore in the next five years with a moderate growth rate of 8 per cent.

The Yogi Adityanath government, soon after coming to power in March 2017, had taken up the task of revival of the DCBs and had set up an expert committee to suggest the measures. Several states like Kerala, Andhra Pradesh and Telangana have already merged the DCBs with the apex cooperative bank in their respective states.

Most of the DCBs are struggling for survival due to poor credit recovery. Amid the ongoing process of consolidation in the public sector banks by the Centre, the expert panel has suggested creation of a single state controlled lender in the cooperative sector in the state by merging all the DCBs with the UPCB.

"Our report has been submitted to the state government for taking the final call on the proposed merger," a member of the panel said and added, "The COVID-19 lockdown had delayed the whole process,"

There is proposal to merge UP Cooperative Bank (UPCB), UP Sahkari Gram Vikas Bank (UPSGVB) and 50 district co-operative banks (DCBs).

He noted there was an urgent need to merge these co-operative banks for sustainability, since they had already been running in huge losses, while the lockdown had led to a further deterioration of their financial condition.

The panel's report has recommended a composite action plan for the post-merger capital requirements of co-operative banks, deposit mobilisation, staff restructuring etc.

Over the past decades, the district co-operative banks (DCBs) with the attached state-wide network of primary agriculture cooperative societies (PACS) are the cheapest vehicle for the disbursement and recovery of agricultural credit. The DCBs with the network of PACS in each district, once provided efficient service in the rural hinterland by providing timely short-terms crop loans to the farmers apart from offering deposit facilities. The DCBs, which get the refinance from the National Agriculture Bank for Rural Development (NABARD) gradually failed to match up to modern banking.

Meanwhile, the process to recapitalise and modernise these co-operative banks had been underway already, with the state earlier announcing to infuse fresh capital into 16 ailing DCBs operating in Faizabad, Shravasti, Allahabad, Sitapur, Hardoi, Azamgarh, Fatehpur, Gorakhpur, Basti, Ballia, Siddharthnagar, Deoria, Sultanpur, Jaunpur, Ghazipur and Bahraich districts.

In the past, these 16 DCBs had been served notices by the Reserve Bank of India (RBI) for failing to adhere to the financial and licensing norms. However, the licences were given to them later.

The NABARD had suspended the refinance facility to several DCBs following their failure to meet the credit recovery targets. Several DCBs were restrained by the NABARD from conducting normal banking operations like disbursing credit and accepting deposits under Banking Regulations Act, 1949.

In 2019, the UP government had raised concerns over the rising non-performing assets (NPAs) and poor loan recovery of the DCBs and had directed the Registrar of Cooperative Societies to analyse the reason for the burgeoning NPAs and take immediate measures, while fixing the accountability. At the end of September 2018, the cooperative banks in UP had a branch network of 1,589 with deposits and advances of Rs 16,750 crore and Rs 13,513 crore, respectively.

## UCBs have to be prepared for branchless banking: Amin

Gujarat State Cooperative Union held a banking webinar on "Challenges, Changes and Changes Post Covid -19" recently which was presided over by Ghanshyambhai Amin, Chairman of the Gujarat state cooperative union.

Sharing his own experiences with regard to the changes in banking technology Amin recalled that as the Chairman of Cooperative Bank of India, he had arranged a visit to Sweden for the delegates of the country and held a Banking Seminar there.

Recalling the take aways from the COB seminar, Amin said the time has come for Branchless Banking. "Responding to the need of the time, Urban Cooperative Banks also will have to embark upon the latest technology by way of the up-gradation so the customers can be attracted by way of catering the latest services and protecting them from the cyber hackers", Amin stated.

The Urban Cooperative Banks will have to be efficient and professional bankers to withstand and survive the stiff competition in the banking sector, he underlined. He also said the Union Government has taken up the merger of 3 to 4 Public Sector Banks and this merger is likely to benefit the economy. It is also important the office bearers and the employees of the Urban Cooperative Banks make an in-depth study of the guidelines of RBI.

Kanjibhai Bhalada, Chairman of Varachha Cooperative Bank, Surat, said in the present time, it is necessary that the administrators and employees of the Cooperative Banks and Institutes remain continuously in close contact and coordination through Cooperative Training Classes and Webinar and keep themselves in touch with the latest situation of the market.

## Govt may allow co-op banks to lend under scheme for MSMEs

The government may include cooperative banks as a lending institution under the Emergency Credit Line Guarantee Scheme (ECLGS) that was announced to support stressed micro, small and medium enterprises (MSMEs).

MSME minister Nitin Gadkari said the finance minister will take a decision soon. "The finance minister has explained that due to the dual regulation and supervision, cooperative banks are not included as member lending institutions (MLIs) under ECLGS. However, data regarding their financial position is being collected from scheduled state cooperative banks and urban cooperative banks to include them as MLIs for the scheme, in consultation with Reserve Bank of India (RBI), depending on availability of headroom of the scheme." Gadkari told attendees at the MSME Conclave organized by FICCI Karnataka State Council.

At present, all public sector and private sector banks and non-banking financial companies (NBFCs) have extended loans under ECLGS.

ECLGS is part of the government's Rs. 20-trillion financial package to help the poor and small businesses tide over the covid-19 crisis, by providing them additional funding of up to Rs. 3 trillion.

"The main objective of the scheme is to provide an incentive to MLIs, that is, banks, financial institutions and NBFCs to increase access to, and enable availability of additional funding facility to MSME borrowers, in view of the economic distress caused by the covid-19 crisis by providing them 100% guarantee for any losses suffered by them due to the non-repayment of the GECL funding by borrowers," the government had said in May. Since disbursement is only Rs. 1.2 trillion, compared to the target of Rs. 3 trillion, cooperative banks can be allowed to lend under the scheme, Gadkari said.

## Existence of cooperative banks should be preserved, Sharad Pawar writes to PM Modi

NCP chief Sharad Pawar has written to Prime Minister Narendra Modi, saying that the "existence" of cooperative banks and their "cooperative character" should be protected. The former Union minister also sought to debunk the notion that cooperative banks are faring worse than other banks, or converting them into private entities would end frauds or irregularities.

Pawar published the letter dated August 15 on his Twitter account on Tuesday night. The letter referred to Modi's Independence Day speech. "You (Modi) said that cooperative banks are brought under the supervision of the Reserve Bank from the point of view to protect the interest of the middle class."

"I welcome and appreciate the objective", he said. "However, at the same time, I honestly feel that the existence of cooperative banks and their `cooperative' character shall be preserved," Pawar said. The cooperative banking sector has been the backbone of the rural economy, he said.

Due to their widespread branch network, the Reserve Bank (RBI) finds it impossible to conduct inspection of all Urban Cooperative Banks (UCBs) in the country every year, he said. Therefore the Central bank has been trying to convert the UCBs into private banks since 1993, but has not succeeded, Pawar claimed.

"Sir, though I agree with you that there should be financial discipline in the banks, but certainly it would be incorrect to say that such conversion of cooperative sector into private sector would completely or partially prevent misappropriation of funds, financial irregularities and frauds in the banking sector," the letter said.

In fiscal 2019-20, according to RBI, public sector and private sector banks reported 3,766 and 2,010 frauds, while cooperative banks reported only 181 frauds, he pointed out.

The amount involved in frauds in public sector banks was Rs 64,509.90 crore or 90.20 per cent of the total amount involved in frauds during the fiscal, while that in private sector banks was Rs 5,515.10 crore or 7.69 per cent, he said.

"In the financial year 2019-20, an alleged fraud of Rs 4,355 crore was identified in PMC Bank scam, while during the first half year itself a fraud of approximately Rs 95,700 crore was reported in nationalised banks," Pawar said. "Therefore, it is not correct to say that misappropriation of fund or financial irregularities are observed in cooperative banks only," he said. The RBI often alleges that cooperative banks suffer from a lack of professionalism, Pawar noted.

However, as per the RBI's own data, gross and net NPA percentages of commercial banks are 9.68 per cent and 5.31 per cent; on the other hand, the gross and net NPA percentages of UCBs are 7.51 per cent and 2.53 per cent, he said. Out of the 1,544 UCBs only 70 are in the `D' category, Pawar said, adding that therefore, "it is ridiculous to state that there is no professionalism in cooperative banks".

He also said that what happened at Punjab and Maharashtra Cooperative (PMC) Bank was a "fraud" and not a "business failure of cooperative banks.

"I, therefore, earnestly request you to kindly look into the matter personally and give justice to the cooperative banking sector...," Pawar said in the letter. ❑

## Sweden set to become world's first cashless society

Contactless payments and online spending will continue strong growth post-COVID-19, as Sweden leads the global race to become a cashless society. Cash accounted for just 1.1% of the country's overall payment transaction value in 2019, according to GlobalData, a leading data and analytics company. The data analytics company forecasts the Swedish e-commerce market to grow at an annual rate of 19.3% in 2020, compared to the previous estimation of 10.5%.

Ravi Sharma, Retail Banking Analyst GlobalData's, comments: "Contactless payments in Sweden is already growing at a faster pace, with Swedes increasingly making contactless payments in shops, restaurants and cafes. As a result of the pandemic, its usage is expected to become even more popular. The growing acceptance of contactless payments will support the adoption and use of NFC-enabled mobile wallet solutions, such as Apple Pay and Google Pay."

The transaction value of ATM withdrawals is set to decline by 10.5% in 2020, compared to 7.1% before the pandemic. Sharma continues: "This clear acceleration in consumers switching from cash to e-commerce will become learned behaviours for consumers, who will continue to move towards contactless and online payments beyond the COVID-19 crisis."

## Signzy Becomes the Only Indian Startup Recognised by MEDICI RegTech Top 21 2020 List

Leading Indian RegTech startup Signzy announced that world's leading FinTech research and innovation advisory platform MEDICI has recognised it among the RegTech Top 21 startups for 2020. It is also the only Indian RegTech startup to have made it to the Top 21 list for 2020.

Signzy has been named as the Top RegTech Startup in the 'Digital Identity, Customer Onboarding and KYC' vertical.

MEDICI RegTech Top 21 Report-2020 is powered by MAGNIFICO, a leading reverse fintech accelerator, born from the collaboration of Ernst & Young (EY) and MEDICI to identify and recognize the fastest growing and highly innovative fintechs across EMEA, APAC and the AMERICAS.

Signzy has also been named in the 'Big Disruptors' quadrant, under the 'Digital Identity, Customer Onboarding and KYC' vertical by MEDICI. According to MEDICI, companies in this quadrant have a strong market presence, which has also been supported by growth. Big Disruptors represent the market leaders: they have been in the market for a long time, or either achieved growth in a short period recently, and the market has acknowledged them.

Commenting on the recognition, Ankit Ratan, co-founder of Signzy says, "We are truly honoured and excited by this latest recognition of our work. Effectively addressing the compliance, security, and regulatory requirements of our banking and financial services partners have been Signzy's vision right from our inception. We are glad to have found success and recognition on our journey of growth. We also dedicate this achievement to our customers and our employees who have demonstrated confidence in us throughout."

This recognition further acknowledges that Signzy brings down customer dropouts and increases productivity. Signzy's online contracting system utilizes biometric signatures and blockchain technology to on-board clients; while its API platform helps in detecting the authenticity of information and cracks down on digital forgery. It further notes that Signzy has developed an AI solution for distinguishing between various types of ID documents, shared through various channels like scans and photocopies with all their distortions.

The RegTech Top 21 startups are placed under seven main verticals where RegTech solutions may be applied. These are: AML and CFT, Compliance Management, Market & Trade Surveillance, Risk Management, Digital Identity, Customer Onboarding and KYC, Regulatory Change Management and Regulatory Reporting.

Apart from the disruption that award-winning companies bring to the table, they were also judged on other parameters, including the future outlook based on their growth in traction in the industry over the past three years, unique proposition, and competitive advantage. The selection for RegTech Top 21 has been made after due consideration of both the score and the industry experts' opinion.

# PhonePe Supercharges its Financial Services Portfolio

PhonePe, India's leading digital payments platform today announced that it has supercharged its financial services portfolio. The company has added 6 new products in the insurance and wealth management space in the last 4 months, making it one of India's leading Financial Services players. PhonePe credits its cutting edge technology platform that encourages continuous innovation, the passion of its people and strong and aligned partners as the key pillars that have helped launch multiple products at a rapid pace despite the lockdown.

Insurance and Financial Services have been deeply under penetrated categories in India due to problems of distribution, customer education and awareness. PhonePe with its over 230 Million user base, is uniquely positioned to solve these problems and get the right product at the right price point to customers across India. What differentiates PhonePe's offerings is that the products are simple to understand, come with an instant enrollment and are distributed digitally at very affordable prices. What also sets the offerings apart is the partnerships PhonePe has built with industry leaders in both the Insurance & Mutual Funds space. These partners come with deep experience in this space, and have worked very closely with PhonePe to launch tailor-made offerings for its rapidly increasing customer base.

Speaking about PhonePe's Financial Services journey, Hemant Gala, Vice President, Financial Services & Payments, said, "PhonePe is building India's most comprehensive Financial Services platform. Our philosophy has always been to launch customer centric products backed by a deep understanding of customer needs, with simplified payment flows. The customer response to our recent launches has been phenomenal, and we have already become the fastest growing insure-tech distributor in India and have also seen Mutual Fund investments from over 15,000 pin codes across tier 1,2 & 3 cities and towns. We will be launching multiple tailor-made products in the financial services space addressing key use cases and solving critical customer problems by the end of the year."

Vishal Gupta, Head of Product Management at PhonePe added, "We believe that buying insurance and investing in Mutual Fund products should be a simple, frictionless and secure process. All our Financial Service products have been built keeping the above principles in mind. What is also noteworthy is that despite the lockdown, our pace of product development did not slow down and we were able to bring new offerings to the market with the same cadence that we had set for ourselves in the beginning of the year. The deep collaboration, efficient communication and flawless execution across business and products teams made this possible. We will continue to innovate and deliver use case led products while we build out India's largest Financial Services platform."

***Here's a quick timeline view of PhonePe's new launches:***

**The Personal Accident:** Launched in July. Offers the customer or its nominee a fixed, lumpsum amount in the unfortunate event of death or total permanent disability of the insured due to an accident. Premium for the same starts from Rs. 24 to Rs. 480 with sum insured ranging from 1 Lac to 20 Lacs.

**The Dengue & Malaria cover:** Launched in July. Offers policyholders a fixed cash payout amount on diagnosis and more than 48 hours of hospitalisation due to 6 vector borne diseases including Dengue, Malaria, Japanese Encephalitis, Kala-Azar, chikungunya and filariasis.

**Hospital Daily Cash:** Launched in July. Offers a per day cash payout for upto 15 days on hospitalisation with a minimum 48 hours of hospitalisation payable from second day onwards. Premiums start from Rs.130 and Sum insured available amount goes upto Rs.75,000

**CoronaVirus Insurance Policy:** Launched in April. Offers a cashless and reimbursement payout for diagnosis and hospitalisation due to Covid-19 - upto Rs.1 lacs - with prices starting from Rs.396

*Domestic Travel Insurance:* Launched in June. Offers an affordable annual insurance cover of up to Rs. 5 lakhs for a number of travel-related untoward incidents for Rs 499

**Super Funds:** Launched in May. A comprehensive investment solution managed by professional Fund Managers that invests across multiple top equity, gold and debt funds of different mutual fund companies to help investors create long-term wealth in a safer way. Investors can begin investing with as little as Rs 500 per month.

# INTEREST SUBVENTION SCHEME TO RBI SUPERVISORY ACTION FRAMEWORK AND PERFORMANCE OF COOPERATIVE BANKS



**Abstract:**

*The recent mega fraud of Punjab and Maharastra Bank has shaken the confidence in Urban Cooperative Banks (UCBs). For revival of these banks, constant monitoring of financial health of these banks by the RBI is a must for which Supervisory Action Framework (SAF) is an effective tool. Under SAF, monitoring of the financial health of UCBs is done through three trigger points namely, CRAR, Asset Quality and Profitability. This SAF is in existence since 2012. The present article studies of financial performance of UCBs since the introduction of SAF which reveals several concerns. While SAF seems to be an effective supervisory tool of the RBI, its benefits are yet to be derived. For this purpose, it calls for more seriousness on the part UCBs to improve their overall financial performance by ensuring the participation bank staff at all level.*



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## Introduction:

Reserve Bank of India (RBI) introduced Prompt Corrective Action (PCA) for the first time in December 2002 when public sector banks were witnessing a high and increasing level of non-performing assets (NPAs) and weakness in their overall financial performance. RBI imposes the PCA if a commercial bank's financial condition worsens for which it specifies a 'trigger point' or 'risk threshold' of each of specified areas of financial health of banks. When any trigger point/risk threshold is brought to the notice of RBI, it intervenes with corrective actions/restrictions.

A bank would be placed under the PCA framework depending upon the audited annual financial results and RBI's supervisory assessment. Once the bank comes under the PCA, the periodical submission of reports by the bank to the RBI and its meetings with the supervisory authority are compulsory. RBI revised PCA guidelines from time to time. It is happy to state that there has been encouraging response to PCA by public sector banks which is evident that few banks are slowly coming out of PCA due to their overall improvement if financial health[1]. Encouraged from the success of PCA, RBI made this supervisory tool called as Supervisory Action Framework (SAF), to Urban Cooperative

Banks (UCBs). Since SAF is in the larger interest of UCBs, it becomes necessary to create awareness of the recent revised SAF introduced in January 2020. Towards this end, the present article shares the relevant information. To begin with, let us examine features of SAF.

## Features of SAF:

RBI conducts inspection of UCBs under the provisions of the Banking Regulation Act, 1949 to assess the financial position of a bank and its adherence to the various provisions of the Act and directions/instructions issued there under. It also monitors the financial position of UCBs based on periodical returns/statements submitted by them. Further, the Reserve Bank initiates supervisory actions based on its assessment of the financial position of a bank. The SAF envisages, in the initial stage of deterioration in the financial position, self corrective action by the management of UCBs themselves and, thereafter, supervisory action by the Reserve Bank in case the financial position of the bank does not improve.

For supervisory action by RBI, there are certain trigger points which indicate the deterioration in the financial position of a bank. Such deterioration in financial shall refer to fall in the asset quality, decline in profits, capital inadequacy etc. As stated earlier, the management of the UCB should first identify the cause of deterioration and take necessary corrective actions, on their own, with a view to improve the financial position of the bank.

But, such corrective action should be prompt as any delay could be detrimental to the interest of the depositors and other stake holders of the bank. The corrective action should include measures for augmenting capital, close monitoring of NPAs and their recovery, improving profitability by curtailing expenses, mobilizing low cost deposits etc. The UCBs should also prepare a time bound specific action plan for bringing about necessary improvement in its overall functioning and, the Board of Directors should monitor the progress in implementation of the action plan in its every meeting.

In case necessary steps are not taken to improve their financials or steps taken do not result in the required improvement in the financial position of the bank, the Reserve Bank steps in and initiate supervisory actions as it deems necessary RBI revises guidelines on SAF from time to time to address issues arising in its implementation.

## Revised SAF Guidelines:

SAF is more effective in bringing about the desired improvement in the financial health of UCBs as also expeditious resolution of UCBs experiencing financial stress[2]. The latest RBI Circular of January 06, 2020 discusses the revised the SAF[3]. There are three triggers which include: (i) Asset Quality when Net NPAs exceed 6% of Net Advances. (ii) Profitability when there are losses for two consecutive financial years and there are accumulated losses on its balance sheet. And, (iii) Capital to Risk Weighted Assets Ratio (CRAR) when it falls below 9%.

For each trigger, there are certain Common actions which should be taken by the UCB which shall include; a) Advising the UCB to submit a Board-approved Action Plan for each trigger b) Advising the Board of Directors of the UCB to review the progress under the Action Plan on quarterly/ monthly basis, and c) Advising the UCB to submit the post-review progress report to Reserve Bank.

Besides Common actions, there are certain trigger-wise Specific Supervisory actions taken by the RBI. To elaborate, for (i) Asset Quality trigger, such specific supervisory actions include: a) UCB would be required to furnish an action plan for recovery of NPAs and to undertake special drive to reduce the stock of NPAs and contain generation of fresh NPAs. b) The Board of the UCB would review its loan policy, take steps to upgrade credit appraisal skills and strengthen follow-up of advances including loan recovery; c) Curtailment of sanction/renewal of credit facilities to sectors/segments having high proportion of NPAs; d) Reduction in exposure limits for fresh loans and advances; and, e) Restriction on fresh loans and advances carrying risk-weights of more than 100%.

Similarly for (ii) Profitability trigger, additional specific supervisory actions include: a) The UCB is advised not to access/renew high cost deposits, launch special drive to reduce the stock of NPAs & contain generation of fresh NPAs, rationalize its branches and close down loss making branches; b) Prohibition on declaration/payment of dividend/ donation; c) Restriction on incurring capital expenditure beyond a specified limit, without prior approval of the Reserve Bank and, d) Measures for reduction in interest and operating / administrative expenses.

Lastly, for (iii) CRAR trigger, supervisory actions include: a)

For augmenting capital, specifically indicating the manner in which the capital would be increased either by fresh infusion, conversion of deposits into equity for improving CRAR to 9% within three months; b) UCB would be advised to reduce its exposure to the sensitive sectors like capital market, real estate, non-SLR investments and not to mobilize high cost deposits and raise resources at market related rates and review its credit /investment policy; c) In case CRAR of the UCB is less than 3%, it will have to explore options by seeking a Board-approved proposal for merging the UCB with another bank or converting itself into a credit society; d) Prohibition on declaration/payment of dividend/ donation; e) Restriction on incurring capital expenditure beyond a specified limit without prior approval of the Reserve Bank; f) Reduction in exposure limits for fresh loans and advances; g) Restriction on fresh loans and advances carrying risk-weights beyond the specified limit; h) Restriction on expansion of size of the balance sheet; i) Restriction on fresh borrowings except for meeting temporary liquidity mismatches; j) Prohibition on sanction/ disbursal of fresh loans and advances other than loans against collateral security of term deposits / NSCs / KVPs / insurance policies; and, k) Prohibition on expansion of size of the deposits.

Besides, Common and Specific supervisory actions by RBI as discussed above, Reserve Bank, as under section 35A of the Banking Regulation Act, 1949 (as applicable to co-operative societies), shall also consider to issue a show cause notice for cancellation of banking license when continued normal functioning of the UCB is no longer considered to be in the interest of its depositors/public. It is important to note that the RBI shall initiate supervisory action on the basis of the financial position of UCBs as assessed during the statutory inspection.

However, action may be taken also on the basis of the reported/audited financial position. Besides these actions, the RBI shall initiate any other action based on merits of each case. These supervisory actions would be in two stages. In the first Stage, the Reserve Bank would commence the active monitoring of the performance of the bank.

The monitoring would be done by directing the UCBs to submit to the Regional Office of the Reserve Bank, the action plan for improving their performance in the specific areas where there is a deterioration or cause of concern and returns, pertaining to the specified weak area, at quarterly/half-yearly intervals. In the second stage, the supervisory action would be in the form of prompt action aimed at arresting further deterioration in the financial position of the bank. With the introduction SAF, it is expected to facilitate the UCBs to improve their overall financial health. In this regard, it would be interesting to study performance of UCBs after the introduction of SAF in 2012.

## Performance of UCBs:

Referring to the RBI Report on Trend and Progress of Banking in India for the period 2011-12 to 2018-19, changes in the financial position of Scheduled Urban Cooperative Banks (SUBCs) with the help of three triggers of SAF namely, Capital Adequacy, asset Quality and profitability[4]. Regarding the first trigger i.e. Capital Adequacy, SUCBs are required to maintain a minimum statutory capital under the Basel I norms to risk weighted assets ratio (CRAR) of 9 per cent. As of end-March 2019, more than 96 per cent of SUCBs maintained CRAR of 9 per cent and above.

But, data also suggests deterioration in CRAR of SUCBs to 9.8 per cent in H1:2019-20 from 13.5 per cent in H1:2018-19. Further, over the years, CRAR declined from 11.8 per cent in 2011-12 to 9.8 in H1 : 2019-20. This deterioration in CRAR is on account of high and increasing level of GNPA ratio. Coming to the second trigger i.e. Asset Quality, during 2019-20. SUCBs' GNPA ratio witnessed a an increase from 7.1 per cent in H1: 2017-18 to 10.5 per cent in H1: 2019-20 and further to 10.5 per cent in H1: 2019-20> This reflects large delinquencies in Punjab and Mahahrastra Cooperative (PMC) Bank, the fraud hit bank. This bank, which is among

the top-10 urban cooperative banks which had lent over Rs.6,500 crores to HDIL, forming 73 per cent of total advances of Rs.8,880 crore[5].

Thus, over the years, the GNPA ratio went up from 7.0 per cent in 2011-12 to 10.5 per cent in HI: 2019-20. Lastly, the third trigger i. e, Profitability ratio too observed deterioration which is measured through different ratios. One of them is Return on Equity (RoE) which fell down sharply from 10.51 per cent in 2011-12 to 8.71 per cent in HI: 2018-19 mainly on account of below par performance. The situation is worst when SUCBs posted losses in H1:2019-20. Bank-specific factors like credit risk, interest and non-interest income and the overall macroeconomic environment weigh in as the key determinants of declining SUCBs' profitability.

Thus, despite SAF as an effective tool for monitoring of RBI in monitoring of banks, their financial health continued to decline which is a matter of concern. The higher GNPA ratio adversely affects profit performance, capital adequacy, credit expansion, rating and their reputation. Hence, this is matter of concern to the bank management, Reserve Bank of India, Government and the society at large. Towards, efforts of SUCBs need to be strengthened to step up the quality of loan assets for which certain approaches are suggested.

## Good Quality Lending - Suggested Approaches:

To start with, a branch manager should scrutinize a credit proposal carefully & professionally and respect the laid down due diligence in credit to decide whether to sanction or otherwise. For this purpose, he has to verify the authenticity of important credit information provided by a potential borrower in the credit proposal. The application form for availing of credit should be simple and the project proposal should contain vital information needed for assessing the feasibility of the project and acceptability of the borrower to the bank based on credit history and local enquiry made by the branch manager.

The major items in the project proposal shall include: brief profile of the applicant, purpose and quantum of credit sought for, borrower's experience in the line of activity, success rate of the borrower in the earlier business, existing borrowings, credit history of the applicant, particulars of the project/proposed activity, technical feasibility of the project, supply and demand gap for the proposed business activity, projected cash flows and financial viability, credit rating, margin and securities to be offered etc.

The branch manager has also to study the relevant information from the secondary sources of information and local enquiry, besides holding an interview with the applicant to arrive at a conclusion on authenticity of information provided by the applicant. The quality of lending is decided on how the credit proposal is appraised by the branch manager. For this purpose, he should examine certain critical aspects of the credit proposal in detail. These include; strength of the proposal, suitability of the bank credit to the borrower, future prospects of the business activity, genuine credit requirements of the borrower, projected income generation, margin & securities offered, valuation of collaterals, credit history and credit rating of the business unit based on financials etc. While doing the credit appraisal of the proposal, the branch manager should avoid any kind of mediators and hold direct interaction with the applicant.

For credit appraisal, the branch manager should take into account bank guidelines by referring to the latest circulars issued by the controlling office. For proper assessment of demand and supply gap, market information and data in respect of various credit products offered by the bank should be made available to the branch managers by the controlling office. Further, minutes of credit committee meetings held at the district level should also be made available to the concerned branches for assessing demand and supply gap. More importantly, the controlling office should create a data base to guide the branch managers on the latest developments in the market.

For this purpose, the data base should contain various items such as zone-wise studies done on bank credit products, industry-wise/ activity-wise data collected by the local industry associations/ chamber of commerce, government plans and developmental activities in the local area, branch-wise credit growth and loan recovery rate etc. Further, close review and monitoring of achievement of targets set for branches for credit should be done by the controlling office on periodical basis and extend necessary support to ensure that targets are achieved in true spirit.

To ensure the good quality credit, few more aspects need to be ensured. For instance, the branch manager should strictly implement the terms and conditions of loan sanction and disbursement schedule without any deviation. If disbursements are in stages, at each stage of disbursement, it should be ensured that the earlier amount disbursed is fully utilized. Frequent visits are to be made by the branch manager to verify the status of the primary securities. If any deviations are noticed, further disbursement should be stopped and the controlling office should be informed suitably.

The branch manager should also verify the documents such as bills/ invoices submitted by the borrower after the purchase of assets with bank finance. Rates, quantity and type of product need to be verified from the independent source and it should be matched with the project report submitted by the borrower.

During the post disbursement of loan, the branch manager should ensure the end use of funds, regular submission of the stock statements by the borrower and subsequent stock verification at the site, actual business performance vis-a vis projected business performance, regular payment of loan installments/ deposits in cash credit account and arresting the slippage in asset quality by undertaking preventive action timely. In terms of RBI guidelines, monitoring of Special Mention Accounts (SMAs) is a must to prevent standard accounts becoming NPAs. Prevention is better than cure for which accounts need to be closely followed up.

After obtaining any warning signal of loan default or sickness, preventive action is needed. The most crucial task is to step up recovery from NPA borrowers. There are two types of recovery measures namely, non- legal and legal. Legal measures need to be initiated after undertaking all non legal measures which include sending a reminder, paying visits to the borrower's residence/ business premise, debt restructuring, loan compromise, recalling of advances and write off. Legal recovery measures are initiated when securities are available and the borrower is non-cooperative.

These recovery measures include: initiating action under section 101 of State Cooperative Societies Act; loan recovery through Lokadalats, Civil Courts and Debt Recovery Tribunals; recovery under SARFAESI Act and Insolvency Bankruptcy Law. Though it is observed that NPAs are part of loan portfolio of every bank, it should be attempted to keep the level of NPAs low. Non-Legal measures are preferred to legal measures in terms of quick recovery and cost of recovery. Stern action is needed in respect of willful defaulters. For effective loan recovery, it calls for professional, collective and timely action and maximum use of technology.

## Conclusion:

The aftermath of PMC Bank fraud, a need is felt to strengthen the supervisory function of the RBI for urban cooperative banks. In this respect, one of the effective supervisory tools is SAF whose guidelines have been revised from time to time. In terms of revised guidelines of January 2020, the RBI monitors the financial health of UCBs through three important triggers namely, CRAR, Net NPA ratio and Profitability ratio. From the study of financial performance of SUCBs, it observed that their CRAR is above 9 per cent at present. But, CRAR is needs to be raised in view of the growing credit risk. Further, SUCBs have reported losses during 2020.

To make them profitable. it calls for aggressive marketing of bank products, cutting down cost of operation by depending on technology at the optimum level, professional approach in decision making and ensuring transparency at all levels. Similarly, efforts SUCBs need to be strengthened to take loan recovery on a war footing. Thus, if the existing trends in financial health of SUCBs continue, more lenders are expected to come under the SAF.

Hence, it is necessary to monitor their performance with the help of SAF more closely which is an effective tool in the hands of RBI. But, what is important for weak SUCBs is to respond to the framework positively and undertake loan recovery from hard core NPA borrowers more aggressively, besides improve operational efficiency. Towards this end they have a long way to go.

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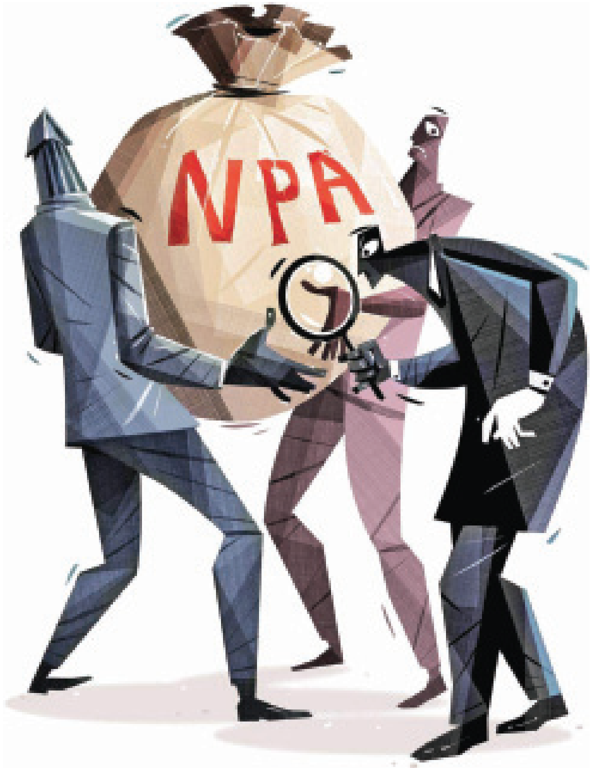
5. *Financial Express, November 17, 2019.* ❑

# THE NOISE ABOUT THE NON-PERFORMING ASSETS - A LARGER PERSPECTIVE




## Background:

Many people keep writing on NPAs, without even having an understanding of the concept, and tend to apportion a blame on who is responsible for the situation being bandied about by the press which in turn seems to be feeding into the frenzy of more people taking their pens out, to draw NPA blood!!

## Getting the Basics rights:

NPA – Non-Performing Asset – is exactly that.

It has stopped performing.

So, what is 'performance of an asset?".

It should generate "interest income to the lender".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The "lender" can be anyone – a bank, an NBFC, a Fintech, or just about anyone.

So, if I borrow INR 1000/- from you, and did not even care to pay interest to you, then your lending to me is NPA – in your books, and soon will progress to a BAD DEBT if you cannot recover the sum lent to me. At that point of realization, you have no option but to write it off. (more on this, to follow!!)

## How do Banks actually work on this NPA situation:

Banks do not have an option to consider what to do when, so the regulator – RBI here – has specified when a borrower is considered an NPA, and how he/it moves from SMA-0 to SMA-4 (Special Mention Account), and has specified what portion of the 'accrued interest' can be recognized as Income and what cannot be (under its Income Recognition and Asset Classification – IRAC - norms), and finally when and how the principal amount itself can be treated in the books of accounts, including the reporting of the same.

There is simply no room for a bank to fudge its books to transform a gloomy situation to a rosy picture - unless their Internal Auditors were hand-in-glove, and their External Auditors simply lapped up whatever was shown to them, without even the cursory cross-checks, and the regulator's – RBI again – officials who vet the reports submitted, in a routine manner and without a basic clue. As you can see, there are too many IF's and if still is happening according to you, then possibly your pessimism is above some thresholds.

## Looking at the 'how was it managed so far':

To become an NPA a borrower – a real or legal person/ entity – has to stop servicing the interest payable (in case of individual borrowers, the EMI's which has a proportional interest component that varies with the age of the borrowing).

This could be both due to real and malicious reasons.

Real reasons are impaired cash-flows and Malicious reasons are when ab initio you borrowed with no intent to repay!!

Many examples galore from time immemorial – in banking history – where real defaults have often translated into subsequent recovery, as the borrower knows the importance of honouring his commitments, as a part of the whole cycle of 'cash-flows'.

So, this literally means – in the banking circles – that an SMA-3 could/would become a performing asset tomorrow (or in a short while).


The Banker would constantly keep in touch with such a borrower, and probably help him to overcome some serious issues in the cash-flow positions (like force de majeure losses suffered, etc) with some additional lending ( Garner's law as per text books, and at most times paradoxically referred to as "working-capital term loans"), where the loss portion is crystalized into a term obligation instead of a demand obligation, and a more lenient repayment schedule hammered out to ensure that the borrower is able to 'keep his head above the water', survive and come back kicking.

All of the above has nothing to do with the regulators or anyone – and it is purely between a bank (and its philosophies) and the borrower.

If even one of them does not understand the mechanics of the 'why, what and how' of such engagements, such schemes become mere figments of hope.

## So where do we go from here?

An NPA is not a dead-beat; there is hope of breathing life back into it, if only the component stakeholders are allowed to do their bit.

Even when the hope of any recovery is lost, the banker has to take 'reasonable measures to recover the dues' before he can "write off" a debt.

People in the know will understand that writing-off itself has two streams – the financial write off, and the 'technical write off'.

Both have a phased procedure to be followed – like the provisioning for the doubtful-debts, in the financial write-off, and 'attempting to salvage any collateral' in the 'technical write-off'.

While the financial write-off will impact the Tier-1 capital of a Bank, and thus its critical parameters like the CRAR, the technical write-off is more vicious as it will almost close the door on any recovery potential – due to various reasons like Legal Decisions, Technology Obsolescence, etc..

## If all of this are right, then why is the media going bonkers?

Media is going bonkers because of the Mallyas, Choksis, et al – and don't have the guts to report the correct thing:

that the default of each one of them had nothing to do with cash-flows, but just with their intentions.

Many a borrower thinks of gypping the bank they borrow from – but, and unfortunately, they do not have the political clout these names have/had/continue to have.

## Author's concluding remarks:

As long as we have 'auction able' positions in PSU banks, etc (there was a time not too long ago, when one could 'buy' the MD's position – reportedly through the 'very powerful spouse' of a 'even more powerful FM' and the transaction would even be 'financed through agents', thus tying up the incumbent to the financier's whims!!), the motivation to 'play by the book' just disappears at the MD level, who is probably repaying his own version of an "EMI", and then it just becomes the "Yatha Raja – Thatha Praja" Story.

Lord Acton had got it right when he famously concluded that "A Society will get the leaders it deserves".

The incentives to 'manage the NPAs' are disappearing fast – not just due to the issue of the mass attacks by the un-initiated, and helped by a media that is fast turning itself over the various hues of yellow (it almost RED, in many other genres covered – a story for another day!!) – but also the society-at-large becoming adept at 'quick fixes' (not of the dope kind, but on 'closures to issues').

We need to be careful of not throwing out the baby with the bathwater. ❑

## Demand for ready-to-move-in homes accelerates in Covid times

Demand for ready-to-move-in (RTM) property has increased in recent years due to a variety of reasons, including project delays by multiple builders. However, in times of the current pandemic, people are showing an inclination towards RTM homes more than ever. Last year, it was estimated that around 3 lakh RTM homes will hit the market by the end of 2020, but as of now, there might be a slight change in the figures. However, the demand for these homes has transformed with people ready to pay extra just to ensure that they immediately own a real estate asset.

According to 360 Realtors, one of the leading institutional channel partners, RTM sales in Delhi NCR (Gurugram and Noida markets combined) were 3,870 units in the previous quarter (April- June), and the sales of RTM homes in the present quarter (July- Sept) are expected to rise by 18% based on early numbers. "During the lockdown, many households realized the importance to own a home. Hence there was a healthy demand for RTM homes. Moreover, in RTM properties one can save GST as well. However, due to attractive payment plans, under-construction projects were also able to garner buyer's and investor's interest," says AnkitKansal, founder & MD, 360 Realtors.

With home loan interest rates at an all-time low, the situation of homebuyers has improved and they are not in a mood to wait for property. The demand has increased due to the situation thrown at the door of the people after the global pandemic. "People who were living in rented accommodation faced many difficulties and they realized the importance of having their own home. Then we have the NRIs, who after witnessing the tough times abroad, are coming forward to buy a piece of property in India that can help them have security in case of exigencies. Post-COVID, people are more concerned about the real estate asset and are ready to pay extra if the property fulfills their set of requirements," says Amit Modi, President (Elect) CREDAI Western UP & Director, ABA CORP.

In fact, in their last report 'Concerned yet positive - The Indian Real Estate Consumer (April - May 2020)', which was jointly released by Housing.com and National Real Estate Development Council (NAREDCO), the majority of the consumers showed an inclination towards RTMs or the projects that are near completion. A majority of respondents surveyed (73%) comprise 'first-time homebuyers', who are looking to buy a 'ready-to-move-in-house' for end-use and are from the age group of 25-45 years. While 60% of respondents opined that for the next six months, they would prefer a ready-to-move-in home, 21% said they were okay with a piece of property with a delivery timeline of a maximum one year. Dhruv Agarwala, Group CEO, Housing.com, Makaan.com & PropTiger.com, said, "Our survey showed that potential homebuyers who were searching for flats have pressed a pause button for the time being because of liquidity concerns and uncertainty over the COVID pandemic. But, a majority of them will gradually start returning to the market in the coming months. This survey has established again that credible developers and ready-to-move-in or nearing completion properties are preferred by prospective customers, who are largely end-users."

# MARKETING IS ONE OF THE MAJOR FUNCTION TO SUCCEED IN BANKING

Satisfaction of the customer's needs is the pre-requisite for the existence of the bank. The essence of marketing is about understanding, creating and retaining customers .Each individual working in the bank should be a marketing person, contributing to the total satisfaction of the customer. Thus the first pillar of marketing in banks is its CUSTOMER FOCUS.

A BUSINESS IS NOT WORTH ITS NAME IF IT FAILS TO ATTRACT AND RETAIN ENOUGH CUSTOMERS - NOTWITHSTANDING HOW EFFICIENTLY IT IS CONDUCTED. The bank with convenient retail outlets, branch network and most efficient services will be the ultimate winner in the growing competitive financial market.


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Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably.

## Marketing -A MUST

M - Meet

U - Unearth/Understand

S - Serve/Satisfy

T - Transform

## Four Distinct Characteristics of Services

1. **INTANGIBILITY-** cannot be seen, tasted, felt, heard or smelled before they are bought. Benefit can only be enjoyed.
2. **INSEPARABILITY-** Physical goods can be produced, stored and later sold but services have to be sold before production and have to be enjoyed immediately.
3. **HETEROGENITY/VARIABILITY-** Quality depends on who provides them, when, where and how.
4. **PERISHABILITY-** cannot be stored for later sale or later consumption.

## Tips and ideas for Banks' marketing initiatives

- o Know what makes you unique
- o Know what products and services you are offering and the benefits of each
- o Identify who you want to target and why?
- o Understand your competition
- o Get a Sales plan and monitor sales activities
- o Create a referral program
- o Pull existing marketing materials and see if they need updating
- o Make it easy for customers to do business with you

## Four Actions to make the competition irrelevant

**Eliminate -** Which of the factors that the industry takes for granted should be eliminated

**Raise -** Which factors should be raised well above the Industry's standard

**Create -** Which factors should be created that the Industry has never offered

**Reduce -** Which factors should be reduced well below the Industry's standard

## Few Marketing Nuggets

- ❖ Just a great product will not get you noticed
- ❖ A unique identity is the heart of any marketing campaign
- ❖ If you want to be in business you have to grab the attention of your target audience
- ❖ A great product means nothing. The market is changing constantly. Reinventing the product again and again is the key
- ❖ Brands need to keep innovating to grab the "top-of-mind" awareness in the consumer's mind
- ❖ Creating visibility for the brand at a reasonable cost should be the aim of any marketing campaign
- ❖ Get noticed, you will get customers
- ❖ You need to find a place in the mind of the consumer.
- ❖ The more you are seen, the more you will sell.
- ❖ The company that targets the market better wins the competition
- ❖ Just being a pioneer is no big deal.
- ❖ Marketing is about perceptions
- ❖ Have superb competitive intelligence
- ❖ Sell benefits, not products
- ❖ Serve well ,then sell
- ❖ Play by the rules. Remember no one likes cheaters

## Networking

- o Connect and be connected-see every interaction as an opportunity
- o Establish common ground-initiate common interest conversations
- o Bring your uniqueness to the table
- o Nurture and develop-Build relationships and maintain them
- o Know your network well-Focus on the important links

  The objective of building a network is to build relationships- People want to do business with people they know, like and trust.
- o Some rules for cultivating a successful network:
  - Go to trade shows, association meetings and business events
  - Talk about their business and their interests
  - Focus on helping them- Help them and they will help you
  - Get business cards and maintain contact
  - Follow up with matters of interest to them
  - Send thank you notes when you get any communication from them

## Sales Planning and execution

- o Setting objectives
- o Determining operations to meet objectives
- o Organizing action
- o Implementation
- o Measuring results against standards
- o Re-evaluating and control

## Importance of Sales Planning

- Better implementation of corporate plans
- Provide a sense of direction
- Focus on realistic objectives
- Improve coordination
- Facilitate control
- Ensure healthy interpersonal relationships
- Reduce Uncertainty and Risk.

## Importance of Sales & Sales Persons

- Sales persons are the life blood of an organization
- The survival of an organization depends on the effectiveness of its sales force in convincing customers to make the purchase decision and ensuring customer satisfaction with the purchase there after
- A super salesman is one who has the ability to create discontent in a customer about the product he is presently using and convince him to buy the new product the salesman is offering.
- Prevent any of the sales people from venturing into the field without having complete knowledge about the product
- Salesperson should not promise more than what the company can deliver.
- Product knowledge-increasing product knowledge is an essential task for every sales person. It is a vital tool which will help you achieve success in selling. Sales people need to know:
  - What the product is
  - What the product does
  - How the product fulfills customers' needs and expectations
  - Any other relevant information which leads to selling of product or services more efficiently.
- Develop business strategies to meet / exceed targets
- Undertake outbound and inbound activities
- Deploying marketing officers for liability and asset acquisition depending on the area potential.
- Monitoring lead closure and proper corrective actions
- Direct the efforts of MOs towards bulk acquisition of Savings and current accounts
- Helping MOs in preparing their catchment area plan (Territory Planning )
- Enabling cross sell initiatives at branches
- How the product fulfills customers' needs and expectations
- Any other relevant information which leads to selling of product or services more efficiently.

## Building Rapport

- Smile
- Listen
- Do your Homework
- Use the Customer's Name
- Be on Time
- Dress Professionally
- Give Sincere and Specific Compliments
- Never Knock The Competition

## Presenting

- Always Ask - Never Assume
- Let the Prospect Help make The Sale
- Paint a Word Picture
- Use Logic and Emotion
- Speak in Terms of "Investment" rather than "Cost" or "Price"
- Think in Terms of the Prospect's Needs
- Use a Barometer during Your Sales Presentation

- Ask the Question that almost will produce a "Yes" Response
- Ask Permission to Take Notes
- Use the Power of the Word "Why"

## "Big Three" Objections

- No Need
- Not Now
- Price

## Closing and Handling Objections

- Always Ask for the Order
- Use the magic of Story Telling
- Challenge your Prospect
- Use " Therapy" Questioning Technique
- Handle the Price Objection with a Quotation
- Answer Objections with New Information
- Be Professionally Persistent
- Ask the Prospect for an "OK" rather than a "Signature"
- Leave an Order Form When the Answer is not "Now," "No," or "I need higher Approval"
- Under Promise and Over Deliver
- Provide Extra Services
- Re-assure After Closing the Sale

## Sales Execution

- Pre-sales activities
- Sales activities
- Post-Sales activities

**Some Fascinating Sales Statistics**

**8% of sales people get 80% of the sales**

**Only 2% of sales occur at a first meeting**

People in business often hope and expect to do business the first time they meet a prospect. Yet studies reveal that only 2% of sales occur when two parties meet for the first time.

Research suggests only one in 50 deals are struck at a first meeting, yet many sales people give up after just one or two knock-backs. Perseverance will give you a major edge on competitors.

People and companies who don't follow-up, who do nothing to build up that trust and relationship, cannot succeed, especially in today's tough economic climate. People need to be sure they're making the right decision before they commit to a purchase.

## Formula for success in sales

1. Be passionate about the profession of selling
2. Believe in your product
3. Believe in your company
4. Believe in being a good professional by practicing integrity
5. There is no substitute for hard work
6. Practice persistence, don't quit.
7. Be a possibility thinker. Always look at possibilities and potential. Be optimistic
8. Be knowledgeable about your product, service and industry.
9. Evaluate your performance, daily, weekly, monthly and with each evaluation, note three positive things you are doing and three things you need to improve until the next evaluation. Reinforce the positive and replace the negative.
10. Be enthusiastic -it shows belief in your product and in your profession.
11. Empathize with your prospect. Put yourselves in the other person's shoes.
12. Become a high energy person. It shows you have a clear destination and the determination to achieve it. Avoid burnout.
13. Build self-esteem and display self-confidence.
14. Don't procrastinate. Learn and practice the phrase-'Do it now'.
15. Develop pride in performance. No matter what you do it with great pride.
16. Do the right thing ,the first time and every time.

## A sales Toolkit

1. Ample number of business cards
2. Brochures, flyers, the address of the company and website details
3. Product catalogue or brochure

4. Sample product or other demo materials
5. Laptop ,if there is an electronic presentation
6. Presentation CDs
7. Copy of the direct mail if one was sent in advance
8. Fact sheets about the company /product( if different from the brochure)
9. A fact finding checklist or questionnaire to establish need
10. Testimonial letters

## Making Sales Presentations

A good sales presentation should be well-planned, structured, customer-focused and solution oriented. It must move from a general presentation to specific needs and benefits because customers don't buy products and services, they only buy benefits and solutions.

## Presentation Tips

| Do's | Don'ts |
|---|---|
| Go with a clear focus and identify your objective | Be casual, careless and callous |
| Take a deep breath, relax and speak clearly | Be arrogant or have prestige issues |
| Be pleasant and behave naturally | Exaggerate and make false promises |
| Establish eye contact and smile | Be pushy and pressurizing |
| Be confident, sincere, honest and courteous | Talk too much or be tense |
| Be proud of your integrity, profession, product and company | Manipulate or lie or conceal information. |
| Keep your presentation to the point, sharp ,crisp and brief | Be offensive or defensive |
| Be sensitive to your client's needs and time constraints | Try to close the sale without giving a strong benefit. |
| Convert features into benefits | Compromise on values |
| Be prepared to handle objection | Interrupt and joke unnecessarily. |

## Being an effective team leader ...

- Build trust between team members.
- Inspire and motivate teamwork for achieving goals.
- Influence valuable changes.
- Be open to new ideas coming from team members.
- Consult frequently with key team members.
- Distinguish the team from others - create an identity for the team.
- Encourage and support independent thinking.
- Recognize the skills of key team members
- Ensure that all members understand the missions ahead.

## HR Skills required making you "MOST"

- Communication skills: To speak and write persuasively
- Interpersonal skills: To listen and hear what people are saying and react in constructive ways (active listening)
- Motivational skills: To align people who may not report to you toward a goal
- Conflict-resolution skills: To handle friction and inevitable tensions
- Negotiation skills: To bring different groups together in order to reach mutually agreeable goals

## Post office not liable for stolen IVPs

The Supreme Court has asserted that the postal authorities are not liable to pay the maturity value of Indira Vikas Patras, which were allegedly stolen from their holders. Two persons complained that their IVPS were stolen and the matter was reported to the Odisha police. When they claimed the amounts from the post office, the authorities refused to pay them, arguing that in case the IVPS were purchased by cash, the identity of the purchaser would not be recorded and that all IVPS were bearer instruments like currency notes. When the holders approached the consumer forum, the postal authorities were directed to pay them the maturity value as no one had claimed it for a long time. Their appeals were dismissed. But the Supreme Court exonerated the postal authorities of any liability (Supt vs Jambu Kumar).

# WORKFORCE MIGRATION - OPPORTUNITIES FOR UTTAR PRADESH

Workforce migration is universal phenomenon related with evolution of the community living and human civilization in pursuit of biological, physiological, safety, social, economic and developmental needs. The current phase of corona pandemic induced lockdown has seen the reverse migration in favour of safety and physiological needs. This migration is basically related to unskilled and semi-skilled workforce, which has acquired experience, skill and entrepreneurship over a period of time.

Uttar Pradesh has projected such reverse migration close to fifty lack workforce, which has created immediate challenges in the form of logistic management, quarantine and medical facilities coupled with arrangement for food grains and direct benefit cash transfer. This phase on challenge is getting normalised with each passing day except on the front of rising cases of corona infection though its pace has been reduced despite increased daily corona infection medical tests. This reverse migration has adversely impacted their employment opportunities and income levels in the existing economic framework.


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Despite all these immediate concerns, this work force has brought with it the reservoir of experience, skill and entrepreneurship, which can be commercially exploited for economic development of the state and the country. During the last three years, various infrastructural and developmental projects have been launched in Uttar Pradesh for faster economic development, which can be grouped in four categories:

I - Irrigation Projects

II - Expressway Projects

III - Defence Industrial Corridor Project

IV - One District One Product Project

V - Aspirational Districts

VI - Atma Nirbhar Bharat Abhiyan

## I - Irrigation Project:

Uttar Pradesh has fast tracked the various irrigation projects of the state for increasing the irrigation potential of the state for boosting the agriculture production. The long pending projects Saryu Canal, Arjun Sahayak Canal and Madhya Ganga Canal under Pradhan Mantri Krishi Sichai Yojana for ensuring protective irrigation, which will cover approximately sixteen lac hectare cultivable land. The Saryu canal will benefit Purvanchal and Arjun Sahayak canal will promote irrigation potential in Bundelkhand region whereas Madhya Ganga canal will benefit western part of Uttar Pradesh.

## II - Expressway Projects:

Uttar Pradesh has seen massive networking of Expressways in the State for supporting agriculture, horticulture and industrial development of the state. The major projects are Ganga Expressway of more than one thousand kilometres connecting eastern Uttar Pradesh with Western Uttar Pradesh and national capital region, Bundelkhand Expressway of about three hundred kilometres connecting the Bundelkhand region with national capital region through Lucknow- Agra Expressway, Purvanchal Expressway of more than three hundred fifty kilometres connecting eastern Uttar Pradesh with Lucknow. Apart from these mega projects, smaller projects such as Prayagraj link expressway and Gorakhpur link expressway have also been launched to provide seamless connectivity across the state and national capital region. The implementation of these projects is in advanced stage.

## III - Defence Industrial Corridor Project:

The mega defence industrial projects have been launched for developing defence related research and production capabilities of the country with focus on defence related export. Two defence industrial corridors have been identified in the states of Tamil Nadu and Uttar Pradesh. Uttar Pradesh will be having six nodes in Aligarh, Agra, Jhansi, Chitrakoot, Kanpur and Lucknow. This corridor will have large industrial unit with good number of ancillary and MSME unit in the area. This will not only create the employment opportunities but will lead to overall infrastructural and social development of the state along with economic development.

## IV - One District One Product Project:

Uttar Pradesh is the vast state in terms of geography, demography and diversified culture. This diversified culture is the source of creativity and craftsmanship. With One District One Product project launched by Government of Uttar Pradesh for developing the special products of every district by providing infrastructural, research, skill, financial and marketing support for mass production of these products for domestic and international market. During the last two years, good amount of ground work has been done and some of the products have already made their presence in the domestic and international markets. The time has now come for scaling up the production for reaping the economies of scale on the larger scale by developing the mass production and export excellence clusters.

## V - Aspirational Districts:

Government of India has launched the massive programme for development of underdeveloped districts of the country known as aspirational districts since 2018. There are 115 districts across the country with Uttar Pradesh having eight districts in its fold. Government of India has launched various skill, infrastructural and developmental initiatives in these districts for their faster economic development.

## VI - Atma Nirbhar Bharat Abhiyan:

Government of India has launched massive drive for Atma Nirbhar Bharat, which has been started in 116 districts of the country having concentration of migratory workers. The scheme launched by Uttar Pradesh Government in the name of "Uttar Pradesh Atma Nirbhar Rojgar Abhiyan" was inaugurated By Hon'ble Prime Minister and is likely to cover 31 districts of the state for employment and skill development programme with a view to boost rural infrastructure and mass production facilities in such districts by using locally available raw material and manpower.

The lockdown induced crisis is getting normalised with increased diagnostic and medical facilities leading to improved recovery rates. Despite being the largest state in terms of population, identified corona active cases are less than four thousand, which speaks volumes about the management capabilities of the state government. With "Mission Begin Again", which started from 1st June 2020, the state has launched various initiatives for revival of the economy. The returning migratory labour force has added to our existing labour force, which is reservoir of experience, entrepreneurship and skill and can be instrumental in the revival of economy of the state.

To tide over the hardships faced by the citizens in general and migratory workforce in particular, various schemes of Direct Benefit Transfer and free supply of food grains have been implemented ranging for a period of three to six months.

This crisis has also highlighted the miseries of unskilled and semi-skilled migratory work force across the country, therefore it is high time for the central government to formulate national level umbrella policy enabling the state governments to formulate state specific policies as labour laws are part of concurrent list. The emphasis should be on Aadhar enables compulsory registration of the migratory workforce with universal coverage under social security schemes.

The Government of Uttar Pradesh is focussing on all round development of the state by focussing on irrigation, expressways for seamless connectivity, defence corridor for medium and large scale industries, one district one product for developing decentralised production facilities across the state by developing small and micro enterprises. The Government, at this juncture, must undertake skill profiling of the returning migratory workforce for assimilating them in the developmental process of the state in a comprehensive and balanced manner with increased outlay on employment generating activities by fast tracing various developmental projects in synchronised manner.

The post corona world is going to witness the new normal for the individuals, societies and the governments in managing their social and economic requirements and challenges, which will also create the wide ranging and far reaching ripple effect changes with relation to economic activities.

Good amount of work has been undertaken at the field level for implementation of the infrastructural and developmental projects in the state. This, therefore, is the high time for formulation of integrated growth strategy for the overall economic development of the state by proactively capitalising on the economies of the scale and scope generated through the high impact projects launched by the government during the last two to three years with increased focus on creation of employment opportunities on massive scale. The government can create some clusters of mass production or export excellence for agriculture, micro and small enterprises for faster growth of the economy, which will be employment intensive in nature with lowest per capita investment.

Uttar Pradesh has tremendous potential and can become the frontrunner in launching the sustainable economic growth model in post corona era to be replicated and followed by other states.

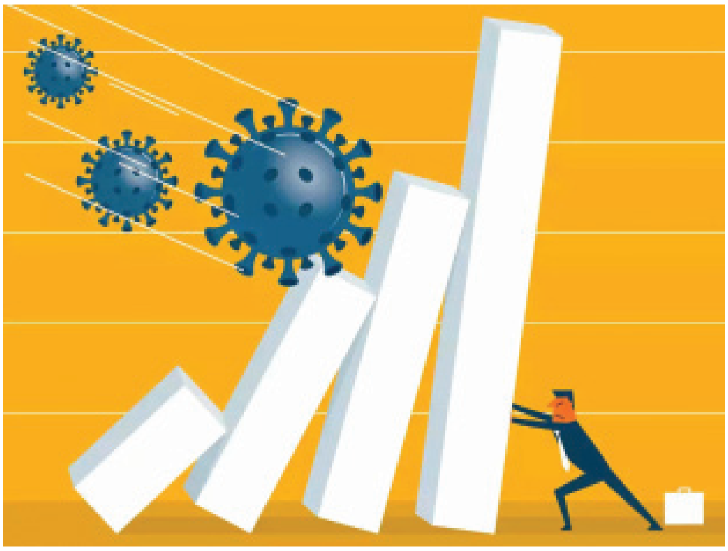
*(The views expressed in the article are personal views of the writer.)*

## I-T notice to dead assessee, kin invalid

The income tax authorities cannot reopen assessment if service of a notice cannot be served on a dead person. Issuing notice to the correct person is "not only a procedural requirement but also a condition precedent for a valid notice," the Delhi High Court emphasised in its judgment, Savitavs CIT. In this case, a notice was served on MohinderKapila on March 31 last year over undeclared income, though he had died four months earlier.

After repeated notices to the dead person, the authorities turned to one of his daughters. Against her protests, she faced a penal sum. She moved a writ petition before the high court. It quashed all the notices observing when there is no proper notice, legal heirs do not automatically step into the shoes of the assessee. There is no rule either that legal heirs should inform the authorities about the death of an assessee.

# IMPACT OF COVID 19 ON INDIAN ECONOMY AND THE WAY FORWARD



There is a high likelihood, we are months away from a semblance of normalcy owing to the mutating virus, that has been bringing wave upon wave of attacks, each deadlier than the other. Using the World Bank's headline projections about India, of 3.2% contraction in 2020-21 and 3.1% growth in 2021-22, it becomes easier for us to calculate the projected growth for different sectors of the economy.

This comes to a 7.2% contraction in 2020-21 and 1.4% growth in 2021-22. Since the big jolt given by pandemic Covid19 in March 2020, India has been facing a huge decline in government revenues and growth of the income.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Actually, the economic impact of COVID-19 is highly disturbing. No one has been spared of its ill effects. Economies of about 100 plus countries have been destroyed out of which some of them have asked for monetary help from IMF. ADB etc. Businesses across the world namely hospitality, entertainment, aviation etc., have seen a major negative impact. Various sports events such as IPL and Olympics have been postponed. Schools and colleges have been closed. The virus has also disrupted the functioning of various online giants. Countries such as USA, UK, Italy, Spain, Brazil and India are suffering the most.

There is a big shift in the world economic market and the share market has witnessed crashes day by day. Factories, Restaurants, Pubs, Markets, Flights, Super Markets, Malls, Universities and Colleges etc. have been shut down for 2 quarters. Fear of corona virus is so heavy on the heads that People prefer to go out to buy the daily essentials The Organization for Economic Co-operation and Development (OECD) reveals that they have cut their expectation for global growth to 2.4% from 2.9%, and warns that it could fall as low as 1.5%.

India's total electronic imports is equal to 45% that of China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases come from China. For automotive parts and fertilizers China's share in India's import is more than 25%. Around 65 to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India.

Covid-19 has disrupted global supply chains and this is generating spill over effects throughout different levels of supplier networks. Global trade in 2020 has been falling in every region of the world thus affecting not only strong exporters (no output for their local companies), but also those that are importers (lack of raw materials). The World Trade Organization (WTO) expects global trade to fall up to 32% this year due to the coronavirus pandemic.

In this backdrop, how fragile is India's unorganized sector, has been sufficiently proven when on 27 May 2020, lakhs of daily wagers, migrant workers and people of small means, on being deprived of food and shelter, were constrained to move back to their native places. Undoubtedly, this has been the biggest recession after Second World war.

The outbreak of the virus has unprecedented implications on different sectors of Indian economy. Severe economic burden and grave consequences have to be borne by the Indian industries in this backdrop of declining economic situation due to coronavirus. Hence, it is highly pertinent here to gauge the impact of this pandemic on different sectors of Indian economy. The COVID-19 pandemic pushed our economy into a Great Lockdown, which helped contain the virus and save lives, but triggered the worst recession since the Great Depression of 1930. It faces an uphill task in its battle to recover from the COVID-19 setback.

The construction had a share of 8% in GVA in 2018-19. But its employment share, according to the 2018-19 Periodic Labour Force Survey (PLFS), was 12%. Financial services, real estate and professional services, on the other hand, had a GVA share of 22% in 2018-19. The employment share of this sector was only 3.4%. This means that construction is a more labour-intensive sector than finance. So, for an equal value of loss in output, job losses in construction would be far higher than in the financial sector. Bailing out the construction sector can save a lot of jobs, mostly of the poor.

As far as the tourism and hospitality sector is concerned, we find that the tourism constitutes 10% (US$ 275 billion) to India's GDP. This is no small amount and the havoc caused to it by Covid 19, has been alarming. Governments across the world have sealed international borders. There is a suspension of all international and domestic flights. Together this has brought an unprecedented phase in the history of hospitality industry.

They have experienced exponential growth in cancellations of about 90% bookings in March 2020 while new reservations are almost zero thus causing a huge loss of Rs. 620 crores. According to The Indian Association of tour operators, the hotel, aviation and travel sector together may incur a loss of around 8,500 crores due to the restrictions imposed by the Indian government on the movement of flights.

Agriculture accounts for 16.5% to GDP and 43% to employment. COVID-19 is disrupting some activities in agriculture and supply chains. Preliminary reports show that the non-availability of migrant labor is interrupting some harvesting activities, particularly in northwest India where wheat and pulses are being harvested. There are disruptions in supply chains because of transportation problems and other issues. Prices have declined for wheat, vegetables, and other crops, yet consumers are often paying more.

The closure of hotels, restaurants, sweet shops and tea shops during the lockdown is already depressing milk sales. Meanwhile, poultry farmers have been badly hit due to misinformation, particularly on social media, that chicken are the carriers of COVID-19. As per the survey conducted by Azim Premji University, approximately 37% of the farmers

could not harvest their crops, 37% were forced to go for distress selling and 15% failed to sell their produce. The silver lining even in these times has been the faster recovery of the agriculture sector when compared to others. Further, CRISIL projects agricultural growth at 2.5% for 2020-21.

MSME contributes about 30-35% to our GDP, while engaging more than 6 lakh micro, small and medium units, out of which 49% are located in rural and 51% in urban areas. All India Manufacturers Organization survey (AIMO survey June 2020) shows since March, 2020, around 35% of MSMEs and 43% of self-employed have been under closure resulting into 12 crore unemployed masses. The worst-hit have been consumer goods, readymade garments and logistic companies. The Service sector enterprises are still in a better position, treading atleast, slowly though. Similarly, the Online/Internet businesses and start-ups share approx.. 950 billion US$ in our GDP. The nationwide lockdown has tremendously affected the operations of the E-commerce industry especially at a time when there is a huge demand for home delivery of goods.

Looking at the Defense and Security of our country, it has been observed that COVID-19 impacted the supply chains and production/manufacturing facilities of defense companies. As they have to depend on different components on different sources located in affected countries, this has led to a drastic decrease in demand for defense equipment.

The current scenario is not even good for business development as we know that many high-value procurement programmes were finalised during defense shows which are now cancelled. Military exercises, which expose foreign equipment and their capabilities to the prospective buyer also affected business development as many countries like the USA, UK have cancelled travel plans, deployments and exercise for troops.

Even the assembled equipment which are ready for dispatch are also held up due to the lockdown of airspace. Due to non-despatchment on time their sale values are substantially reducing which in turn is about to affect the balance sheet of the manufacturing companies. The pandemic has taught a lesson to defense industry that they need to explore the different aspects of risk planning and shift themselves toward technological platforms or start using an unmanned system.


If we look at the vulnerabilities of health care system, this pandemic has made impossible for the pregnant women to visit obstetrician for prenatal checkups and instead of this, are opting for telemedicine. Many hospitals are mainly focusing only on COVID-19 patients and due to this, they are ignoring other patients suffering from some other major problems like cancer. If this continues, the death rate from corona will be lower than the death rate from other diseases.

This deadly pandemic has taught a lesson that temples, statues and museums are not a necessary requirement but the hospital with world-class infrastructure are. Even there can be seen an adverse impact on the profitability of medical device manufacturers who import consumables, disposables and capital equipment from other countries.

Coming further to Infrastructure, construction and real estate, as a result of halt in construction activities and reduction in demand, over 40% reduction in new unit sales has been found in major 7 metros of India.

The last credit cycle for Indian banking sector had seen sharp surge in bad loans. Indian banks are at the end of a prolonged NPAs clean-up cycle. The hidden stock of bad loans buried deep in the balance sheets, accumulated over the years of easy money era, prompted the RBI to initiate an Asset Quality Review (AQR) in 2015. By now, that process is almost over with banks having disclosed most of the problematic large corporate accounts. Many large cases of corporate loan defaults have been pushed to the Insolvency and Bankruptcy Code (IBC) court for quicker resolution but with the economic activities reduced to nil, it is highly unlikely that there will be buyers for stressed assets.

Among the loan categories, fresh loans given to companies including those given to small and medium enterprises (SMEs) face risk if the cash flows of companies remain under pressure, thus impacting their loan repayment ability. Banks remain highly risk averse and the consensus among industry leaders is that most companies in consumer-oriented sectors at the moment are now operating with less than 70 percent of their capacity. In fact, the banking sector's health depends on how soon the economy recovers.

## Solution to the above multi-dimensional problems?

The central Govt. seeing all eyes pinned upon it's multifarious stimulus package, announced a special economic package of Rs 20 lakh crore (equivalent to 10% of India's GDP) with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants, adversely affected by COVID.

The table below shows measure components of the entire special economic package:

| Item | Amount (in Rs crore) |
|---|---|
| Stimulus from earlier measures | 1,92,800 |
| Stimulus provided by | 5,94,550 |
| announcements in Part 1 | |
| Stimulus provided by announcements in Part 2 | 3,10,000 |
| Stimulus provided by announcements in Part 3 | 1,50,000 |
| Stimulus provided by announcements in Part 4 and Part 5 | 48,100 |
| **Sub Total** | **1,295,400** |
| RBI Measures (Actual) | 8,01,603 |
| **Grand Total** | **20,97,053** |

*blog.mygov.in*

## Policy Highlights

- **Increase in borrowing limits:** The borrowing limits of state governments have been increased from 3% to 5% of Gross State Domestic Product (GSDP) for the year 2020-21. This is estimated to give states extra resources of Rs 4.28 lakh crore.
- **Privatisation of Public Sector Enterprises:** A new PSE policy has been announced with plans to privatise PSEs, except the ones functioning in certain strategic sectors which will be notified by the government. In strategic sectors, at least one PSE will remain, but private sector will also be allowed. To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised/ merged/ brought under holding companies.

## Financial Highlights

- **Collateral free loans for businesses:** All businesses (including MSMEs) will be provided with collateral free automatic loans of up to three lakh crore rupees. MSMEs can borrow up to 20% of their entire outstanding credit as on February 29, 2020 from banks and Non-Banking Financial Companies (NBFCs). Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnover will be eligible for such loans and can avail the scheme till October 31, 2020. Interest on the loan will be capped and 100% credit guarantee on principal and interest will be given to banks and NBFCs. Corpus for MSMEs: A fund of funds with a corpus of Rs 10,000 crore has been set up for MSMEs. This will

provide equity funding for MSMEs with growth potential and viability. Rs 50,000 crore is expected to be leveraged through this fund structure.

- **Subordinate debt for MSMEs:** This scheme aims to support stressed MSMEs which have Non-Performing Assets (NPAs). Under it, promoters of MSMEs will be given debt from banks, which will be infused into the MSMEs as equity. The government will facilitate Rs 20,000 crore of subordinate debt to MSMEs. For this purpose, it will provide Rs 4,000 crore to the Credit Guarantee Fund Trust for Micro and Small Enterprises, which will provide partial credit guarantee support to banks providing credit under the scheme. A special insolvency resolution framework for MSMEs under the Insolvency and Bankruptcy Code, 2016 will be notified.
- **Schemes for NBFCs:** A Special Liquidity Scheme was announced under which Rs 30,000 crore of investment will be made by the government in both primary and secondary market transactions in investment grade debt paper of Non-Banking Financial Companies/Housing Finance Companies/Micro Finance Institutions. The central government will provide 100% guarantee for these securities. The existing Partial Credit Guarantee Scheme (PCGS) will be extended to partially safeguard NBFCs against borrowings of such entities (such as primary issuance of bonds or commercial papers liability side of balance sheets). The first 20% of loss will be borne by the central government. The PCGS scheme will facilitate liquidity worth Rs 45,000 crores for NBFCs.
- **Employee Provident Fund (EPF):** Under the PM Garib Kalyan Yojana, in addition to providing almost free ration to the downtrodden classes, paid 12% of employer and 12% of employee contribution into the EPF accounts of eligible establishments for the months of March, April and May. This will be continued for three more months (June, July and August). This is estimated to provide liquidity relief of Rs 2,500 crore to businesses and workers.
- **Street vendors:** A special scheme has been launched to facilitate easy access to credit for street vendors. Under which, with a view to generate liquidity of Rs 5,000 crore, bank credit has been provided to each vendor for an initial working capital of up to Rs 10,000. The package is beautifully presented as under:- Pradhanmantri.info

## Key Measures Taken by Reserve Bank of India:-

The overall financial package that has been announced also includes the liquidity generated by measures announced by RBI as under:-

- Cash Reserve Ratio (CRR) was reduced which resulted in liquidity support of Rs 1,37,000 crore.
- Banks' limits for borrowing under the marginal standing facility (MSF) were increased. This allowed banks to avail additional Rs. 1,37,000 crore of liquidity at reduced MSF rate.
- Total Rs 1,50,050 crore of Targeted Long Term Repo Operations (TLTRO) has been provided for investment in investment grade bonds, commercial paper, non-convertible debentures including those of NBFCs and MFIs.
- Special Liquidity Facility (SLF) of Rs 50,000 crore was announced for mutual funds to provide liquidity support.
- Special refinance facilities worth Rs 50,000 crore were announced for NABARD, SIDBI and NHB at policy repo rate.
- A moratorium of three months has been provided on payment of installments and interest on working capital facilities for all types of loans.

To sum up, considering the heterogeneity of problem every sector or industries are facing, the Indian economy will take time to adjust to new normal. Moreover, measures taken to move the economy forward would take time to unfold fully. Their impact can be witnessed after a certain period of time when the actual implementation of measures and policy reforms has been performed.

We definitely have to keep moving forward but also need to be patient as any steps taken in a haste might not give us the expected result due to uncertainty prevailing in the economy. Therefore, currently while focusing on sustaining through this crisis, the need of the hour is that all our policy makers and stakeholders make concerted and honest efforts towards reviving the economy.

### *References:*

blog.mygov.in
Pradhanmantri.info

# CIBIL REPORT - A TOOL FOR EXERCISING PROPER DUE DILIGENCE


It is the main business of Banks to lend the public money to earn profits. Borrowers who borrowed money from Banks may forget to repay the loan in time due to various reasons. This forces the Banks to think carefully before taking a credit decision. In this situation, banks like to sanction loans or credit cards to those who they feel credit worthy. Due diligence is nothing but verification of facts before considering a proposal for credit facility. Function of a Branch Manager is not only to increase the volume of assets but also to keep them secure and in Standard category.

Exercising due diligence is all the most important before sanction of a loan as the loan amount with interest are to be recovered within the stipulated time. Due diligence begins right from identifying the prospective borrower and ends with the repayment in full. Due diligence is process of verification of facts and figures to take an appropriate credit decision. Due diligence is continuous process starting with the interaction with the prospective borrower and end with repayment of loan.

*About the author*

**D. Surendranath**

Chief Manager

Union Bank of India

Staff College, Kalkere, Bangalore

To make the due diligence process more effective, branch officials can adhere the below mentioned points

- o Interaction with the prospective borrower informally to know basic details of the borrower and activity.
- o Application in proper format specific for the activity. It is an offer document and a basis of agreement between the Bank and the customer
- o Scrutiny of the application thoroughly so that it may be ensured that applicant had filled all relevant columns and also submitted all necessary enclosures
- o At this juncture, credit report is to be generated, read and interpreted properly before taking a credit decision

In our country there are four companies registered with RBI that provide credit information about the prospective borrower.

1. Credit information Bureau (India) Limited,
2. Experian,
3. Equifax and
4. CRIF High Mark.

Among these, many Banks are using the credit score of Credit Information Bureau (India) Limited (CIBIL) which was founded in the year 2000. CIBIL collects and maintains records of an individual's payments pertaining to loans and credit cards. The records are updated on monthly basis by CIBIL. CIBIL report is one of the tool for exercising due diligence but not the only tool. CIBIL report gives the behavioral pattern of person regarding his commitment for repayment of dues on or before the due date. Credit history in the last 24 months will be considered for arriving credit score.

CIBIL score is one of the significant metrics that will be useful for lending institutions to measure a prospective borrower's credit worthiness. A high CIBIL score denotes not only excellent financial discipline of that person but also his integrity. CIBIL score is generally considered as three digit numerical expression based on a level analysis of a person's credit file to represent the creditworthiness of an individual. The CIBIL score indicates the potential risk from the prospective borrower. Now-a-days, the CIBIL score is not only limited to banks but also other organisations like mobile network providers, insurance companies, P2P companies, commercial property landlords and government departments.

### *There are two types of scoring provided by CIBIL*

1. Transunion score: Considering the repayment pattern of a person in respect of all loans i.e., secured and un-secured loans
2. Personal loan score: Considering the repayment pattern of a person in respect of only personal loans i.e., un-secured loans

### *For arriving the three digit score, CIBIL consider mainly the below mentioned six factor*

1. Payment history
2. Outstanding debt
3. Length of credit history
4. Number and types of credit accounts
5. Utilization of facilities and
6. Application for new credit (enquiry)

As mentioned earlier, CIBIL is one of the tool for conducting proper due diligence and there is nothing like a good score or a bad score.

| Particulars | Score range |
|---|---|
| Credit history of more than 6 months | 300 to 900 |
| Credit history of less than 6 months | 01 to 05 |
| No loan / No information / Insufficient information | - 01 |

Usually, when the score is high score, it indicates that the bank is prone for less risk by extending loan to such a person. If the score is low, Bank is taking high risk in financing to such a person.

## Reading and interpretation of CIBIL report

- It is very important to ensure all the details (Name, Date of birth, PAN number, Telephone number, E-mail address, Postal address) given in the application and differences if any are properly compared and justified with the details available in the CIBIL report.
- Verify details of existing accounts that are shown in the CIBIL report and enquiries made by different lending institutions about the prospective borrower.
- Number of loans availed by the prospective borrower, amount sanctioned, present balance, repayment tenure, interest rate, status of account details are also available in the CIBIL report
- "Status" area should be always blank. Otherwise it may contain phrases like, "settled" meaning settled under OTS, willful defaulter, suit filed, written off etc. Such accounts require additional due diligence
- Normally asset classification details are shown in accounts where repayment of a loan is of EMI / particular periodicity in nature like, STD - Standard

accounts; SMA - Special mention accounts; SS - Sub-standard; DBT - Doubtful; LSS - Loss assets

- In case of credit cards, due amount has to be paid on or before a particular demand date. In such cases "Days past due" (DPD) concept will be displayed. (e.g.. If the bill has to be settled on or before 5th of every month, and if bill is settled before 05th, then DPD will be shown as "000" and If bill is settled say on 10th , then DPD will be "005")

Extra Due diligence should be exercised if the score is -1, because CIBIL does not have information from any financial institution with respect to the particular person

Anyone can check their credit score by following the below mentioned simple steps.

Step -1 Visit the official website of CIBIL https://www.cibil.com/freecibilscore

Step - 2 Sign-up with submitting your identity details.

Step - 3 Credit score will be sent to you via e-mail address you have provided while sign-up

### *To improve your score, remember to do*

1. peruse your recent credit report
2. Never postpone repayment of installments / EMI payments
3. Maintain diverse credit portfolio
4. Handle your debts smartly

### *To improve your score, remember not to do*

1. Do not continue to keep un-used credit cards
2. Donot use the sanctioned limit to the brim
3. Donot request the lender to reschedule / rephase your existing debt unless it is a dire necessity

If you notice any error in your CIBIL report, take-up the matter with the CIBIL through the website.

"Good CIBIL score, better chance of getting loans / credit cards"

### *References:*

1. cibil.com, Wikipedia, Cleartax.in

## Rental housing scheme must avoid predictable pitfalls

In July 2020, the Government of India launched the Affordable Rental Housing Complex (ARHC) Scheme to provide access to dignified affordable rental housing to urban migrants, including workers in industry, health institutions, street vendors, students, etc. under two separate models. One, 1.08 lakh vacant houses built under JNNURM and Rajiv AwasYojana will be repurposed as rental houses.

Two, public and private entities will be incentivised to develop rental housing on their vacant land. The scheme will target urban migrants in the Economically Weaker Sections/Low Income Groups. The Government of Tamil Nadu, as also some private industry players have already shown their inclination to adopt the scheme. Although welcomed by many as a timely measure, the history of housing schemes calls for cautious optimism.

A day before the national lockdown began, the Government of India answered in the LokSabha that there are an estimated 10 crore inter-state migrant workers. About 50 lakh to 90 lakh workers migrate annually, typically from less affluent states to richer ones for better employment opportunities. Over half of all out-migration, around five crore workers, is from the states of Uttar Pradesh and Bihar. Jharkhand and Madhya Pradesh make the top four sending states, whereas Delhi, Maharashtra, Tamil Nadu, Karnataka, etc. have the highest in-migration. In urban agglomerations with the highest population in the receiving states, i.e. in NCT of Delhi, Mumbai Metropolitan Region (MMR), Chennai, Bengaluru, etc. migrants, including intra-state migrants, make up nearly half the population.

While Delhi with 70 lakh migrants, and Mumbai with 99 lakh migrants are home to most migrants in aggregate terms, southern cities in contrast have seen a higher growth rate in migrant population in the past decade. Despite the centrality of migrant workers in sustaining cities as growth engines, the question of where the migrants would live has been a sore point. It is in these receiving states that the ARHC Scheme could find full import.

# RMAI Certificate Course on Risk Management

Join Today

## Introduction

RISK MANAGEMENT ASSOCIATION OF INDIA (RMAI) has been pioneering the efforts towards awareness on the subject of Risk, creating academic and research environment to empower the professionals in this highly competitive financial services and allied industry.

Keeping pace with the global challenges and emerging opportunities for Professionals post Covid, RMAI is proud to launch the first-ever ONLINE Certificate Course on Risk Management from India. There never has been a more crucial time to stand-out and be counted as a professional who is able to demonstrate the knowledge and ability to anticipate, respond and adapt to critical issues pertaining to risk.

As Risk Management becomes central to today's business environment across the globe, there is a surge in demand for competent and expert risk management professionals to identify, assess, prioritize and develop a proper risk management framework to minimize the impact on businesses.

Online Certificate Course on Risk Management is designed to expand your knowledge and understanding of managing risks in a technology-enabled modern day dynamic business environment.

Every Professional working in the area of risk management and financial services industry, students pursuing courses in insurance and business management, small business owners interested in insights on Risk Management can be immensely benefitted by this 8 Week 30 hour course.

Realizing the imminent need for industry/organizations to have more employees who possess RISK LITERACY along with few experts, RMAI is committed to providing the right foundation of risk-knowledge and market-insights with global best practices.

This certificate Course is a Joint Certification programme of Risk Management Association of India and Association of Internal Control Practioners (THE AICP), London, UK. (https://theaicp.org)

## Course Modules

Module -1- Introduction to Risk Management

Module -2- Understanding Environment and Stakeholders

Module -3- Risk Strategies and Corporate Governance

Module -4- Risk Management Framework

Module -5- Risk Management Process

Module -6- Emerging Risk

Module -7- Types of risks

Module -8- Models for Estimation of Risk

Module -9- Project and Assessment

## Course Details

| | |
|---|---|
| Course Duration/ Time | 30 Hours / 8 Week |
| Final Exam | After 2 Months |
| Mode of Delivery | Online. E learning Modules<br>Two Live Query Sessions for Clearing the doubts.<br>Participants can also raise their query through mail/E Learning software |
| EARN A CERTIFICATE | Post successful completion of the course, Project and Assessment, you shall EARN A CERTIFICATE in RISK MANAGEMENT jointly awarded by Risk Management Association of India and AICP, London. You can use this Certificate across your Professional network and share with current/ prospective employers |

| | |
|---|---|
| Course Fees | INR 15,000 or USD 350 for international participants |
| Special Offer for first 200 Registrations: | 25% Discount on Course Fees — INR 11,250 Plus Exam Fees Rs.750 – Total Rs.12000<br>International USD 262.50 Plus Exam Fees US$20 Total US $ 282.50 |
| Special Offer for RMAI Members: | 40% Discount on Course Fees for Registration – INR Rs.9000 Plus Exam Fees Rs.750 ( 9750/-) |
| Final Exam Fees | INR Rs.750 Examination Fees – Indian Students<br>US $ 20 – International Students<br>Final Exam shall be conducted by Remote Invigilation. |

## Course Methodology

i) Online Course spread over eight week (E Learning Modules )

ii) 8 Modules of three hours each Plus Project

iii) Quiz during each module to check understanding

iv) Query Management Sessions by Experts

v) Individual Project and Guidelines

vi) Course Completion Assessment

vii) Final Exam by Remote Invigilation

## More about AICP London

Association of Internal Control Professionals was established in London in 2014 the Institute is a not-for-profit organisation.

AICP is Europe's one of leading Institute for professional excellence in Internal Control, Risk Management, Corporate Governance and Compliance, and an innovator in internal control and risk management in Procurement & Supply Chain Management Operations.

The institute's professional membership currently extends to twenty-one countries and provides access to a wealth of skill building, reinforced through consulting, training, assessments, and certificated courses through eLearning. Website: https://theaicp.org/

## Value-added Benefits

- Complimentary Student Membership of RMAI for One Year you can continuously update your knowledge on the subject of Risk Management and upgrade your skill-set with various initiatives of RMAI during the year
- Complimentary Subscription to Online Insurance or Banking Library from SASHI PUBLICATIONS
- Career Opportunity Section on the Website of RMAI (rmaindia.org) which will have list for all new openings and opportunities in risk management and related fields
- Opportunity for publication of research paper and articles in RMAI Bulletin and other platforms
- Participate in Webinars conducted during the period

## Payment Options:

1. You can remit the payment by NEFT in our Bank Account details below
   Bank Details of Association :
   Risk Management Association of India
   Bank of India Account Number: 402110110007820
   Branch: Vivekananda Road Branch
   Type of Account: Savings
   IFSC Code : BKID0004021
   MICR Code: 700013048
2. Companies who want to enroll their employees in bulk can request for a invoice at info@rmaindia.org

***In case of any Query about the Course you can contact us***

**EMail:** info@rmaindia.org
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**Post:** Risk Management Association of India,
25/1, Baranashi Ghosh Street,
Kolkata – 700007. India

# RBI CIRCULAR

## Resolution Framework for COVID-19-related Stress

***RBI/2020-21/16***

*August 6, 2020*

1. The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 ("Prudential Framework") provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of "Prudential Framework"1 which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, subject to the prescribed conditions.
2. The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.
3. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. The details of the facility are given in the Annex.
4. The lending institutions shall ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid19. Further, the lending institutions will be required to assess the viability of the resolution plan, subject to the prudential boundaries laid out in this Annex. Towards this end, each lending institution shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.
5. Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.
6. While the Prudential Framework is otherwise not applicable to certain categories of lending institutions to which this circular is addressed, exposures of these lending institutions shall also be included for any resolution under this facility. Consequently, without prejudice to the specific conditions applicable to this facility, all the norms applicable to implementation of a resolution plan, including the mandatory requirement of Inter-Creditor Agreements (ICA) and specific

implementation conditions, as laid out in the Prudential Framework shall be applicable to all lending institutions for any resolution plan implemented under this facility. Terms used in this document, to the extent not defined herein, shall have the same meaning assigned to them in the Prudential Framework.

***(Saurav Sinha)***
Chief General Manager-in-Charge

## Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

***RBI/2020-21/17***

*August 6, 2020*

1. Please refer to the circular DOR.No.BP.BC.34/ 21.04.048/2019-20 dated February 11, 2020 on the subject.
2. In view of the continued need to support the viable MSME entities on account of the fallout of Covid19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, it has been decided to extend the scheme permitted in terms of the aforesaid circular. Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to the following conditions:
   i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed Rs. 25 crore as on March 1, 2020.
   ii. The borrower's account was a 'standard asset' as on March 1, 2020.
   iii. The restructuring of the borrower account is implemented by March 31, 2021.
   iv. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
   v. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.
   vi. As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.
3. All other instructions specified in the circular dated February 11, 2020 shall remain applicable.

***(Saurav Sinha)***
Chief General Manager–in-Charge

## Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses

***RBI/2020-21/19***

*August 6, 2020*

1. Please refer to the circulars DBOD.No.BP.BC.27/ 21.04.048/2014-15 July 22, 2014 and DBR.RRB.BC.No.53/31.01.001/2016-17 dated February 16, 2017. Under the extant guidelines, loans sanctioned by banks against pledge of gold ornaments and jewellery should not exceed 75 per cent of the value of gold ornaments and jewellery.
2. With a view to further mitigate the economic impact of the Covid19 pandemic on households, entrepreneurs and small businesses, it has been decided to increase the permissible loan to value ratio (LTV) for loans against pledge of gold ornaments and jewellery for non-agricultural purposes from 75 per cent to 90 per cent. This enhanced LTV ratio will be applicable up to March 31, 2021 to enable the borrowers to tide over their temporary liquidity mismatches on account of COVID 19. Accordingly, fresh gold loans sanctioned on and after April 1, 2021 shall attract LTV ratio of 75 per cent.
3. Other terms and conditions of the above-mentioned circulars shall remain applicable.

***(Saurav Sinha)***
Chief General Manager-in-Charge

## Offline Retail Payments using Cards / Wallets / Mobile Devices – Pilot

***RBI/2020-21/22***

*August 06, 2020*

1. Please refer to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated August 06, 2020 wherein it was proposed that the Reserve Bank would allow a pilot scheme for small value payments in offline mode.

2. Over the years, the Reserve Bank has prioritised security measures for digital payments such as the requirement of Additional Factor of Authentication and online alerts for every transaction. These measures have significantly increased customer confidence and safety leading to increased adoption of digital payments.

3. Absence of, or erratic, internet connectivity, especially in remote areas, is a major impediment for adoption of digital payments. Availability of options to make offline payments, using cards, wallets or mobile devices could boost the adoption of digital payments.

4. To encourage technological innovations that enable offline digital transactions, Reserve Bank shall permit a pilot scheme to be conducted for a limited period. Under the pilot scheme, authorised Payment System Operators (PSOs) – banks and non-banks – will be able to provide offline payment solutions using cards, wallets or mobile devices for remote or proximity payments. The scheme would be subject to the conditions detailed in the Annex. Other entities having innovative solutions shall tie-up with the authorised PSOs.

5. The pilot scheme shall be undertaken till March 31, 2021 only. The Reserve Bank shall decide on formalising such a system based on the experience gained under the pilot.

6. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

***(P. Vasudevan)***
Chief General Manager

## Online Dispute Resolution (ODR) System for Digital Payments

***RBI/2020-21/21***

*August 6, 2020*

1. Please refer to the Statement on Developmental and Regulatory Policies dated August 6, 2020 wherein the Reserve Bank of India (RBI) had announced introduction of Online Dispute Resolution (ODR) system for resolving customer disputes and grievances pertaining to digital payments, using a system-driven and rule-based mechanism with zero or minimal manual intervention.

2. The Payment System Vision-2021 of Reserve Bank highlights the need for technology-driven, rule-based, customer-friendly and transparent dispute redressal systems. As a step in this direction, authorised Payment System Operators (PSOs) – banks and non-banks – and their participants are hereby advised to put in place system/s for ODR for resolving disputes and grievances of customers.

3. To begin with, authorised PSOs shall be required to implement an ODR system for disputes and grievances related to failed transactions in their respective payment systems by January 1, 2021. The PSOs shall provide access to such a system to its participating members i.e., Payment System Participants (PSPs). Any entity setting up a payment system in India thereafter or participating therein, shall make available the ODR system at the commencement of its operations. The minimum requirements of the ODR system are specified in Annex.

4. Based on experience gained, ODR arrangement would later be extended to cover disputes and grievances other than those related to failed transactions. Please note that if the grievance remains unresolved up to one month, the customer may approach the respective ombudsman.

5. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

***(P. Vasudevan)***
Chief General Manager

# SCHEDULED COMMERCIAL BANKS' ADVANCES TO SMALL-SCALE INDUSTRIES AND ALLIED SERVICES - OUTSTANDING

*(Rs. Billion)*

| Year (end-March) | Balance Outstanding | | |
|---|---|---|---|
| | Small Enterprises | Small Road and Water Transport | For Setting up of Industrial Estate Operators |
| 1 | 2 | 3 | 4 |
| 1991-92 | 189.39 | 26.26 | 0.59 |
| 1992-93 | 209.75 | 26.46 | 0.77 |
| 1993-94 | 239.78 | 27.01 | 0.85 |
| 1994-95 | 291.75 | 29.79 | 0.65 |
| 1995-96 | 342.46 | 33.92 | 0.43 |
| 1996-97 | 381.96 | 38.32 | 0.51 |
| 1997-98 | 457.71 | 38.11 | 1.91 |
| 1998-99 | 516.79 | 42.07 | 1.10 |
| 1999-00 | 570.35 | 48.93 | 0.71 |
| 2000-01 | 601.41 | 49.73 | 1.67 |
| 2001-02 | 671.07 | 54.51 | 0.69 |
| 2002-03 | 647.07 | 65.68 | 0.61 |
| 2003-04 | 712.09 | 86.31 | 1.49 |
| 2004-05 | 834.98 | 98.10 | 3.00 |
| 2005-06 | 1012.85 | 149.40 | 2.83 |
| 2006-07 | 1273.23 | 264.16 | 3.24 |
| 2007-08 * | 2135.39 | --- | --- |
| 2008-09 | 2561.28 | --- | --- |
| 2009-10 | 3622.91 | --- | --- |
| 2010-11 | 4785.27 | --- | --- |
| 2011-12 | 5276.84 | --- | --- |
| 2012-13 | 6872.08 | --- | --- |
| 2013-14 | 8510.92 | --- | --- |
| 2014-15 | 9611.74 | --- | --- |
| 2015-16 | 9964.25 | --- | --- |
| 2016-17 | 10698.22 | --- | --- |

*Notes :*
1. Data for 2016-17 are Provisional.
2. For the period from 1980-81 to 1987-88, data relate to end-December. Further, for the year 1988-89, data relate to end-September.
3. * : The data for the period up to 2006-07 is of Small Scale Industries (SSI). Subsequent to 2006-07, data with reference to Micro and Small Enterprises (MSEs) are being compiled.

Also see Notes on Tables.

*Source :* Reserve Bank of India.

# SCHEDULED COMMERCIAL BANKS' ADVANCES TO AGRICULTURE - OUTSTANDING

*(Rs. Billion)*

| Year (end-March) | Total Direct Finance | Indirect Finance: Distribution of Fertilisers and other Inputs | Loans to Electricity Boards | Loans to Farmers through PACS/FSS/ LAMPS | Other type of Indirect Finance | Total Indirect Finance (3+4+5+6) | Total Direct & Indirect Finance (2+7) |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1991-92 | 173.97 | 2.41 | 6.55 | 1.77 | 3.60 | 14.33 | 188.30 |
| 1992-93 | 189.49 | 2.68 | 7.08 | 1.83 | 3.92 | 15.52 | 205.01 |
| 1993-94 | 194.65 | 3.64 | 8.96 | 2.05 | 6.35 | 20.99 | 215.64 |
| 1994-95 | 213.34 | 5.36 | 11.65 | 2.24 | 9.40 | 28.65 | 241.99 |
| 1995-96 | 238.14 | 7.56 | 10.58 | 2.85 | 15.75 | 36.74 | 274.88 |
| 1996-97 | 274.48 | 9.68 | 12.33 | 2.85 | 25.00 | 49.86 | 324.34 |
| 1997-98 | 294.43 | 12.00 | 14.17 | 3.63 | 33.55 | 63.35 | 357.78 |
| 1998-99 | 330.94 | 14.91 | 16.27 | 4.07 | 45.92 | 81.17 | 412.11 |
| 1999-00 | 364.66 | 16.75 | 17.23 | 4.49 | 91.21 | 129.68 | 494.34 |
| 2000-01 | 404.85 | 23.04 | 16.97 | 3.77 | 144.47 | 188.25 | 593.10 |
| 2001-02 | 465.81 | 33.03 | 18.41 | 9.28 | 121.66 | 182.38 | 648.19 |
| 2002-03 | 568.57 | 32.41 | 29.66 | 9.49 | 165.34 | 236.90 | 805.47 |
| 2003-04 | 707.81 | 41.18 | 35.33 | 7.23 | 201.46 | 285.20 | 993.01 |
| 2004-05 | 955.65 | 51.34 | 41.74 | 8.61 | 259.02 | 360.71 | 1316.36 |
| 2005-06 | 1347.98 | 64.40 | 64.64 | 7.69 | 435.01 | 571.75 | 1919.73 |
| 2006-07 | 1721.28 | 85.16 | 113.19 | 13.60 | 613.69 | 825.64 | 2546.92 |
| 2007-08 | 2146.44 | --- | --- | 15.42 | 919.01 | 934.43 | 3080.87 |
| 2008-09 | 2648.93 | --- | --- | 5.99 | 1101.03 | 1107.02 | 3755.95 |
| 2009-10 | 3177.67 | --- | --- | 12.94 | 785.04 | 1455.54 | 4633.21 |
| 2010-11 | 3602.53 | --- | --- | 8.80 | 621.59 | 1469.23 | 5071.76 |
| 2011-12 | 4407.58 | --- | - | 7.97 | 637.71 | 1425.85 | 5833.43 |
| 2012-13 | 5343.31 | --- | --- | --- | --- | 1111.02 | 6454.33 |
| 2013-14 | --- | --- | --- | --- | --- | --- | 8920.67 |
| 2014-15 | --- | --- | --- | --- | --- | --- | 9705.75 |
| 2015-16 | --- | --- | --- | --- | --- | --- | 11730.98 |
| 2016-17 | --- | --- | --- | --- | --- | --- | 12652.50 |

PACS : Primary Agricultural Credit Societies,
FSS : Farmers' Service Societies
LAMPS : Large-sized Adivasi Multipurpose Societies
Notes :
1. Data for 2004-05 to 2015-16 are provisional.
2. For 1979-80, data relate to end-December.
3. On account of revised guidelines on PSA lending w.e.f. September 2007 and revised reporting system w.e.f. April 1, 2013 break- up of indirect finances is not available.
Also see Notes on Tables.

*Source :* Reserve Bank of India (FIDD Central Office - Statistical Division).

Published on 1st of Every Month Declaration No. 86 R. No. KOL RMS/269/2019-2021
Date : 01-08-2020 Dated 14-12-2017 RNI No. 44184/1988


Owner Sushil Kumar Agarwala, Printer Sushil Kumar Agarwala, Publisher Sushil Kumar Agarwala, Published from 31/1, Sadananda Road, P.S. Kalighat, Kolkata - 700026, West Bengal and Printed from Satyajug Employees Co-operative Industrial Society Ltd., 13, Prafulla Sarkar St., Kolkata - 72, West Bengal, Editor - CA Rakesh Agarwal