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Special issue on MSMEs

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"Personal insolvency framework will be the "beginning of a new learning" and the next big thing in insolvency reforms."

M S Sahoo
IBBI chief

"Merger of banks will strengthen the lending capacity. It has been ensured that no person loses job. The employees of merging banks will benefit the maximum."

Anurag Singh Thakur
Minister of State for Finance

"We have taken an initiative to buy back some of the securities maturing in 2021. We will be buying back bonds worth Rs 1,000-2,000 crore between now to January. "

Gagan Banga
VC & MD
Indiabulls Housing Finance

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From The Desk Of Editor-in-Chief

The Banking and Financial Sector has been heavily affected by the Covid-19 pandemic due to lock down all over the country, slow movement of economy, low demand and various other allied factors.

However under the Atmanirbhar Bharat initiative government is giving a big boost to make in India to reduce dependence primarily on China and other countries. Boycott of China has already started and in many sector already the import has been reduced to great extent. This will help to reduce foreign exchange outflow and enhance the economy of the country.

Banking Industry has been advised by the Central Government to provide easy unsecured loans to the small and marginal self employed people which is supposed to bring economy to a high end. However PSU Banks has always been at the receiving end due to huge NPA in loans due to these populist measures.

Central Government has been giving much importance to the Agriculture Sector to create confidence amongst the farmers and the people engaged with agriculture sector. Monsoon has been satisfactory in most part of the country and the Government is planning to export the agriculture produce to other countries.

Overall the banking sector has started coming on track but still until the economy comes on track it would be quite difficult to work aggressively in this sector. There are high chances of NPA in loans once the moratorium for loan ends. Lakhs of people have lost their job and businesses are also under tremendous pressure to maintain liquidity due to low demand and lockdown.

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BANKING NEWS

Indian banks boost holdings of corporate notes

Banks have boosted their holdings of rupee notes from companies to an all-time high. Total holdings of corporate bonds and commercial paper held by local banks surged to a record of almost 7 trillion rupees ($93 billion) in late May, data from the Reserve Bank of India this week show. The central bank extended a $50 billion emergency credit line to lenders in March to spur them to boost financing to companies squeezed by the pandemic and an economic contraction caused by steps to contain it.

Indian borrowers have been rushing bond deals to market in recent weeks, after government and central bank measures to support companies pushed the average yield on rupee notes to the lowest since 2004 earlier this month. Lower-rated companies have also benefited from those initiatives, with issuance from weaker names rising to a 15-month high in June, rebounding from a plunge in April and May.

With India's central bank forecasting the economy will contract this fiscal year for the first time in more than four decades, the bond market also gives banks, wary of defaults, the ability to invest in the debt of top-rated companies.

RBI and Banks deploy close to Rs 8000 cr to ease Mutual Fund liquidity

Banks and the RBI have deployed close to Rs 8,000 crore to ease the liquidity pressure in the mutual fund industry in April and May.

The data compiled by the RBI shows banks deployed Rs 5,522 crore from their own resources under the Special Liquidity Facility for Mutual Funds (SLF-MF) scheme for Rs 50,000 crore announced by the regulator. This is in addition to Rs 2,430 crore availed from the RBI under the SLF-MF scheme.

In March-April 2020, mutual funds faced redemption pressure due to volatility in capital markets. Their woes intensified after closure of six debt MF schemes by Franklin Templeton MF. On April 27, the RBI introduced SLF-MF with several regulatory benefits in order to ease liquidity pressure on MFs. The funds availed under SLF-MF were to be used by banks exclusively for meeting the liquidity requirements of MFs by extending loans and undertaking outright purchase or repos against the collateral of investment grade corporate bonds, commercial papers and debentures held by MFs.

On April 30, the regulatory benefits announced under the SLF-MF scheme were extended to banks, which deployed their own resources. While easing the redemption pressure on MFs, these measures also helped to increase the trading volume in the secondary market for corporate bonds.

The RBI's liquidity offer brought some degree of comfort in the debt market which was under huge redemption pressure. Faced with huge redemptions, Franklin Templeton had closed six credit schemes, effectively locking up Rs 28,000 crore of investors' money.

RBI needs to revisit policy restricting big corporates from promoting banks

Former RBI deputy governor R Gandhi on Monday said the central bank needs to relook at rules restricting large corporates from promoting banks and allow single entity to hold up to 26 per cent by having the necessary safeguards. He said the needs and aspirations of the Indian economy make it necessary to look at sources of large capital from entering the banking fray, so that large projects can be supported and also pitched for a renewed thrust to be given to the wholesale banks model.

Gandhi, who used to take care of the critical banking regulation and supervision functions at the Reserve Bank, said in the last four years since the central bank made licensing for universal 'on-tap', no serious application has been received for floating banks.

The comments come in the backdrop of the RBI forming an internal working group to look into private bank ownership and control earlier this month, which will look at promoters' holding, requirement of dilution, control and voting rights of private banks.

"In my view, obviously, such a serious stake as 26 pc for a promoter or a strategic investor will certainly be good for the long term interest of the bank and banking industry," Gandhi said, speaking at a seminar organised by EPS, a payment system company.

He was quick to add that a bank holds public deposits which have to be repaid on maturity or when demanded, and hence, certain "ringfencing" has to be done to protect interest. Citing the relaxations given to Kotak Mahindra Bank, where the promoter group has been allowed to hold 26 per cent stake in the long term but will have its voting rights capped at 15 per cent, Gandhi said the RBI can look at similar moves.

He also suggested other aspects like enhancing the powers for independent directors, limiting the promoters'board seats and their ability to influence decision making. "The primary problem, we had seen before nationalisation as well, is that there is conflict of interest, diversion of funds, easy influencing of the credit decisions of the bank based on interest of groups rather than depositors," Gandhi highlighted.

Gandhi said at present, the RBI caps the promoter holding at 15 per cent, allows other individuals to go up to 10 per cent and in the case of distressed banks, can allow higher stake buys. To a question on issues like the one at PMC Co-operative Bank and Yes Bank, Gandhi said corporate governance needs to be given greater importance and added that it may not always be concentration of ownership which can cause troubles.

He said professionals can also leverage their standing in the market and can help set up a bank, but was quick to add that the experience with this has been mixed with a few cases being successful and others not so. To a query on consolidation, Gandhi also said that India is too large a country both geographically and also when looked at from a diversity perspective, and hence, we require all sizes of banks which serve each one's needs. Amid the crisis like the COVID-19 and beyond, fully digital banks should also receive greater thrust, he said.

HSBC gets in-principle nod to set up IFSC Banking Unit at GIFT City

The Hongkong and Shanghai Banking Corporation (HSBC) has got in-principle approval from the GIFT SEZ Authority to set up an IFSC Banking Unit at GIFT City, subject to other regulatory approvals, a release said.

The proposed commencement of the banking unit by HSBC marks a significant development in India's IFSC business and proves GIFT's mettle as a globally competitive international financial centre, the joint release by HSBC and GIFT City said.

"Our proposed IFSC Banking Unit (IBU) at GIFT IFSC, subject to other regulatory approvals, will complement our domestic business in India and flows with our global financial centres," said Surendra Rosha, Group General Manager and CEO HSBC India.

Tapan Ray, MD and Group CEO, GIFT City said the Indian government has envisaged GIFT IFSC as a hub to bring offshore financial transactions onshore and "the presence of HSBC Bank has further strengthened the IFSC ecosystem of India".

Gandhinagar-based GIFT City is India's first operational smart city and International Financial Services Centre (IFSC).

The banking business at GIFT IFSC has seen a quantum jump in last few years and 13 banks have set up their IBUs at GIFT IFSC.

The cumulative business in banking vertical has crossed USD 28 billion.

GIFT IFSC Banking Units have played a pivotal role in the development of IFSC in India by providing dollar financing to Indian corporates, the release said.

Apart from banking, insurance and international exchanges in GIFT IFSC have also seen an upward trajectory in their business, it added.

Headquartered in UK, HSBC serves customers worldwide from offices in 64 countries.

ICICI Bank Uses Satellite Images For Farm Loans To Cut Costs

ICICI Bank has begun using satellite images of farmland to help assess farmers' credit-worthiness, a move the bank says is helping cut travel costs and make faster lending decisions in a world hit by the COVID-19 pandemic. The lender, India's fourth largest by assets, is using pictures taken from space and analysed by a third-party firm, for farm loans in 500 villages, with plans to take the technology to 63,000 villages, it said on Tuesday. Banks typically deploy officials to travel hundreds of miles across the hinterland to assess irrigation systems, crop quality and land location for forecasting farm revenue to make loans. Agriculture accounted for nearly 15 per cent of India's $2.8 trillion economy as of January.

Data from satellite images would help ICICI Bank cut costs and reduce the time taken to give out loans, Executive Director Anup Bagchi told reporters on a conference call.

"It is now taking place in a few days, as against the industry practice of 15 days or more," Mr Bagchi said. "The biggest upside for us is that there is very little wastage of time on getting the data."

The technology, which will use more than 40 variables for assessing a farmer's credit-worthiness, will be applied to a type of farm loan that makes up a third of ICICI's rural loan portfolio of about Rs. 57,180 crore, he added.

Banks are currently grappling with more than Rs. 7.5 lakh crore of soured loans, and stress in the agriculture sector has been rising just as the overall share of bad loans is coming down. Bagchi said satellite imagery - used globally for everything from crop-monitoring and geology to defense and urban planning - could help improve ICICI's asset quality over the long term.

Punjab and Sind Bank declares DHFL loan account as fraud

Public sector lender Punjab and Sind Bank said it has declared its exposure of Rs. 815.44 crore to Dewan Housing Finance Corp Ltd (DHFL) as fraud.

"...it is informed that a non-performing asset (NPA) account -- Dewan Housing Finance Corporation Limited (DHFL) -- with outstanding dues of Rs. 815.44 crore has been declared as fraud and reported to RBI as per regulatory requirement. Further, the bank has already made provision of Rs. 203.86 crore as per the prescribed prudential norms," it said in a regulatory filing.

Last month, India's second-largest public sector lender Punjab National Bank (PNB) had declared its Rs. 3,688.58 crore exposure to the mortgage lender as fraud.

Once an account is declared fraud, banks need to set aside 100% of the outstanding loans as provisions, either in one go or over four quarters, according to RBI rules.

Even before PNB, private sector lender Karnataka Bank had taken similar action in June.

Earlier this year, the National Financial Reporting Authority (NFRA) had started an audit of DHFL accounts and has reached out to its administrator for documents pertaining to the company's statutory audit for 2017-18.

HDFC Bank partners with Adobe to give personalised digital services to customers

HDFC Bank announced a strategic partnership with Adobe to render personalised digital services to its existing and new customers, the bank said in a media release. Adobe's cloud-based solutions will enable the customers to access bank's services "anytime and anywhere", the release said.

The HDFC Bank release further said that the customers would be able to use different devices to carry end-to-end transactions. The cloud-based solutions supported by Adobe will also help customers open accounts digitally, without the requirement of visiting a bank branch.

The customers will also be able to apply for loan anytime and would be able to manage investments without any physical interface, the release said.

"The association with Adobe comes at a time when digital has become an all-important bridge between customers and businesses," Parag Rao, Country Head - Payments, Consumer Finance, Digital Banking and Marketing at HDFC Bank said.

Banks, unions agree to 15% wage hike

Bank managements and trade unions agreed on a 15 per cent hike in the existing wage bill of 35 lenders, along with a first-of-itskind performance-linked incentive (PLI) for stateowned banks.

"The annual wage increase in salary and allowances is agreed at 15 per cent of the wage bill as of March 31, 2017, which works out to be Rs. 7,898 crore on pay slip components (annually)," according to a memorandum of understanding between the Indian Banks' Association and the United Forum of Bank Unions, representing workmen unions and officers' associations. The wage revision will be effective from November 1, 2017, and will benefit around a million bank employees.

Bank managements and trade unions agreed on a 15 per cent hike in the existing wage bill of 35 lenders, along with a first-of-its-kind performance-linked incentive (PLI) for state-owned banks. ❑

RESERVE BANK

NEWS

Banks to raise Rs 1,50,000 crore in next 18 months

Banks have lined up to raise a record Rs 1,50,000 crore from the capital market in the next 12-18 months, against the backdrop of weak capital cushion and the expected increase in stress on asset quality and profitability in the wake of the economic impact of the Covid 19.

Almost all leading banks have announced their plans to raise capital in the last few weeks to beef up their balance sheets and make provisioning. Banks are at the frontline of being adversely impacted by the COVID-19 pandemic as economic contraction reduced corporate earnings and individual incomes, reducing the capacity to repay debts.

RBI Governor Shaktikanta Das had said that "building buffers and raising capital will be crucial not only to ensure credit flow but also to build resilience in the financial system" in the wake of the pandemic-induced stress.

He also indicated that existing minimum capital requirements for banks may no longer be sufficient enough to absorb likely losses.

"Banks have raised their capital requirements as bad loans are expected to rise significantly and profits are likely to be under pressure in coming months, especially after the moratorium ends in August. A big amount may be required to make provisioning," said an official of a nationalised bank.

Credit Suisse had forecast that banks may need $20 billion in additional capital in FY21. Public sector banks (PSBs), which earlier estimated a capital requirement of Rs 10,000-20,000 crore for FY21, have more than doubled their capital requirement. The Centre, on the other hand, had expected PSBs to raise capital from markets and hence possibly did not Budget any capital infusion for 2020-21.

"With thin capital cushions and expected increase in stress on asset quality and profitability, we expect PSBs to require Rs 45,000-82,500 crore of capital even under a scenario of low credit growth of 3-4 per cent during FY2021. Further, the investor appetite towards these banks will continue to remain weak amid prevailing uncertainties," said Anil Gupta, sector head-financial sector ratings, ICRA Ratings.

Das had noted that a recapitalisation plan for PSBs and private banks has become necessary as the economic impact of the pandemic - due to lockdown and anticipated post lock-down compression in economic growth-may result in higher NPAs and capital erosion of banks.

State Bank of India has planned to mobilise around Rs 20,000 crore, while Punjab National Bank will raise equity capital up to Rs 7,000 crore via share sale to strengthen its balance sheet. Bank of Baroda's board approved fund raising plans of up to Rs 13,500 crore and Canara Bank has planned to raise Rs 6,000-8000 crore in capital. For the five years between 2015-16 and 2019-20, the government had infused a total of Rs 3.08 lakh crore capital PSBs. However, this will not be sufficient given the expected spike in non-performing assets (NPAs).

Private banks have also firmed up plans for capital raising activity of around Rs 75,000-1,00,000 crore. Three private banks - Yes Bank, Axis Bank and ICICI Bank - have already announced plans to raise Rs 45,000 crore. While HDFC Bank recently obtained approval to raise Rs 50,000 crore by way of additional tier-1 bonds, it's unclear how much will it raise in FY21.

Kotak Mahindra Bank had raised Rs 7,442 crore through a qualified institutional placement issue. Besides, several small private banks are also gearing up to raise funds. More banks are expected to announce capital raising plans going forward.

The uncertainty on the asset quality of banks remains high with almost 30-40 per cent of loan book across various banks under moratorium announced by the RBI. Gross NPAs are likely to rise to 11.3-11.6 per cent by March 2021 from an estimated level of 8.6 per cent for March 2020, with a fresh gross slippage of 5.0-5.5 per cent of standard advances during FY2021, ICRA has said.

RBI Governor asks banks to do Covid stress test

RBI governor Shaktikanta Das said there was a 'necessity' to have recapitalisation plan for public sector banks (PSBs) and private banks (PVBs) to absorb shocks of Covid-19. In his address at the State Bank of India (SBI) Banking & Economics conclave, the RBI governor said every financial institution needed to do a Covid-19 stress test. He said there is a need for legislative backing to have 'resolution corporation' for dealing with revival of stressed financial firms.

The setting up of a 'resolution corporation' was earlier proposed by the government through financial resolution and deposit insurance (FRDI) Bill, 2017. However, the bill was later withdrawn due to apprehensions among the public about the 'bail-in' clause of the bill. The clause had led to fears that customer deposits could be used to bail out a failing bank.

The RBI governor also cited example of Yes Bank to emphasise handling of weak institutions by the RBI. "The timely and successful resolution of Yes Bank is an example," Das said. The government, along with the central bank, had earlier approved a reconstruction scheme for Yes Bank in which State Bank of India (SBI), along with other banks, had infused Rs 10,000 crore as equity capital. SBI had also approved investment of Rs 1,760 crore in Yes Bank's forthcoming follow-on public offer (FPO).

Das said the regulator is engaged with Punjab & Maharashtra Cooperative Bank (PMC Bank) stakeholders to find a solution. "Reserve Bank is engaged with all stakeholders to find out a workable solution, as losses are very high, eroding deposits by more than 50%," he said. The regulator had recently doubled the withdrawal limit for the customers of the troubled bank to Rs 1 lakh.

Das highlighted that liquidity measures announced by the RBI since February this year aggregate to about Rs 9.57 lakh crore. "This is equivalent to about 4.7% of 2019-20 nominal GDP," he said, adding that key parameters in the financial system had improved.

The overall capital adequacy ratio for banks improved 50 basis points (bps) year-on-year (y-o-y) to 14.8% as on March 2020, compared to 14.3% in March 2019. The RBI governor said capital to risk weighted assets ratio (CRAR) of PSBs had improved 80 bps to 13% in March 2020, from 12.2% in March 2019. While the gross NPA ratio has improved 120 bps to 8.3%, net NPA ratio improved 80 bps to 2.9% y-o-y as of March 2020.

The provision coverage ratio (PCR) of banks have improved from 60.5% in March 2019 to 65.4% in March 2020, indicating higher resiliency in terms of risk absorption capacity. The profitability of banks had also improved during the year, Das said.

"The lockdown and anticipated post-lockdown compression in economic growth may result in higher non-performing assets (NPAs) and capital erosion of banks," he said. However, he mentioned that the key takeaway cannot be that there was a rise in NPA. "The key takeaway is how banks are responding, The key takeaway as I said is the need to focus on governance, focus more on risk management, focus more on raising capital," he said. Many banks, including SBI, ICICI Bank, Axis Bank and Yes Bank, had announced plans to raise capital for strengthening their balance sheets.

He also highlighted improvement in the key parameters of non-banking financial companies (NBFCs). "The gross and net NPAs of NBFCs stood at 6.4% and 3.2% as on March 31, against 6.1% cent and 3.3% as on March 31, 2019," he said. The CRAR for NBFCs, however, declined marginally from 20.1% to 19.6% during 2019-20. "While the NBFC sector as a whole may still look resilient, the redemption pressure on NBFCs and mutual funds need close monitoring," Das added.

RBI proposes entity to revive troubled banks

RBI governor Shaktikanta Das has made a case for a resolution corporation that will revive stressed banks as an alternative to the traditional practice of merging failed institutions with stronger ones. A bill which proposed the corporation in 2017, was withdrawn following criticism of a clause that sought to share cost of revival with depositors. "The traditional approach has been to merge a failed bank with a larger bank. While it does protect the depositor's interest it does pull down the balance sheet of the larger bank with which the failed bank is merged," said Das, while responding to a question from SBI chairman Rajnish Kumar on whether a resolution corporation could address failures like Yes Bank, during SBI's online Economic Conclave recently.

Earlier in his speech, the governor said that in the case of Punjab &

Maharashtra Co-operative (PMC) Bank, the RBI is engaged with all stakeholders to find out a workable solution. Creation of a resolution corporation was part of the financial resolution and deposit insurance bill introduced in 2017 but subsequently withdrawn for closer consideration. One of the controversial items in the bill was the 'bail-in' clause where creditors sacrifice part of their dues like in an insolvency process. Although bank deposits are secured only to the extent of deposit insurance, creditors to commercial banks have not lost money as failed banks were always merged with stronger banks.

The governor pointed out that a revision to the Insolvency and Bankruptcy Code had given RBI powers to initiate a resolution process for finance companies. Das also said that the RBI could only issue early warning signals, flag emerging risks and continue to take measures to interact with the management to identify vulnerabilities but there has to be a legally-backed arrangement for resolution of failed institutions.

Industrial credit in total bank credit dips to 31.5% in March

The share of industrial credit in total bank credit declined to 31.5 per cent in March 2020 as against 33.1 per cent a year ago, Reserve Bank data showed. Bank credit growth (year-on-year) continued to decelerate across all population groups and stood at 6.3 per cent in March 2020. However, bank branches in rural areas maintained a double-digit growth.

"The share of industrial credit in total bank credit declined to 31.5 per cent in March 2020 as against 33.1 per cent a year ago, as it recorded a meagre 0.9 per cent growth (year-on-year) in March 2020," the RBI's data on outstanding credit of scheduled commercial banks for March 2020 showed.

The data captures various characteristics of bank credit such as population group (rural/semi-urban/ urban/ metropolitan); occupation/activity and organisational sector of the borrower; type of account; and interest rates.

The data covered 1,24,984 bank branches (excluding regional rural banks). It showed overall credit expansion has been supported by a robust growth in personal loans. The share of individuals in total bank credit has increased to 40.1 per cent in March 2020 (37.4 per cent a year ago and 30.8 per cent five years ago), whereas that of the private corporate sector has declined.

Within individuals, the share of female borrowers has been consistently on the rise, it said.

All bank groups recorded moderation in credit growth during 2019-20, though private sector banks continued to lead the growth. The overall weighted average lending rate (WALR) on outstanding credit declined by 17 basis points during the quarter ended March 2020, the data showed.

RBI's forex reserves rise by $3.1bn to record $516bn

Reliance Jio's multi-billion-dollar fund-raise, a foreign trade surplus and a surge in gold's value are helping to boost the country's foreign exchange reserves. The recent weeks saw forex reserves rise by $3.1 billion to a record $516 billion. According to bankers, the reserves are moving up on account of the continued dollar purchases by the Reserve Bank of India.

Last month, the country's reserves hit the half-a-trillion mark for the first time to $501 billion. In little over a month, the RBI has added another $15 billion. In addition to the forex inflows due to the fund-raising by Reliance Industries, dollar supplies have also been boosted by a trade surplus in June - the first in 18 years.

"This (trade surplus) could be reflective of weak domestic demand, relative to global demand. The weakness in imports was spread across investment and consumption goods. India is likely to post a strong current account surplus in 1Q (FY21), which along with strong FDI inflows and a stabilisation in FII outflows, has helped the RBI shore up record FX reserves," said HSBC chief economist Pranjul Bhandari in a note.

Forex reserves comprise of foreign currency assets, gold and drawing rights with multilateral institutions. In the week ended June 10, the reserves were up due to a $2.3-billion increase in foreign currency assets. Also, the increase in the value of gold, pushed up gold reserves in dollar terms by $712 million to $34.72 billion.

RBI sets up panel to study QR codes for contactless transactions

RBI has set up a high-level committee to study the use of Quick Response (QR) codes to process contactless transactions in light of the ongoing Covid-19 situation, three people aware of the matter told ET, and the panel is in the final stage of submitting its report.

The committee - comprising academicians, scientists and industry executives -- has been asked to figure out the economics of QR deployment at merchant locations, the benefits of having an interoperable and open-loop system as well as recommend guidelines for standardising deployments, they said.

Professor Deepak Pathak of IIT Bombay heads the six-member panel. Former Punjab National Bank CEO Sunil

Mehta, NPCI CEO Dilip Asbe, CC Avenues CEO Vishwas Patel, Director of the Institute for Development and Research in Banking Technology DRBT A S Ramasastri, and Arvind Kumar, scientist at the Ministry of Electronics and Information Technology (MeitY), are its other members.

"There are concerns in the ecosystem, flagged at RBI, that some companies are using their own closed-loop system for payment processing, which is against the spirit of innovation and broader ecosystem expansion," said a banker aware of the matter who did not want to be identified.

The committee is in final stages of submitting its report, the person added.

A closed-loop QR system only accepts payments from the mobile application of its deployer. This is against the principle of interoperability agreement between third-party payment applications and banks that governs the Unified Payment Interface (UPI) ecosystem.

Furthermore, payment companies and banks are now also using QR technology for the acceptance of contactless card payments using Bharat QR, which is a mutually derived solution among NPCI, Visa and Mastercard to pay bills without sharing credentials to merchants.

The increased impetus among ecosystem players to rely on cheaper QR technology to accept contactless transactions comes at a time when the government is gradually easing lockdown restrictions in phases across the country.

The option of providing contactless payment facilities for consumers could also be made mandatory for several categories of merchants, which could further necessitate a standardised protocol for companies deploying these stickers, experts said.

Another challenge is to increase awareness among rural merchants and customers where the use of QR stickers is fast catching up for accepting digital payments, while maintaining social distancing norms, said a senior executive at a payment company, who confirmed the development.

"Moreover, the process of deployment is not efficient as well; a single merchant point is targeted by multiple payment companies creating needless complexities for customers and merchants," the person said.

RBI did not print Rs 2,000 note in 2019-20

RBI currency note press did not print even single Rs 2,000 note in 2019-20. RBI did not give any order for printing Rs.2000 notes. The trend seems to be in keeping with a conscious decision to bring down the share of Rs 2,000 notes in total currency under circulation, which has come down from at least 50% in 2016-17 to just 22% in 2019-20.

RBI has also disposed a disproportionate share of Rs 2,000 notes in the soiled category. This raises questions about the government's plan for the country's highest denomination currency note. In January 2019, the government indicated that the printing of Rs 2,000 notes was being stopped as there was adequate supply.

"Printing of bank notes of particular denomination is decided by the government in consultation with RBI to maintain the desired denomination mix for facilitating transactional demand of public. No indent was placed with the presses for printing of Rs 2,000 denomination notes for 2019-20.However, there is no decision to discontinue the printing of Rs 2,000 bank notes," minister of state for finance Anurag Singh Thakur told the LokSabha on March 16, 2020.

RBI prescribes reforms list for post-COVID recovery

RBI has prescribed several reforms to get the economy back on the rails after the rollback of various stimulus measures taken to counter the lockdown-induced economic damage. These include a concrete plan to rein in fiscal deficit instead of kicking the can down the road, targeted tax sops to create employment, and sale of assets to improve liquidity.

Behavioural changes would make recovery bumpy, and the texture of recovery would be different from the one that followed the 2008 global financial crisis, the RBI said in its FY20 annual report. "A credible consolidation plan, specifying actionable for the reduction of debt and deficit levels will earn confidence and acceptability, rather than just extending the path of touchdown," it said. "It is worthwhile to consider an evaluation of the experience with GST by an independent committee which can draw on the lessons. Fiscal incentives for industry can be realigned in favour of productive labour-intensive companies so as to generate employment."

Reform or Retreat The central bank, which has been a part of almost all the easing measures, is warning that the economic structure may have changed for the worse due to the pandemic as the crisis spread beyond the financial system, unlike the global financial crisis (GFC). "The GFC was essentially a financial meltdown whereas the pandemic is a health crisis, which has deleterious ramifications across real and financial sectors," the RBI said. "As stimulus is unwound in a calibrated and non-disruptive manner in a post-pandemic scenario, deep-seated and wide-ranging structural reforms in factor and product markets, the financial sector, legal architecture, and in international competitiveness would be needed to regain potential output losses." ❑

GST

NEWS

GST severely hit due to Covid-19 pandemic, says Centre

The Goods and Services Tax (GST) collection has been severely impacted due to coronavirus pandemic this year, says Revenue Secretary after GST Council meeting.

The Finance Minister Nirmala Sitharaman held 41st Goods and Services Tax (GST) Council meeting.

The states were guaranteed payment for any loss of revenue in the first five years of GST implementation from July 1, 2017 under the Central Goods and Services Tax Act. However, due to the Covid-19 outbreak, the compensation cess collection have jumped.

At the meeting, two options of compensating states were discussed, including borrowing from the Reserve Bank of India (RBI).

The finance minister said that the options discussed for meeting GST shortfall are only for the current fiscal. The GST Council will look at the issue again in April next year.

The meeting was attended by Anurag Thakur, Minister of State (MoS) for Finance, finance ministers of various states and Union Territories (UT) and senior officers from the Union Government and states. After 5-hour-long meet, the GST Council held a video press conference with the media.

"GST collection has been severely impacted this year, due to Covid-19 pandemic. As per GST Compensation Law, states need to be given compensation, " Finance Secretary said during the conference.

Here are the highlights from the video conference:

- ❖ Central government released more than Rs 1.65 lakh crore as GST compensation to states for FY 2019-20, including Rs 13,806 crore for March. Total amount of compensation released for 2019-20 is Rs 1.65 lakh crore, whereas cess amount collected was Rs 95,444 crore: Finance Secretary
- ❖ Attorney-General said that GST Compensation has to be paid for a transition period- from July 2017 to June 2022. Revenue has to be protected compensation gap to be met from cess fund, which in turn has to be funded from levy of cess: Ajay Bhushan Pandey, Finance Secretary on GST
- ❖ As mentioned by Finance Minister in GST Council meeting held in March, legal views of the matter were sought from the Attorney General of India who said that GST compensation has to be paid for transition period from July 2017 to June 2022: Finance Secretary Ajay Bhushan Pandey
- ❖ The Attorney General of India said that protected revenue has to be protected but compensation gap to be met from cess fund, which in turn has to be funded from levy of cess: Finance Secretary Ajay Bhushan Pandey
- ❖ Compensation gap which has arisen this year (expected to be Rs 2.35 lakh crores), is due to Covid-19 as well. The shortfall in compensation due to the implementation of GST has been estimated to be Rs 97,000 crores: Finance Secretary on 41st GST Council Meet
- ❖ AG's clear opinion was that compensation gap cannot be met from India's consolidated fund. Option 1 presented to GST Council was to provide a special window to states, in consultation with RBI to provide Rs 97000 crores at a reasonable interest rate: Finance Secretary Ajay Pandey
- ❖ Option 2 presented to GST Council was that the entire GST compensation gap of Rs 2,35,000 crore of this year can be met by states, in consultation with RBI.

These options will be sent to states for a view within 7 Days and will apply for this fiscal year only: Finance Secretary

- States have asked us to give them 7 working days to think about the options. These options would be available only during the current year, the situation would be reviewed next year. We may have another GST meet soon: Finance Minister NirmalaSithaaraman
- Once the arrangement is agreed upon by GST Council, we can proceed fast & clear these dues and also take care of the rest of the financial year. These options will be available only for this year; in April 2021, the Council will review & decide action for 5th year: FM Sitharaman
- There may be some states which may prefer to get hard-wired compensation rather than going to market to borrow more. Option was tailor-made considering that states can take a call depending on compensation they expect to come: FM Nirmala Sitharaman on GST compensation to states
- During April-July 2020, total GST compensation to be paid is Rs 1.5 lakh crores, this is so because there was hardly any GST Collection in April and May: Revenue Secretary, Finance Ministry
- Annual GST compensation requirement is estimated to be around Rs 3 lakh crores, and cess collection is expected to be around Rs 65,000 crores, leaving us with an annual compensation gap of Rs 2.35 lakh crores: Revenue Secy, Finance Ministry
- Two-wheelers may merit to go to the GST council for a consideration: Finance Minister Nirmala Sitharaman on being asked about GST cut for two-wheelers during the media briefing of 41st GST Council meet
- The government will give a further relaxation of 0.5% in states' borrowing limit under FRBM Act as 2nd leg of Option 1. States can choose to borrow more, beyond expected compensation itself, since that is the injury caused by Covid-19: FM Nirmala Sitharaman on GST compensation to states.

Businesses with annual turnover of up to Rs 40 lakh are GST exempt: Finance Ministry

The Ministry of Finance on Monday said that businesses with an annual turnover of up to Rs 40 lakhs are exempt from GST and those with a turnover up to Rs 1.5 crore can opt for the Composition Scheme and pay only one per cent tax, Earlier, the GST exemption limit was Rs 20 lakh, the ministry said.

"Now, Businesses with an annual turnover of up to Rs 40 lakh are GST exempt. Initially, this limit was Rs 20 lakh. Additionally, those with a turnover up to Rs 1.5 crore can opt for the Composition Scheme and pay only 1% tax," the Ministry of Finance tweeted.

GST: Traders with turnover of Rs 40 lakh can deregister

Traders with a turnover limit of Rs 40 lakh per annum can get themselves deregistered from Goods and Service Tax (GST) as the new limit is in place from new financial year, that began on Monday. Earlier the limit was Rs 20 lakh. The limit for composition scheme for traders has also been raised from Rs one crore to Rs 1.5 crore.

Under new exemption limit, only traders with annual turnover of Rs 40 lakh or above needs to be registered. Tax practitioner Axat Vyas said said traders who had registered previously as their turnover was over Rs 20 lakh can get themselves de-registered. However, traders with interstate sales or doing both trading and providing services will be subjected to previous exemption limit only. The exemption for service providers will be annual turnover of Rs 10 lakh.

The new cap for composition scheme or the one for lump sum tax is Rs 1.5 crore of annual turnover, up from Rs one crore applicable till now. However, only those traders who have made application by March 31, 3019, will be eligible for the scheme. Traders with service component of Rs five lakh or 10 per cent of total turnover, whichever is less, will also be benefited.

GST e-invoicing from October

The Central government will notify a new GST e-invoice scheme under which businesses with turnover of Rs.500 crore and above will generate all invoices on a centralised government portal starting October 1, an official said. Earlier, the turnover threshold for businesses was set at Rs 100 crore. CBIC Principal Commissioner (GST) Yogendra Garg said the existing Goods and Services Tax (GST) return filing system would be improved further by incorporating the features proposed in the new system.

"The GST Implementation Committee has recommended that we will go ahead with October 1 deadline (for e-invoice)... To begin with we will not do it for Rs.100 crore and above, as we had notified. We will soon come out with a notification to make it Rs 500 crore from October 1 and as they stabilise, we will bring a date for Rs 100 crore turnover people," Garg said.

In November last year, the government had said that from April 1 electronic invoice (e-invoice) would be mandatory for businesses with turnover of Rs 100 crore. Later in March 2020, the GST Council extended the implementation date to October 1. ❑

INDUSTRY NEWS

FM launches new facility for issue of PAN in just 10 minutes

Finance Minister Nirmala Sitharaman, launched a new facility for issuance of PAN on the basis of e-KYC (Know Your Customer/Client) to be completed with Aadhaar.

The new facility is available for those PAN applicants who possess a valid Aadhaar number and have a mobile number registered with Aadhaar. The allotment process is paperless and an electronic PAN (e-PAN) is issued to the applicants free of cost. The Union Budget 2020 had said that instant PAN facility will be launched shortly.

This new facility's 'Beta version' was started on trial basis on February 12 on the e-filing website of Income Tax Department. Since then over 6.77 lakhs instant PANs have been allotted with a turnaround time of about 10 minutes.

The process of applying for instant PAN is very simple. The applicant is required to access the e-filing website of the Income Tax Department (www.incometaxindiaefiling.gov.in) to provide her/his valid Aadhaar number and then submit the OTP (One Time Password) received on her/his Aadhaar registered mobile number. After this process, a 15-digit acknowledgement number is generated. If required, the applicant can check the status of the request any time by providing her/his valid Aadhaar number and on successful allotment, can download the e-PAN. The e-PAN is also sent to the applicant on her/his email id, if it is registered with Aadhaar.

As on May 25, a total of 50.52 crore PANs have been allotted to taxpayers, out of which, 49.39 crore were allotted to the individuals and more than 32.17crore were seeded with Aadhaar.

Centre taps oil sector for revenue

The Centre increasing the excise duties on petrol (by Rs. 10/- litre) and on diesel (by Rs. 13/- litre) is along expected lines. A cash strapped government reeling from the economic hit due to Covid-19 has again tapped into its time-tested cash cow - the petroleum sector.

This is the second hike in the excise duty on these fuels in less than two months; the Centre had earlier raised the duty on petrol and diesel by Rs. 3 a litre on March 14. The Centre is trying to make up by higher tax rates what it is losing in volumes due to the crash in demand for these fuels.

Employees face income loss of Rs. 4-lakh crore

State Bank of India's economic research department has cut its GDP growth estimates for FY21 from 2.6 per cent to 1.1 per cent, with the possibility of first quarter growth contracting 6 per cent, or more and second quarter witnessing no growth.

This comes in the backdrop of the continuous nation-wide lockdown to stem the spread of COVID-19,

The FY20 GDP growth has been revised downwards from 5 per cent to 4.1 per cent, the report said.

"For causal labourers, this income loss it at least Rs 1 lakh crore. Thus any fiscal package should at least strive to more than make up for this Rs 4 lakh crore income loss." said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

India blocks automatic FDI route for neighbors

In a major policy shift for its foreign direct investment (FDI) policy, India mandated that all the investments from neighbouring countries, including China, would now require government approval. This effectively closes the "automatic route" for these nations through which an increasing number of foreign firms and individuals had begun to invest of late.

The sudden move has been attributed to the rising possibility of "opportunistic takeovers" of Indian companies by those in neighbouring nations, as the ongoing Covid-19 pandemic wreaks havoc on the domestic economy. Until now, Chinese investments were automatically allowed, similar to those from other nations, in all but 16 sectors, such as telecom, defence, and national security.

According to Press Note 3 issued by the Department for Promotion of Industry and Internal Trade (DPIIT), an entity of a country that shares a land border with India can invest only after receiving government approval.

"A non-resident entity can invest in India, subject to the FDI policy, except in those sectors/activities which are prohibited. However, an entity of a country, which shares a land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country, can invest only under the government route," the note stated.

Besides China, the new rule will impact residents of Nepal, Myanmar, Bhutan, Afghanistan, Pakistan, and Bangladesh. So far, similar conditions were in place for the residents and entities from the latter two countries.

The new rules will also apply to all the existing and planned investments by foreign firms in Indian businesses, the DPIIT said. Several Indian start-ups have existing investment from Chinese investors. For instance, Flipkart has an investment from Tencent (about 5 per cent) and Alibaba owns a significant stake in Paytm.

"A fresh infusion of funds into these or Chinese firms wanting to exit their existing investments will now have to require the government's approval. This step seems to be aimed at having a hostile takeover control measure against China, given that it is investing in and acquiring companies all over the world," said Atul Pandey, partner at law firm Khaitan & Co.

No more global tenders to procure goods up to Rs. 200 cr

The government has notified amendments to General Financial Rules(GFR) to ensure that goods and services valued less than Rs 200 crore are being procured from domestic firms, a move which will benefit MSMEs.

"Govt has notified the amendments to the General Financial Rules 2017 to ensure that henceforth global tenders will be disallowed in government procurement up to Rs 200 crore, as announced in the #AatmanirbharBharat Package. A big boost to domestic suppliers, especially MSMEs," the Office of Finance Minister Nirmala Sitharaman said in a tweet.

CII suggests relief measures for MSMEs amid Covid-19

There is a need for enhanced working capital, relaxed collateral norms, extended moratorium and wage support to provide relief to micro, small and medium enterprises (MSMEs) through the Covid-19 crisis, said the Confederation of Indian Industry (CII).

"With limited resources, MSMEs do not have the capacity to withstand massive shocks like Covid-19. In addition, many MSMEs are an important part of larger supply chains. The health of these MSMEs have a bearing on the entire supply chain, including the large corporates; therefore, special, immediate and substantive support measures are required to see the MSMEs through this crisis", said Chandrajit Banerjee, Director-General, CII.

Following its suggestions on the economic package for the industry, the CII has submitted its recommendations targeted at providing relief specifically to MSMEs, to the government.

It has recommended that the the UK Sinha Committee recommended fund for MSMEs be expedited, to support venture capital/ private equity firms investing in the MSME sector.

The CII further recommended that government departments making purchases should not impose delay penalties, as delays are bound to happen due to disruptions caused by the lockdown.

Panel suggests institute to regulate valuers

A government-appointed committee of experts has proposed an institutional framework for valuers by way of setting up the National Institute of Valuers.

The panel, headed by IBBI (Insolvency and Bankruptcy Board of India) Chairperson M S Sahoo, has also submitted the 'Draft Valuers Bill, 2020'.

The corporate affairs ministry sought comments on the bill, which has recommended setting up of the institute.

The panel was constituted by the ministry on August 30, 2019 to examine the need for an institutional framework for regulation and development of valuation profession.

"Based on a comprehensive study and

analysis of all relevant issues and taking the inputs of key stakeholders, the committee has submitted its report to the Government of India on March 31, 2020 along with Draft Valuers Bill, 2020, recommending to establish a National Institute of Valuers," the ministry said in a release on its website.

Govt announces 2% interest subsidy for small borrowers

The government approved a 2 per cent interest subsidy scheme for Shishu loan account holders under the Mudra Yojana to help small businesses tide over difficulties created by the lockdown following outbreak of coronavirus disease.

Under Shishu category, lenders provide collateral-free loans of up to Rs 50,000.

The 2 per cent interest subvention is estimated cost of the exchequer approximately Rs 1,542 crore, Information and Broadcasting Minister Prakash Javadekar told reporters after the Cabinet meeting.

Govt gives more time for filing tax returns

The government gave more time to individuals and businesses to meet various compliance requirements, including for filing tax returns, amid signs that the coronavirus pandemic will take time to subside.

The finance ministry notified a fresh due date for filing tax returns for FY19 and gave more time for making investments to claim tax deductions for FY20 and for linking permanent account number (PAN) with Aadhaar.

According to the notification, taxpayers will get one more month to file income tax returns for FY19 till end of July.

Endeavour's been to further simplify direct tax laws: FM

The government's endeavour has been to further simplify the direct tax laws and has brought in a major reform by giving option to taxpayers to opt for a new simpler tax regime, Finance Minister Nirmala Sitharaman said. She also lauded the department for being responsive to the needs of the taxpayers during Covid time by relaxing compliance requirements and addressing liquidity concerns.

India to halt imports of 101 defence items

India will ban the imports of 101 items of military equipment in an effort to boost indigenous production and improve self- reliance in weapons manufacturing. Defense Minister Rajnath Singh said that the government is planning to progressively implement the embargo on select military imports between this year and 2024. The list hasn't been disclosed publicly.

In May, India announced that global companies could invest up to 74 percent in the country's defense manufacturing units, up from 49 percent, without requiring any government approval, hoping that the new policy will attract foreign companies with high-end technologies to set up their bases in the country in collaboration with local industries. The government had then announced that India will stop importing weapons that can be made domestically, in line with the vision to make the Indian economy selfreliant amid the coronavirus crisis.

Govt sanctions Rs. 3,100 cr for NBFC, HFC schemes

The government has sanctioned Rs. 3,090 crore for five proposals under the special liquidity scheme for non-banking finance companies (NBFCS) and housing finance companies (HFCS) announced under the AatmaNirbhar Bharat package. Further, 35 more applications have been received seeking financing up to Rs. 13,776 crore, which are being processed.

NFRA bans another auditor in IL&FC case for five-year

The National Financial Reporting Authority (NFRA) has slapped a five-year ban on an auditor for alleged irregularities in the audit of IL&FS Financial Services (IFIN). Apart from the ban, a fine of Rs. 5 lakh has been imposed on Rukshad Daruvala. He is at least the second auditor in the matter to be barred by NFRA. But, ruling would not come into force till July 31 due to a Delhi HC order passed in June.

Country of origin rules for e-com firms notified

The government has notified new rules for e-commerce firms, including mandatory display of 'country of origin' on their products, and said any non-compliance will attract penal action. The 'Consumer Protection (E-Com) Rules, 2020' were notified. The new rules will be applicable to all e-tailers registered in India or abroad but offering goods to Indian consumers.

Shipping ministry waives waterway usage charges

In a major move aimed at promoting inland water transport, the government announced waiving waterway usage charges. The decision is aimed at increasing the inland waterway traffic to 110 million tonne (MT) in 2022-23 from 72 MT in 2019-20. "The Ministry of Shipping has decided to waive waterway usage charges with immediate effect considering the Government of India's vision to promote inland waterways as a supplementary, eco-friendly and cheaper mode of transport," the shipping ministry said.

ICAI issues guidance for financial reporting, auditing taking into account Covid-19

The regulator for the accounting profession, the Institute of Chartered Accountants of India (ICAI), issued an accounting and auditing advisory, with guidance on incorporating the impact of disruptions caused by COVID-19 on financial reporting and auditing.

The note provides guidance to companies and auditors on measuring impairment of assets, evaluating contingent liabilities and the ability of business to remain operational. Experts said the advisory was timely and that auditors would have a major role to play in evaluating the going concern status of companies in the current scenario.

"There is a need to advise the preparers of financial statements to ensure that the potential impact of COVID-19 is suitably considered in preparing and reporting their financial statements for the year ended March 31, 2020," said the guidance note.

The guidance note has also called on companies to evaluate whether they will be able to continue as a going concern. "In the current scenario, while making this (going concern) assessment, management would generally be expected to prepare detailed forecasts which will require regular updation till the financial statements are authorised for issue," the guidance noted.

"Those preparing and auditing accounts will have a major role to play in evaluating various aspects including revenue recognition, valuation of financial instruments and assessing going concern assumptions, in discussions with the management," said Kaushal Kishore, partner at accounting firm BSR & Co.

Credit card spend fell 51% in April, shows survey

Credit card spending tumbled 51 per cent in April amid the coronavirus lockdown, though categories like streaming platforms and online classes saw growth, a survey said. Credit card spending dropped initially by 10 per cent in March and declined further April onwards, according to the survey by digital platform CRED.

Banks sanction about Rs 1.23 lakh crore loans to MSMEs under credit guarantee scheme

The finance ministry said banks have sanctioned loans of about Rs 1.23 lakh crore under the Rs 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSME sector, reeling under the economic slowdown caused by COVID-19 pandemic.

However, disbursements against this stood at Rs 68,311 crore till July 15 under the 100 per cent ECLGS for micro, small and medium enterprises (MSMEs).

The scheme is the biggest fiscal component of the Rs 20-lakh crore Aatmanirbhar Bharat Abhiyan package announced by Finance Minister Nirmala Sitharaman in May.

The latest numbers on ECLGS, as released by the finance ministry, comprise disbursements by all 12 public sector banks (PSBs), 22 private sector banks and 21 non-banking financial companies (NBFCs).

Under the ECLGS, the loan amounts sanctioned by PSBs increased to Rs 69,135.19 crore, of which Rs 41,819 crore has been disbursed as of July 15, she said.

At the same time, private sector banks have sanctioned Rs 54,209.97 crore and disbursed Rs 26,492 crore.

The country's largest lender SBI has sanctioned Rs 20,910 crore of loans and disbursed Rs 14,362 crore. It is followed by Punjab National Bank, which has sanctioned Rs 9,121 crore.

On May 20, the Cabinet approved additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through ECLGS for MSME sector.

Under the scheme, 100 per cent guarantee coverage will be provided by the National Credit Guarantee Trustee Company (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of a guaranteed emergency credit line (GECL) facility.

For this purpose, a corpus of Rs 41,600 crore was set up by the government, spread over the current and next three financial years.

Centre notifies amended FDI policy on civil aviation

The government has notified changes in Foreign Direct Investment (FDI) norms on civil aviation, which will permit non-resident Indian nationals to own 100 per cent stake of Air India. The gazette notification comes amid the ongoing process of strategic disinvestment of Air India. The gazette notification comes amid the ongoing process of strategic disinvestment of Air India. ❑

HOUSING NEWS

Model tenancy law to be approved within a month: Housing secretary

In a bid to boost rental housing, the government will be approving the model tenancy law in the next one month, housing and urban affairs secretary Durga Shanker Mishra said on August 26.

He hoped that the states would pass the legislation over the next one year.

He was speaking at an Assocham webinar on "Housing for All- Affordable and Rental Housing: The Way Forward".

"We are changing the tenancy law... The model tenancy law will be approved in a month by the competent authority. My ministry would ensure that within one year every state passes legislation to implement this model law," Mishra said.

The secretary said the current tenancy laws in various states were skewed towards safeguarding the interest of tenants.

"We hope that 60-80 per cent of the vacant flats will come into rental market once this law is implemented," he said, adding that the real estate developers could also convert their unsold inventories into rental housing.

The ministry had floated the draft model tenancy law in July 2019. It proposes to establish an independent authority in every state and Union Territory for registration of tenancy agreements and even a separate court to take up all tenancy-related disputes.

The draft model tenancy law has proposed limiting the advance security deposits to two months' rent, and has also suggested heavy penalties for tenants who decide to overstay. Those who do may have to shell out double the rent for two months and even four times.

On the Affordable Rental Housing Complexes (ARHC) scheme, Mishra said the programme aims to convert lakhs of vacant flats owned by the Centre and states into rental housing for migrant workers at a very cheap rent.

"We want to bring vacant homes owned by the central, state and urban local bodies into this scheme and provide affordable rental housing to migrants/urban poor," he said.

The secretary said the scheme would generate a return of 13 per cent to make it financially viable.

Demand for task force to implement affordable rental housing plan

The Union Cabinet has approved a scheme to provide affordable rental housing complexes (ARHCs) to urban migrants and poor as a part of the Pradhan Mantri Awas Yojana. Experts say setting up a task force with a panel of experts would be the most effective way of implementing such a scheme.

The implementation of the lockdown saw a large number of migrants head back to their villages due to employment opportunities drying up and high cost of living in the city.

In this latest episode, Ashoo Gupta, partner at Shardul Amarchand Mangaldas and Co, and an affordable housing expert speaks to us on the scheme and its ramification.

"It's a very good initiative by the government because sustainable home ownership for all is neither financially nor economically possible. Thus this scheme offers a window for housing affordability and a place thereby improving the housing conditions for EIW and LIG sections. While it is a very good policy and comes at the right time, we need to keep some things in mind for it to have an impact on the real estate market," Gupta said.

"There is an urgent need for capacity building when it comes to expertise building. The government should consider creating a dedicated task force which is focused on rental housing. The task force should consist of government officials and private sector experts like developers, lawyers, who all work very closely," she added.

Rental schemes which are also called social schemes have been adopted in many countries with nations like Singapore seeing successful implementation. The government expects the scheme to benefit 3.5 lakh people who are a large part of the workforce including in areas like manufacturing , construction, service providers and various other sectors. Not only that, the scheme is being designed to include students who are looking to move from small towns to urban centres for better opportunities.

"We need to try and engage with consultants and make them part of this task force. We need to professionalize rental housing management. Government has to intervene to regulate the rental market for the benefit of the owner and the tenant. For the scheme to be successful the progress has to be monitored and all the stakeholders are on board," she said.

From HDFC to PNB Housing, lowest home loan interest rates offered by top housing finance companies

HDFC Ltd continues to provide the lowest rates on home loans by the largest home finance companies. HDFC pegs its lowest rate on home loans at 6.95%, which compares favourably with the lowest home rates being offered by banks. As of August 27, around 10 large banks offer home loans at rates which are at 7.00 or lower. However, HDFC is the only large non-banking or home finance company offering a rate under 7% to the eligible borrowers.

In the table, we can see some of the lowest rates from home finance companies. The best rates are currently under 9% while only two lenders provide home loans under 8%. These rates are the lowest rates only which are reserved for eligible borrowers, according to BankBazaar.

To be eligible for the lowest home loan rates, the borrower must meet the lender's eligibility criteria which consists of parameters such as home size, loan-to-value ratio, gender, source of income, age, credit score, and any other parameter decided by the lender.

While banks offer a large variety of credit products, home finance companies focus largely on providing home loans. They often become the go-to option for borrowers for various reasons.

Home finance companies are known for easier and hassle-free paperwork, providing higher loan-to-value to borrowers, and having relaxed norms on credit scores which allow borrowers with lower scores an opportunity to seek home finance, informs BankBazaar.

Home loans from HFCs are normally linked to the Prime Lending Rate whereas it's now the repo rate which is the preferred home loan benchmark rate for banks. Currently, PLR-linked rates are seen to be higher than repo-linked rates. Therefore, borrowers with good credit scores and income eligibility may be better off seeking the lowest available rates. Borrowers with higher loan-to-value requirements can approach non-banking lenders. ❑

Minimum Rs. 500 cr must for licence to sell petrol, diesel to bulk users

The government said any entity with a net worth of at least Rs. 500 crore is eligible for obtaining the liberalisedlicence to sell petrol and diesel to retail and bulk consumers. Clarifying on the November 2019 liberalised fuel licensing regime, the Ministry of Petroleum and Natural Gas said any entity with a net worth of Rs. 250 crore can get a licence to retail petrol and diesel to either bulk or retail consumers.

For those seeking authorisation for both retail and bulk should have a minimum net worth of Rs. 500 crore at the time of application, it said in a statement. Last year, the government had relaxed norms for retailing of auto fuels, allowing non-oil companies to venture into the business - a move that could help private and foreign firms to enter the world's fastest-growing market.

MUTUAL FUND NEWS

SBI Mutual Fund appoints Vinay Tonse as MD and CEO

The country's largest fund house - SBI Mutual Fund (MF) - has appointed Vinay Tonse (pictured) its managing director and chief executive officer, after Ashwani Bhatia moved to State Bank of India (SBI) to takeover the reins of the bank.

Tonse was serving as chief general manager of the Chennai circle in SBI and was heading SBI's business & operations in Tamil Nadu and Puducherry.

"It is a huge responsibility to manage the growth dynamics of the number one fund house in the country. One which offers best-in-class investment solutions through a process driven approach which is high on transparency, convenience and value creation. With our vast distribution network, we will further strive to take the benefits of capital markets to investors across the country," Tonse said.

Pharma sector mutual funds give 58% returns, top the charts in one year

Pharma sector mutual funds have outperformed all other mutual fund categories in the last one year. Pharma mutual funds are topping the return charts with over 58% returns in the last one year. The category has outpaced gold mutual funds which grew by over 37% in the same time period. Pharma funds on an average have grown by over 45% year-to-date.

The benchmark index for pharma funds, Nifty pharma index grew by 51.5% in the last one year and by 44% since the beginning of this year.

The sector is booming as investors rush towards defensive stocks due to uncertainty caused by the ongoing covid19 pandemic.

The one-year returns of nine pharma sector mutual funds fall between 48% and 70%, shows Value Research. DSP Healthcare Fund generated the highest returns of 69.80% in the last one year.

Mirae Asset Healthcare and ICICI Pru Pharma Healthcare & Diagnostics (P.H.D) Fund followed with 68% and 63% one-year returns respectively.

The category manages assets worth Rs. 9,035 crore. The largest fund in the category is Nippon India Pharma holding Rs. 3,496 crore AUM. The scheme gave 61% returns in the last one year.

Pharma sector has clearly outdone all other sectors in the last one year. Other sectors which gave positive returns include Nifty IT, Nifty Oil & Gas, Nifty Auto, Nifty FMCG and Nifty Energy.

The attractive returns can lure anyone but investors should understand that the sector funds are not for everybody. Only those investors who understand the risks involved in sector funds and those who know how to play defensive can invest. Retail investors should stay away.

Sebi didn't give nod to shut Franklin MFs

Franklin Templeton India did not take any approval from the Securities and Exchange Board of India (Sebi) before shutting down six of its struggling debt schemes, according to the markets regulator's response to a recent right to information (RTI) application.

According to public statements by Franklin, the regulator was informed about the winding up of schemes at every step when it shuttered the debt schemes on 23 April citing severe illiquidity and redemption pressures due to the coronavirus pandemic.

The RTI query was filed by the Khambatta family, an investor in the Franklin Templeton funds and petitioners in the Gujarat high court case that contended that the asset manager's decision to wind up the schemes required the consent of investors.

The petition led to a stay on the winding-up process on 8 June. This petition, along with three others, are being heard daily by the Karnataka high court for quicker resolution of investor grievances against the asset manager.

In the RTI query, the Khambatta family said Franklin Templeton had claimed before the Gujarat high court and in a special leave petition in Supreme Court that the winding up of the schemes was done after taking appropriate permissions from Sebi.

The Khambattas sought information pertaining to the date on which the permission for winding up of the schemes was applied for, the date on which it was granted and documentary evidence of any deliberation on the permission.

"Sebi has not granted any such permission to Franklin to wind up the said schemes," Sebi said in the RTI response in the first week of August.

Axis Mutual Fund launches WhatsApp services

Many mutual fund houses have launched their services on WhatsApp lately. While some fund houses only allow you to check the transaction status, get your account statement and perform non-financial services, some AMCs also offer to invest in lumpsum mode or through SIP via the widely used messaging app.

Axis mutual fund has joined the league. The AMC has recently launched its WhatsApp services.

The Chatbot services through WhatsApp allows you to check the Net Asset Value (NAV) of the funds. You can also get the valuation of your portfolio with Axis Mutual Fund. You can also request an account statement on your registered email id. The service also allows you to check the status of your purchase or redemption transaction with the AMC. ❑

India first nation to adopt randomised faceless assessment

Taxpayers will no longer be attached to a specific territory or office for assessments as the Central Board of Direct Taxes has instead started a faceless, randomised and completely electronic assessment scheme, eliminating all human interfaces. India will perhaps be the first country to implement such a system, CBDT chairman PC Mody told ET, adding that it will reduce litigation and unnecessary irritants to taxpayers, while allowing both taxpayers and taxofficers to continue to work from home amid the rising number of Covid-19 cases in India.

"We perceived our roles as tax enforcers hitherto... We want a total paradigm shift and we want to be tax facilitators," Modi said, adding that the effort was to make the compliance process easier and ensure objectivity.

Under the new system, taxpayers won't have to visit territorial jurisdiction tax officers or the income tax department on receiving income tax scrutinyor assessment notices. "The whole system was earlier loaded with individual discretion and subjective judgment of an individual officer, resulting in some sort of an inconvenience to the taxpayer," Modi said.

The shift encompasses setting up several units or teams that will assess, review and verify tax demands or orders at the draft stage, before they are issued to taxpayers. A specialised technical unit will provide assistance in cases requiring legal, economic or business-related expertise.

Modi said the shift to the new system would lead to a significant reduction in the pendency of tax assessments and audits because the system would flag any unwarranted action or delay. The change would also involve an overhaul of the existing cadre system, reorientation and a total change of mindset for the tax authorities, which Mody said was the need of the hour.

So far, 58,319 cases have been assigned through the automatic system, keeping them away from geographical jurisdictions, of which 7,116 cases were disposed of without any additions. In 291 cases, additions were proposed to be made and have been submitted to the risk management unit.

CO-OPERATIVE BANK NEWS

Urban, multi-State cooperative banks to come under RBI supervision

To ensure that depositors are protected, the Centre has decided to bring all urban and multi-State cooperative banks under the direct supervision of the Reserve Bank of India (RBI). The Union Cabinet approved an ordinance to this effect at its meeting on Wednesday.

"In a landmark decision, the urban cooperatives and multi-State cooperative banks, which are 1,540 in number and have a depositor base of 8.6 crore, who have saved Rs. 4.84 lakh crore, a huge amount. They have been brought under RBI supervision process, which is applicable to scheduled banks. Depositors will get more security because of today's decision," Information and Broadcasting Minister Prakash Javadekar told journalists after the meeting.

Currently, these banks come under dual regulation of the RBI and the Registrar of Co-operative Societies. The move to bring these urban and multi-State co-op banks under the supervision of the RBI comes after several instances of fraud and serious financial irregularities, including the major scam at the Punjab and Maharashtra Co-operative (PMC) Bank last year. In September, the RBI was forced to supercede the PMC Bank's board and impose strict restrictions.

"I am very sure when this announcement was made, people have welcomed it, and depositors will get protection and benefit out of it," Mr. Javadekar said, regarding the ordinance approved by Cabinet.

The Cabinet also approved a scheme to provide interest subvention of 2% for a 12-month period to small borrowers with loans up to Rs. 50,000 under the Shishu category of the Pradhan Mantri Mudra Yojana. This relief had been announced as part of the Aatmanirbhar Bharat package last month.

Nabard-like agency likely for UCBs soon

After bringing all Urban Co-operative Banks (UCB) under the aegis of the Reserve Bank of India (RBI), the Centre is now working on creating an 'umbrella organisation' for UCBs with an initial investment of Rs 300 crore. This organisation will upgrade their technical infrastructure, provide liquidity support and train manpower to improve their efficiency and transparency.

According to the sources in the finance ministry, this umbrella organisation will be along the lines of NABARD (National Bank for Agriculture and Rural Development). "Upgrading UCBs is on top of the agenda. Now, since it is under the direct supervision of the RBI, there will be an umbrella body on the lines of NABARD which will look after capital requirement, upgrade IT infrastructure of UCBs and will streamline and train manpower and improve transparency and governance," a senior official from the finance ministry told TNIE, adding that this will prevent a situation like the one with the Punjab and Maharashtra Cooperative Bank in the future.

The project has already approved, sources add, and RBI Governor Shaktikanta Das had hinted at the same during his recent address at the 7th SBI Banking & Economics Conclave. "In case of the UCBs, special efforts are being made to move towards a risk-based and pro-active supervisory approach to identify weaknesses in their operations early. An early warning system with a stress-testing framework has been formed for timely recognition of weak banks for appropriate action. Formation of an 'umbrella organization' has been approved to provide liquidity, capital, IT and capacity building support to UCBs," Das had said.

The Union Cabinet, on June 24, had given the nod to an ordinance bringing 1,482 urban cooperative banks and 58 multi-state cooperative banks, with over 86 million depositors and Rs 4.84 lakh crore deposit, under the ambit of the RBI.

Two co-op banks move HC against Centre's ordinance bringing them under RBI

Two Co-operative banks in Tamil Nadu, set up more than 100 years ago, moved the Madras High Court, challenging the recent ordinance promulgated by the union government, bringing all co-op banks under the supervision of the Reserve Bank of India (RBI).

The petitions were filed by Big Kanchipuram Cooperative Town Bank Ltd and the Velur Cooperative Urban Bank Ltd.

Senior counsel for the banks, P H Arvind Pandiyan submitted that they started around 1904. The former was the first cooperative bank started in India by the then Madras Governor P Rajagopalachari and registered the society that year to organise the cooperative movement.

Pandiyan submitted that the ordinance deals with matters which are within the exclusive domain of the state list, List II of Schedule VII of the Constitution, over which Parliament has no legislative competence.

He said the legislations are without legislative competence and are also contrary to the principles of federalism, which is a basic feature of the Constitution as per the judgment of the Supreme Court in the S R Bommai case.

Opposing the arguments, senior counsel A L Somayaji, representing the Reserve Bank of India, contended that a cooperative society might be a state subject when it does other activities.

"There are over 1,937 such banks which handle over Rs 7.27 trillion of loans, primarily provided to agriculturists and middle-class people.

The ordinance has been passed only to bring the banks under the banking regulations and protect the interest of the public," Somayaji said.

Concurring with his submissions, Additional Solicitor General of India R Sankara Narayanan also submitted that when such societies exclusively do banking activity, then they fall within the purview of Parliament.

The bench then wondered why the RBI was granting licenses to such societies all along to do banking activity if they believed public interests are not protected.

The court also sought to know from the ASG what would be the status of societies that involve themselves in other activities in addition to banking.

Orissa High Court stays interim order on Baripada Urban Cooperative Bank

The Orissa High Court issued a stay order on a Single Judge Bench's interim order directing the management in-charge of Baripada Urban Cooperative Bank (BUCB) to disburse the money of the depositors.

RBI had cancelled the BUCB's licence after its statutory inspection revealed that the bank was in deep red, ceased to be solvent and any chance of its revival was next to impossible.

The bank had filed an interlocutory application (IA) seeking the Court's direction for refund of money to the depositors during pendency of its main petition challenging the Central Government's order rejecting its appeal against the RBI order.

On June 25, Justice Pramath Patnaik issued the interim order after considering the acute financial plights of the depositors in the wake of Covid-19 pandemic along with submissions made on behalf of RBI and State Government. RBI had challenged Justice Patnaik's order.

Senior advocate Ashok Mohanty argued the case for RBI when its petition was taken up for hearing through video conferencing. While fixing August 12 as the next date for hearing on RBI's petition, the division bench of Chief Justice Mohammad Rafiq and Justice Biswanath Rath issued the interim stay order on Justice Patnaik's order.

Justice Patnaik's order had apparently brought a ray of hope for 72,324 depositors who have been left high and dry since the RBI cancelled the licence of BUCB on October 16, 2014.

Rajasthan Cooperative bank employees' salary doubled from July 1

Employees of Rajasthan Co-operative bank facing uncertain times in the wake of COVID-19 have a reason to rejoice as the state government has doubled their salary from July 2020.

Rajasthan Cooperative Minister Udayalal Anjana said has stated that the fixed remuneration payable to probation period for officers and employees appointed by direct recruitment of cooperative banks and employees on compassionate grounds has been increased to double.

Anjana informed that this increase will benefit 4 cadres, Senior Manager, Manager, Banking Assistant and class 4 category employees. ❑

LEGAL CASES

Govt, RBI asked to file counter plea against co-op banks ordinance

Conceding to the Central government submission that as long as a law is not declared ultra vires it cannot be stayed and interfered with, the Madras High Court refused to grant any interim stay on the select provisions of Banking Regulation (Amendment) Ordinance 2020, which brings cooperative banks under the supervision of Reserve Bank of India (RBI).

Observing that the ambivalence of the constitutional provisions have to be considered based on constitutional federalism, and constitutional supremacy, which outlines the doctrine of separation of powers, the first bench comprising Chief Justice AP Sahi and Justice SenthilkumarRamamoorthy said: "In our opinion, unless there is an imminent tangible cause or evidence indicating actual invasion of the rights of the petitioner banks in running the affairs of the society, it would not be appropriate to consider the issue of interim relief at this stage."

Following this, the bench on accounting for the time sought by the Additional Solicitor General R Sankara Narayanan and RBI counsel, if the court proceeded to examine and test the validity on the grounds of competence, granted the Union of India and RBI four weeks to file their counter-affidavits and thereafter two weeks to the petitioner to file a rejoinder.

Senior Counsel PH Aravindh Pandian, appearing for Big Kanchipuram Cooperative Town Bank Ltd, Kanchipuram and Velur Cooperative Urban Bank Ltd, Namakkal had submitted that since the ordinance has already been notified, the banks are under threat of their rights being invaded to administer the society.

Court rules out any MSME benefits for lawyers.

The Delhi High Court declined to entertain Abhijit Mishra's public interest litigation (PIL), which wanted advocates included in the definition of 'professionals' under the Micro, Small and Medium Enterprises Act. Mishra is a lawyer who has majored in financial economics.

The Bench of Chief JusticeDN Patel and Justice PrateekJalan sternly noted that PILs should be for the benefit of a class of persons that are "unable to access the courts, e.g., the poorest of the poor, illiterates, children," or "people who may be handicapped by ignorance, indigence, illiteracy or lack of understanding of the law."

Noting that advocates were capable enough to approach courts on their own, if aggrieved, the Delhi High Court dismissed the plea. Mishra had made a submission before the court in person and said his PIL was for the welfare of advocates as a class.

The serial PIL filer had earlier asked courts to direct the Department of Financial Services to develop banking products and schemes for advocates in consultation with the Bar Council of India. He had also wanted the Reserve Bank of India to instruct banks to extend collateral-free loans, credit facilities and other schemes to the lawyer community.

With judicial activities affected by the pandemic, law PILs should be for the benefit of a class of persons that are "unable to access the courts", said the Bench.

Lawyers have been repeatedly pressing for financial assistance at various forums. In fact, recently, two pleas were filed before the Supreme Court. The first asked for nonpayment of rent for professional premises rented by advocates not to be made a ground for eviction during lockdown. The second wanted the government to formulate a uniform welfare scheme for lawyers across the country. Both were dismissed.

Why aren't personal guarantees of Corporate loan defaulters invoked by PSBs: SC

The Supreme Court has asked the Ministry of Finance to look into a plea which claimed a loss of hundreds of crore every day, as the public sector banks are not invoking personal guarantees of big corporates who have defaulted on loans.

A bench comprising Justice R. F. Nariman and Navin Sinha asked the petitioners, Saurabh Jain and Rahul Sharma, who filed the PIL, to move the Finance Ministry with a representation within two weeks. The top court observed that the issue is important and the ministry should respond after the petitioner has made the representation before it. The matter had come up for hearing.

"We are of the view that at page 115 of the Writ Petition it has been made clear that the Ministry of Finance itself has, by a Circular, directed personal guarantees issued by promoters/managerial personnel to be invoked. According to the petitioners, despite this Circular, Public Sector Undertakings continue not to invoke such guarantees resulting in huge loss not only to the public exchequer but also to the common man", said the bench in its order.

Mishra contended before the bench that the statistics establish the public sector banks incurred a loss of approximately Rs 1.85 lakh crore in a financial year, and the banks did not take action to invoke personal guarantees of the biggest corporate defaulters.

The bench observed that since the petitioners claim the public sector undertakings are not complying with this circular, "We think you should first go to the ministry," said the bench.

Mishra argued before the bench that the loans from a common man are recovered through a mechanism where officials go through even the minutest detail, but promoters, chairpersons and other senior level functionaries of the big corporates find it convenient to get away by defaulting on loans.

The bench told the petitioner's counsel that the Finance Ministry has already issued a notification on this matter, and the petitioners should seek response from the ministry, and then move the top court. Mishra submitted before the bench to issue a direction to the Finance Ministry to give a response on their representation.

'Permanent establishment' clarified again

A "permanent establishment (PE)" in a double taxation avoidance treaty is one through which the business of an enterprise is wholly or partly carried on. Also, profits of the foreign enterprise are taxable only where it carries on its core business through a PE. The maintenance of a fixed place of business, which is of a preparatory or auxiliary character, will not be considered to be a PE. It is only so much of the profits of the enterprise that may be taxed in the other state as is attributable to that PE.

The Supreme Court summarised the law last week in its judgment, Director of IT vs Samsung Heavy Industries, in a 2007-08 assessment. The South Korean firm had set up a project office in Mumbai to undertake an ONGC contract with L&T as collaborator. The appellate tribunal upheld the tax demand on Samsung, but the Bombay High Court allowed its appeal. The Supreme Court dismissed the appeal of the tax authorities observing the two-men unit in Mumbai was only auxiliary office doing no core business. Holding otherwise as the authorities below did was "perverse", the court stated after going into facts of the case.

'Absolute liability' for NHAI negligence

The National Highway Authority of India (NHAI), which constructs, owns and controls its roads, owes a duty of care to users. If it neglects this duty and any user suffers death or injury, it is liable to pay compensation to the victim. The Supreme Court declared so in its judgment, NHAI vs AA Lokmanch.

In this case, a woman and her daughter were driving on the Pune-Satara highway. A miner had flattened a hill along the road causing flooding of the highway. When the women alighted from the car, they were washed away and drowned. Lokmanch, a public-spirited organisation, took up the case before the Pune Bench of the National Green Tribunal. It directed the NHAI and the miner to pay compensation.

They appealed to the Supreme Court. It affirmed the liability of both. The long judgment applied the principle of "absolute liability" in such cases and emphasised that "a statutory corporation or local authority can be held liable in tort for injury occasioned on account of omission to oversee or defective supervision of its activities contracted out to another agency". The court ordered Rs. 15 lakh shall be utilised by the Maharashtra government to restore the environment. ❑

HUDCO Signs MoU with YEIDA

Shri M. Nagaraj, CMD Housing & Urban Development Corporation (HUDCO) and Dr. Arunvir Singh, CEO, Yamuna Expressway Industrial Development Authority (YEIDA) signed an MoU for providing financial assistance to the tune of over Rs 4000 crore for various projects adjoining the up-coming International Airport at Jewar, Uttar Pradesh. These would include land acquisition, development of industrial estates, electronic city, housing projects and associated infrastructure development on both sides of Yamuna expressway over the next 3 years.

Samaaru Launch : a farmer-centric agri value chain services platform

Together with leaders from agri finance and technology industries, Pioneering Ventures has launched Samaaru, an innovative tech-enabled service provider that empowers small-scale farmers and rural entrepreneurs with farm advisory, supply chain services, market access and affordable finance (via lending institutions).

The Indo-Swiss agricultural platform Pioneering Ventures is delighted to announce the launch of Samaaru, a farmer-centric agri finance and value chain services platform co-created with accomplished agri finance and technology industry leaders. The company recently started operations in West and South India, providing a closely integrated range of services across the food value chain.

Michael Andrade, Co-founder, MD and CEO of Samaaru, said: "We are on a mission to make farmers prosperous and successful, thereby making farming a desirable occupation. With a combination of hi-tech and hi-touch, Samaaru offers farm advisory, warehousing and market access to small-holder farmers and our value chain partners together with affordable finance via our partners. We are setting up a tech-enabled open ecosystem business model and warmly welcome agri entrepreneurs, food companies, financial, technology and impact partners with a commitment to rural India to join us."

Michael elaborated: "Sandeep Raju and I are delighted to launch Samaaru's operations together with our highly accomplished leadership team, which brings together deep experience and capabilities in technology, finance and agribusiness. We are particularly proud to have Deepak Goswami, Dinesh Poduval and Rochan S join us as C-level co-founders in this journey."

Sandeep Raju, Co-founder and Director, further emphasized: "Michael's pioneering work in this sector has been truly inspirational for all of us to come together to prepare Samaaru's launch over the last year. During this time, we have set up a technology foundation and roadmap to enable financial, farm and value chain innovation at scale. Our investments in building a farm-to-offtaker Samaaru Stack for dairy, crops and finance are de-risked by deep sectoral expertise and a robust demand book."

Ron Pal, Founder and Chairman at Pioneering Ventures, underlined the transformative potential of the venture, "Samaaru uniquely addresses one of the largest under-served rural markets in the world. The unfulfilled needs of over a hundred million small-holder farmer families offer a tremendous market and impact opportunity that can be addressed efficiently at scale. With Francisco Fernandez, Co-founder at Pioneering Ventures, we have one of the world's most visionary and experienced fintech entrepreneurs in this field on board. Especially in the context of recent policy reforms, we look forward to moving the needle on this sector, delivering affordable finance and sustainable incomes for the farming community."

PhonePe sees over 150% growth in loan EMI repayments post lockdown

PhonePe, India's leading digital payments platform, announced that it has seen over 150% growth in loan EMI repayments category on its platform since March 2020 led by Bajaj Finance. It currently has over 60 lenders integrated into its platform enabling its users to make easy and timely repayment of loans at the click of a button and at no extra charge. The platform has already tied up with some of the nation's biggest private non-banking lenders such as Bajaj Finance, Home Credit, Muthoot, DMI Finance, HeroFinCorp, Tata Capital among others. It has thus become a comprehensive destination for all kinds of loan repayment needs of its 200+ million users. The lenders include providers of microfinance, housing loans, consumer durable loans and short term liquidity loans among others. The loan EMI repayment category provides users with the convenience of making repayments at will or by setting up an auto-debit on a specified date.

Commenting on the development, Ankit Gaur, Head of Online Business, In-app Categories & Switch BD, PhonePe said, "We have enabled the easy discovery of lenders with instant access to large players like Home Credit, Bajaj Finance etc. We have kept the process user-friendly with just 4 steps to facilitate friction-free payments. We also don't charge anything extra to our users for making the loan repayment using our platform. Besides, the loan providers find our platform attractive given our user base of 200+ million across the country and seamless technology integration at the backend. We are actively working to expand our lender base to over 100 by the end of this year to cater to a larger number of users across the country."

Kurush Irani, President Credit Operations, Bajaj Finance said, "The sheer convenience and simplicity of usage for customers making loan repayments on PhonePe is amply evident by the velocity it has generated for us in the 3 months of going live in this space. Our partnership with PhonePe and BBPS ties up with our strategy of providing frictionless customer experience while making missed payments and augmenting digital collections."

PhonePe users can pay their loan EMIs in a few seconds with just four simple steps on the app. This includes selecting the lender from the list, entering basic details such as loan account number, name of the borrower and mobile number before making the payment using UPI, debit card or PhonePe wallet.

PhonePe partners with ICICI Bank on UPI Multi-Bank

PhonePe, India's leading digital payments platform, announced that it has partnered with ICICI Bank on UPI multi-bank model giving its users the option to create and use multiple UPI IDs with ICICI Bank's "@ibl" handle and YES Bank's '@ybl' handle on the PhonePe app. This addition, in partnership with ICICI Bank, enables quick and contactless payments to over 200 million registered PhonePe users.

For PhonePe, this is in line with the company's philosophy of offering users and merchant partners a seamless transaction flow. Collaborating with two banking partners will further strengthen the overall service reliability and uptime of PhonePe's market leading UPI offering.

Commenting on the announcement, Hemant Gala, Vice President, Financial Services & Payments, PhonePe said, "At PhonePe our effort has always been to give customers more choice while making their transaction experience seamless. Offering the '@ibl' handle to the users on our platform further solidifies PhonePe's already fruitful association with ICICI Bank. With customers now being able to choose between multiple handles for their UPI IDs, we have achieved another key milestone in our journey towards making payments easy, secure and accessible to all."

Talking about the partnership, Bijith Bhaskar, Head- Digital Channels & Partnership, ICICI Bank said, "With increase in adoption of digital payments, ICICI Bank remains committed to extend its robust, reliable and scalable ICICI stack for wider use to the customers and partners. In further deepening of its collaborative ecosystem, ICICI Bank is partnering with PhonePe for extending UPI services. We believe that with this partnership both ICICI Bank and PhonePe would be able to capitalise on their immense domain strengths for empowering customers to a seamless and simple digital payment experience."

INTEREST SUBVENTION SCHEME TO FORMALIZE MSMES AND FACILITATE GROWTH

Introduction:

Micro, Small and Medium Enterprises (MSMEs) plays an important role in Indian economy, it accounts 45% of manufacturing output of country. In terms of employment generation, it accounts next to agriculture sector, contributing 8% to GDP. This sector is the backbone of India's economy and is considered the 'cradle' of 'Make in India' initiative.

Being majority of MSMEs are unorganized and cash-dependent, this sector witnessed the impact of Note-ban (demonetization) and roll out of Goods and Service Tax (GST). The biggest challenge is that formalization of sector, according to an estimate, 90 per cent of the MSME sector falls in the unorganized sector, not a tech-savvy, making it difficult for schemes and programmes.

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Despite a slew of measures such as 'Make in India', 'Skill India', 'Digital India', 'Start-Up India' etc. taken by Govt. along with various incentives for the sector, may find it difficult to outreach unregistered MSMEs.

Considering, 1) Access to credit, 2) Access to market, 3) Technology upgradation, 4) Ease of doing business, and 5) A sense of security for employees as five key aspects for facilitating MSME sector. Govt. made twelve announcements to address each of these five categories.

Twelve initiatives taken by GOI on 02nd November 2018:

- ❖ psbloansin59minutes.com
- ❖ For GST registered MSMEs 2 % interest subvention on fresh or incremental loan
- ❖ Interest subvention on export credit increased from 3% to 5 %

- ❖ Visit by Inspector through computerized random allotment to get rid of Inspector Raj.
- ❖ Single consent water & air pollution laws. Only 10 % units will be inspected.
- ❖ Single annual return on 8 labour laws & 10 Central rules
- ❖ PSUs to source 25 % of annual procurement from MSME instead of 20 %
- ❖ PSUs to source 3 % from MSMEs run by women.
- ❖ Central PSUs to compulsorily procure through Government e- Market Place portal
- ❖ Rs.6000 crores for creation 100 technology centers.
- ❖ GoI to bear 70 % of cost for establishing pharma cluster.
- ❖ TReDs platform

As part of 'Access to Credit', in addition to "psbloans59minute.com loan portal" and "TReDS (Trade Receivables Discounting System)", 2% interest subvention for all GST registered MSMEs has been announced on 2nd November 2018 to reward MSMEs who had faced significant compliance challenges during the GST rollout. With linkage of interest subvention with GST registration, it has been made clear that it is becoming the basic business identification tool which will be linked to various measures in the future.

The Scheme is applicable to both manufacturing and service enterprises, provides incentives for onboarding on GST platform which helps in formalization while reducing the cost of credit to MSMEs.

Interest Subvention Scheme for to MSMEs 2018.

The Scheme will be in operation for a period of two financial years, FY 2019 and FY 2020 and salient features of the scheme are as under;

a) Eligibility:

- Enterprises should have valid Udyog Aadhaar Number (UAN) and registered with GSTN (Goods and Service Tax Network).
- Incremental term loan or fresh term loan or incremental or fresh working capital extended from 2nd November 2018.
- The term loan or working capital should have been extended by Scheduled Commercial Banks.
- All working capital or term loan would be eligible for coverage to the extent of Rs.100 lakh only.
- If facility/ies are extended to a MSME is/are more than Rs.100 lakh, interest subvention would be made available for a maximum financial assistance of Rs.100 lakh only.

b) Not eligible:

- MSME exporters availing interest subvention for pre-shipment or post-shipment credit.
- MSMEs already availing interest subvention under any of the Schemes of the State / Central Govt.

c) Operational Guidelines:

- The interest relief will be calculated at 2% per annum on outstanding balance from time to time from the date of disbursal / drawal or the date of notification of this scheme, which ever is later, on the incremental or fresh amount of working capital sanctioned or incremental or new term loan disbursed by eligible institutions.
- The interest rates charged to MSMEs shall conform to Code of Ethics and Fair Practices Code as published by respective institutions.
- The loan accounts on the date of filing claim should not have been declared as NPA as per extant guidelines in force. No interest subvention shall be admissible for any period during which the account remains NPA.

d) Submission of Claims:

- SIDBI act as single national level nodal implementation agency to process & settle claims from eligible lending institutions.
- Half Yearly claims shall be submitted to SIDBI, Mumabi.
- All claims have to be duly certified by the statutory auditors of the eligible institutions.
- Disbursement of interest subvention against each claim to individual institution shall be only after release of funds from Ministry of MSME or GOI.

Obtaining of Udyog, Aadhaar Number; (perquisite for submission of claim)

A large number of enterprises in India simply remains unregistered due to the cumbersome paperwork involved in the process. Now It is a voluntary registration based on a self-declaration, for running unit not for upcoming units. The registration is simplified and the Ministry of MSME has introduced an online one page Udyog Aadhaar memorandum.

Institutions engaged in financing the MSME sector had recommended the universalization of the registration. Thus, the concept of ease of registration was originated such that MSME's are able to avail the benefits under various Schemes of Central/ State governments.

Documents and Information Required for Online Udyog Aadhaar Registration: (https://www.msmeregistration.org, https://msmeudyogaadhaar.in, https://udyogaadhaar.gov.in)

- Aadhaar Number of an applicant - Only a natural person can apply on the behalf of a business.
- Details of the applicant
- Name -The applicant name as mentioned on the Aadhaar Card issued by UIDAI.
- Social category- Whether applicant fall in General/ Scheduled Caste/ Scheduled Tribe/ Other Backward Caste has to be specified along with the documentary proof of the same as required by the concerned authority.
- Name of Enterprise- An applicant can do more than one business in different names. A person may carry on multiple business activities at one time or may become a partner or director in more than one firm or company respectively.
- Form of Business- An applicant has to specifically select the form in which the business is being carried on. Different forms of business can be a Proprietorship, Partnership, Limited Liability partnership(LLP), Company Registration etc.
- Address of the business
- Date of Commencement of businesses.
- Previous Registration Details - If a business already registered as MSME is filing for Udyog Aadhaar Number then it must provide details of previous registration in the application form.
- Bank Details.
- Major Activity - Nature of activity of the business is to be provided along with the code specified for it.
- NIC Code - These registrations are location specific and the applicant must mention National Industrial Classification Code (NIC Code). Each location is allotted a code number which can be taken from National Industrial Classification Handbook.
- Person employed - The total number of people employed in the business.
- Investment in Plant Machinery / Equipment - Amount of money invested in terms of machinery and equipment by the business.
- DIC - Details of the District Industry Center nearest to the business, if required.

Benefits to MSMEs:

- The two percent interest subvention will reduce the cost of the borrowing of the MSMEs, which will translate into profitability of the MSMEs.
- Formalizing of the MSME will increase number of MSMEs under tax net, which improve the tax collection to government.
- Formalizing of MSMEs will help the financing institution for better credit appraisal and decision making while extending loans to MSMEs.
- Formalizing of MSMEs improve the scope for digital lending by the fintech companies.

Conclusion:

Support and Outreach Initiative for Micro, Small and Medium Enterprises (MSMEs), Govt. of India has taken a slew of measures to augment growth. Despite many initiates through schemes and programs, benefits are not reaching the unorganized MSMEs. It is an initiative of the GOI, announcing 2% interest subvention Scheme of MSMEs, where registration with GSTN (Goods and Service Tax Network) and obtaining of Udyog Aadhaar are mandatory.

This will help in formalizing of economy while extending incentives to MSMEs. Formalizing of MSMEs may pave a path for digital lending to cater the needs of small borrowers. Currently this scheme is implanted through Scheduled Commercial Banks only and NBFC are not covered, which are aggressive in lending to MSMEs. ❏

INTEREST RATES IN BANKS AND ITS ROLE IN ECONOMY

Abstract

This artefact discuss briefly about how the different interest rates offered by banks to different customers such as a housing loan borrower or a pensioner or a small businessman. What are the factors that are driving force to define these rates? The phenomenon of coupon rate and yield to maturity in bond market is also inscribed briefly. I have also illustrated How these interest rates are being used as an instrument to control inflation, recession and deflation in the economy. At the end I have scripted about recent rate cuts by Reserve Bank of India to upturn the down sliding economy due to Covid-19 pandemic and its effectiveness.

What is Interest Rate:

The interest rate is the amount a lender charges for the use of assets expressed as a percentage of the principal and typically noted on an annual basis. Here a common man who does not understand banking much, may ask that what they are getting on their deposits is not an interest, and the answer is yes as in a way in that case the depositor is lending the money to bank and getting paid for it. The only difference is that in this case the depositor cannot decide on this rate rather the banks can. The depositor has the option of choosing the best rate available in the market.

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This is the basic definition of interest rate that a layman can understand but interest rate goes much beyond that. There are many questions that one may raise like how this rates are defined, which are the factors affecting the rates, how interest rates can affects our lives and the economy, how the policy makers use it to control the economy etc. So to understand those, first let us see the tools which are used by the policy makers to control the rates which are being offered to the consumers.

Tools used by RBI to decide the interest rate for consumers:

Reserve Bank of India, the central bank of our nation as a part of its monetary policy measures sets the following rate to control the liquidity in the economy.

- **Repo:** in repo or the repurchase agreement, Banks sells fixed-income securities to RBI at one price and commits to repurchase the same assets from the central bank at a different price at a future date. The rate at which interest is paid on these securities is called Repo rate. In a simplest way we can say that the rate of interest at which the RBI lends short term money to banks is called repo rate.
- **Reverse Repo:** In a reverse repo transaction the opposite of above transaction takes place. So reverse repo rate is the rate at which the RBI borrows money from commercial banks within the country.
- **MSF-Marginal Standing facility:** It is a special window for banks to borrow from RBI against approved government securities in an emergency situation like an acute liquidity shortage. MSF rate is higher than repo rate.
- **Bank Rate:** This is the long term rate(repo rate is for short term) at which central bank lends money to other banks or financial institutions.

Which rates ultimately offered to Consumers:

Consumers are defined as the ultimate user who invest or borrow the funds at grassroots levels i.e. business houses, salaried individuals or pensioners. Banks accept deposits and pays interest and then lends that money and charge interest (price) on that. Other than that, banks also have to maintain a certain level of capital for their lending portfolio. Let us first see how deposit rates are defined in banks.

Asset-Liability Committee (ALCO) in banks decides these rates. Bank can raise funds by accepting deposits, borrowing from market or borrowing from RBI as we have discussed earlier in repo. Cost of raising fund is different from different sources. So depending upon the rates of other sources bank decides on rates to offer to its depositors. Another factor is time i.e. the period for which the fund is available with banks. If the fund is available for a longer period, banks tend to offer a higher rate than those with shorter period as with a fund available for longer period bank's treasury can take a better investment decision and get a good return. That is the reason why banks offer lower rates in savings bank account than a term deposit account and also charge penalty for premature closure in term deposits. Another factor is the amount of fund available with banks. If banks are unable to invest or lend to the tune of funds availability and have excess liquidity then also banks offer lesser rate as the demand for money is less and they face difficulties to pay higher rates on idle funds.

Now let us see how the lending rates are decided. The common equation for interest rate is

Interest Rate = Risk free rate + Other cost + Credit (default)Risk Premium + Tenor Risk Premium +/-Strategic Premium/Discount

Here risk free rate is decided depending upon the cost of the funds and guidelines issued by central bank time to time. Then other costs like operational cost, capital charge etc. are added to it to get the benchmark rate. Credit (default) risk premium depends on the risk profile of the exposure which is derived from past experience, market information etc. Tenor premium is also one kind of risk premium which arises out of the extra risks that banks have to bear due to longer expiry of the exposure as the external factors change over a longer period of time and with that the repayment capacity of the borrower. Strategic premium or discount is decided depending upon the strategy adopted by higher management. These all are added to the benchmark rate to get the card rate.

Over the years banks have used different rates as benchmark rates such as Benchmark Prime Lending Rate (BPLR), Base Rate and Marginal Cost of Fund-Based Lending Rate (MCLR) etc. At present banks are using a new benchmark rate called External Benchmark Lending Rate (EBLR) for MSME and

retail loans. This rate is directly linked to repo rate to pass on the benefits of rate cut by RBI to the consumers promptly.

Let us understand this with an example. We assume that repo is 4.5%, spread is 3.5% and premium is 1.5% for an MSME loan of Rs. 10.00 lakh then

EBLR = Repo (4.5) + Spread (3.5) =8%

Where spread depends upon the operating cost and capital charge

Offered Card Rate = EBLR (8) + Premium (1.5) = 9.50%

Banks reset these benchmark rates time to time and the card rate for a borrower, who has availed floating rate of interest will also changes.

If lending rates changes then to make balance between asset and liability, banks reset the deposit's rates accordingly and vice versa.

What rates actually customers are getting - Nominal Vs Real Interest rate:

Nominal interest is the card rate which customers are offered by bank and the real interest rate is nominal interest rate minus inflation i.e. the rate after taking into consideration the time value of money or the purchasing power of the consumer.

Let us understand this with an example. 9% offered on deposit in 2011 or 7% in 2019, which rate is better? The quick answer is of course 9% in 2011. But wait for a second, is this so simple. No, this is not so simple and the reason is inflation. Let us assume that the inflation were 9% and 5% in the year 2011 and 2019 respectively. So the real interest rates come to 0% and 2% after making the inflationary adjustments to the nominal rates.

Suppose a depositor is having Rs. 10000/-savings and he deposited it in a bank for one year. He just loves to eat Samosas and will buy Samos as with the matured amount. Now we assume that the rate of Samosas is Rs. 10/- per plate now. So with 9% interest he will receive Rs. 10900/- after maturity and the price of one plate of Samosas will be Rs 10.90/-. So he will be able to buy 1000 plates of Samos as with money. Now in the second case with 7% interest rate he will receive Rs 10700/- and the price of one plate of Samosas will be Rs 10.50/-. So he can buy 1019 plate of Samosas i.e. the purchasing power has increased in 2nd case where he can buy 19 more quantities than the previous one.

How interest rates work in fixed income security/bond market:

A bond is a debt instrument in which an investor loans money to an entity (typically corporate or government) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money to finance a variety of projects and activities. Owners of bonds are debt holders, or creditors.

As we already learned during our discussion of repo, government or RBI issues such bonds and sells them in the marked like Govt. Securities (G-Sec), State Development Loans (SDL), Treasury Bills etc. to raise money and buy them back as well. These securities are issued with a coupon rate and a fixed maturity. Coupon rate is a rate, which is paid on the face value of the bond on half yearly or yearly basis till the maturity. When buying a bond, the investor should also look into another aspect i.e. yield to maturity (YTM) which is also called interest rate in case of bonds. This interest rate determined as the equation given below.

Interest Rate = Risk free rate + Inflation Premium + Default Risk Premium + Liquidity Premium + Maturity Premium

So this yield keeps on changing depending upon various macro-economic factors. Then the price of the bond is determined by discounting all the future inflows till maturity from the bond by the interest rate or the YTM. So an upsurge in the yield results into drop in bond price. We can also see that ceteris paribus, a high inflation results into higher interest rate and lower bond prices.

Let us understand this with a small example. Suppose a government bond with 1 year maturity, face value of Rs 100/- and coupon of 8% issued on 01.01.2020 which pays the coupon yearly. Now on 01.07.2020 the yield is 10%. We will get Rs 108/- on maturity of the bond with 8% coupon rate. If we discount Rs 108/- by 10% i.e. a discounting factor 0.1, we get Rs 98.18/- so the price of the bond goes down to Rs. 98.18/- from Rs 100/- when yield goes up from 8 to 10.

How interest rates are used to control inflationary economy:

Inflation refers to the rate at which the prices of goods and services rise. Interest rates and inflation are closely related to each other and often referred together.Inflation occurs when an economy grows due to increased spending. When this happens, prices rise and the currency within the economy loose its value. The currency essentially won't buy as much as it would before.

One popular method of controlling inflation is through a contractionary monetary policy and as we have discussed earlier controlling interest rates is one aspect of monetary policy. The goal of a contractionary policy is to reduce the money supply within an economy by decreasing bond prices and increasing interest rates. By raising interest rates such as Repo, the RBI causes banks to raise rates (as we discussed the lending rates are directly linked to repo now) and thus lowers demand. Firms do not borrow as much to invest when rates are higher and individuals stop buying durable goods against credit and, instead, turn to save. Also a higher reverse repo provides the banker with an risk free investment option with higher return so they tend to lend less. Lower demand growth leads to a better match between demand and supply, and thus lower inflation.

How interest rates stimulate economy during recession:

During a recession, unemployment rises, and prices sometimes fall in a process known as deflation. At the onset of a recession, some businesses begin to fail typically for economic bottlenecks that result from the incompatibility of production. These businesses lay off workers, sell assets, and sometimes default on their debts or even go bankrupt. All of these things put downward pressure on prices and the supply of credit to businesses in general, which can spark a process of deflation.

Then the central bank in its monetary policy announce rate cut which lower the interest rates. Lower interest rates enable the businesses to borrow low cost funds and sustain their activities. This also enable consumers to make more purchases on credit, keeping consumer prices high and likewise extend themselves further into debt rather than live within their means. So money supply increases, businesses retain their employees and recession tends to go away.

Is rate cut by RBI during Covid-19 really helping to upturn the economy:

As we all are aware that due to spread of Covid-19 pandemic and the lockdown the large economies worldwide have taken a hit and India is no exception. To boost the economy Government announced many stimulus packages, and the central bank has not remained behind. Along with extension of repayment moratorium to the borrowers the RBI has stepped up to the plate at the right time with measures of rate cuts that will reduce the cost of capital and ease the financial burden on businesses due to the extended lockdown.

With latest repo rate cut of 40 basis points on 22nd May, the RBI has shaved off 1.15 percentage points from the rate chart in less than two months since the lockdown began on 24th March, bringing the repo rate down to 4% and the reverse repo rate to 3.35%. With this, it does appear that the central bank may have played out its rate cut card for now.

But the question arises that is it really helping? In fact, it is believed that the latest cut may be no more than a sentiment booster as economic activity is at its nadir and there are not many loan proposals lying with banks that may benefit from the lower interest rate. Fresh lending by banks are at its lowest levels. On the other hand to maintain asset liability balance banks will cut deposit rates which will result into lower returns on their investments to depositors. Existing borrowers may be the only beneficiaries of the rate cut at this point in time. Once the lockdown ends, economic activities start to get going then this rate cuts may play the pivotal role to upturn the economy.

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AGRICULTURE VALUE CHAIN FINANCING

(A booster for priority sector lending)

Banks are not only dealing with money; they are also catalytic agents in Accelerating the growth and development of different sectors of the economy. In a developing economy which is suffering from inadequacy of capital, certain sectors and sections of the society need special and priority attention in the matter of funds availability.

The need of flow of credit to certain sectors of the economy known as priority sectors can be traced to the Reserve bank's credit policy for the year 1967-1968. Several changes are made (2015) in Priority sector lending norms by the RBI after the working group (2014) recommendations. The priority sector non-achievement will be assessed on quarterly average basis at the end of the respective year from 2016-17 onwards, instead of annual basis as at present. Among all priority sector, Agriculture is the most important sector. Agriculture is a source of livelihood for about half of Indian population.

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The environment for agricultural finance is further influenced by the growing concentration of control in the agricultural sector. Driven by gains from economies of scale and globalization of the food chain along with access to resources, multinational and other interconnected agribusinesses have a greater impact in a sector that is characterized by increasing vertical and horizontal integration.

Concept of value chain

A Value Chain in agriculture describes the range of activities and set of actors that bring agricultural product from production in the field to final consumption, wherein at each stage value is added to the product. Value chains may include a wide range of activities.

Value Chain (VC) involves the sequential linkages through which raw materials and resources are converted into products for the market. Agricultural Value Chain (AVC) identifies the set of actors (private, public, including service providers) and a set of activities that bring a basic agricultural product from production in the field to final consumption, where at each stage value is added to the product. It may include production, processing, packaging, storage, transport and distribution. Stages of Value Chain given below in fig-1

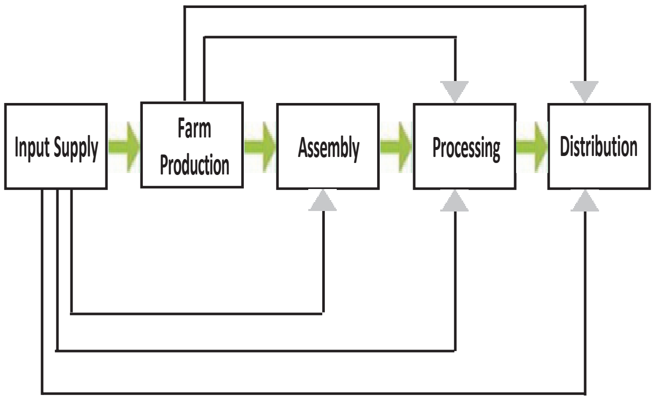

Fig-1- Stages of Value Chain

Scope of value chain finance

Agricultural Value Chain Finance (AVCF) is thus, the flows of funds to and among the various links within the AVC in terms of financial services and products and support services that flow to and/or through VC to address and alleviate constraints, and fulfil the needs of those involved in that chain, be it a need for finance, a need to secure sales, procure products, reduce risk and/or improve efficiency within the chain and thereby enhance the growth of the chain. Finance flows within the value chain given below fig-2

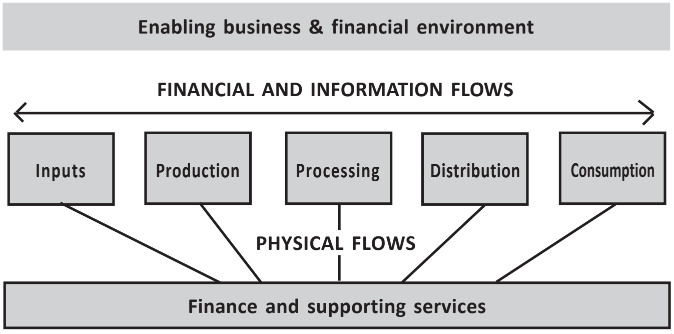

Fig: 2 Finance flows within the value chain

Instruments under Value Chain finance

The various financial instruments which are often used in AVCF can be classified according to Three Categories shown below:

Category	Instrument
A. Product financing	**Trader credit:** Traders advance funds to producers to be repaid, usually in kind, at harvest time.
	Input supplier finance: An input supplier advances agricultural inputs to farmers (or others in the value chain) for repayment at harvest or other agreed time.
	Marketing company credit: A marketing company, processor or other company provides credit in cash or in kind to farmers, local traders or other value chain actors.
B. Receivables financing	**Trade receivables finance:** A bank or other financier advances working capital to agribusiness (supplier, processor, marketing and export) companies against accounts receivable or confirmed orders to producers.
	Factoring: Factoring speeds turnover of working capital and provides credit-risk protection, accounts-receivable bookkeeping and bill collection services.
	Forfeiting: A specialized forfeiter agency purchases an exporter's receivables of freely negotiable instruments (such as unconditionally guaranteed letters of credit and to order bills of exchange) at a discount, improving exporter cash flow, and takes on all the risks involved with the receivables.
C. Physical asset collateralization	**Warehouse receipts finance:** Farmers or other value chain enterprises receive a receipt from a certified warehouse that can be used as collateral to access a loan from third-party financial institutions against the security of goods in an independently controlled warehouse.

Risk for Banks in Value chain Finance and its Mitigation

Type of Risk	description	Risk Mitigation Measures
Production risks	These arise from a variety of factors (input supplies, lacking or late credit, low quality standards, improper storage and packing, weather risks, diseases, etc.)	By employing a comprehensive chain approach that looks beyond the borrower to the health of the chain, the bank is better informed about the capacity of the chain partners and linkages, including producers' capacity to ensure adequate supply in terms of quantity and quality
Supply risks	This refers to situations where producers (farmers) may not honour their contractual supply Obligations. A commonly Observed problem in contract Farming is -side-selling, which derails the built-in repayment mechanisms for farm credits.	Strong producer organizations (farmers 'cooperatives) and/or Group solidarity systems (mutual guarantees based upon savings) provide some assurance that contracts will be honoured and the risks of side-selling Minimized.
Finance risks	These relate to the non repayment of credit provided to Farmers, other producers or other value chain actors.	Non-repayment of credit to chain actors can be greatly reduced by incorporating a lead Actor considered trustworthy. Such actors help instil and Ensure accountability.
Marketing risks	These relate to the inability to sell on time, in the right Quantities and/or at an Acceptable quality standard.	Fixed contracts throughout the chain help stabilize turnover, especially when dependence on One market can be avoided. Sales or export agreements are a strong asset in negotiations with financiers, especially when they are also financing other agribusinesses within the value Chain.
Climate risks	These relate to shocks produced by weather, such as droughts or Floods. Weather shocks can trap farmers and households in poverty, but the risk of shocks also limits farmers' willingness to invest in measures that might boost their productivity and Improve their economic situation.	Agricultural insurance, including weather index insurance, has shown potential to help smallholders; input suppliers manage low- to medium frequency covariate risks such as Drought or excess rainfall.

Benefits of agriculture value chain finance

There are multiple benefits which flow from successful value chain financing arrangements. Through its ability to reduce risk and enhance incentives, value chain finance can enable the sustainable delivery of services, for example ensuring that farmers, brokers and wholesalers have continuous access to a line of products they need that are delivered in a timely manner and meet certain specifications. A successful arrangement can often provide a demonstration effect which may prompt larger-scale players and formal financial actors to enter into a new market once the investment opportunities are realized.

Suggestion to improve value chain finance in agriculture

- The development goals of the government and/or bank must be clear before Decisions can be made about the target group, region or sector, and value chain-specific considerations.

- Identification proper value chain and activities.
- Designing effective interventions requires an appreciation of the structure and dynamics of the target value chain. Ensure that value chain analysis is conducted and that the study involves an analysis of the value-added potential in the chain.
- AVCF is a comprehensive, holistic approach rather than simply a single instrument or recipe to be followed.
- Promoting the development of promising value chain finance strategies and business models.
- An active player in the chain, such as a farmers' marketing organization or a Processing company can take the lead in streamlining the value chain, thus Providing a degree of chain governance.
- Costs and risks can be lowered by providing financing through the strongest Actor or actors in the chain.

Conclusion

The Agriculture Value chain finance is one of way to encourage agriculture and priority sector lending. The awareness about the Value chain finance among the staff is inadequate which needs to be strengthened. In India lot of agriculture value chains are operating Viz. AMUL, Mahagrapes, Kesla poultry, and contract farming from PepsiCo. Instead of financing individual participant in value chain integrated approach should be followed.

If we look for scope in India we find that there are vast opportunities available like Dairy, Poultry Fishery, goat and sheep, sugarcane industry and lot more. Value chain finance has an important place in agricultural finance that augments, but does not replace, conventional finance; most important is its comprehensive, structured and market-competitiveness approach, which complements conventional finance, increasing access to capital and reducing risk for both clients and financiers.

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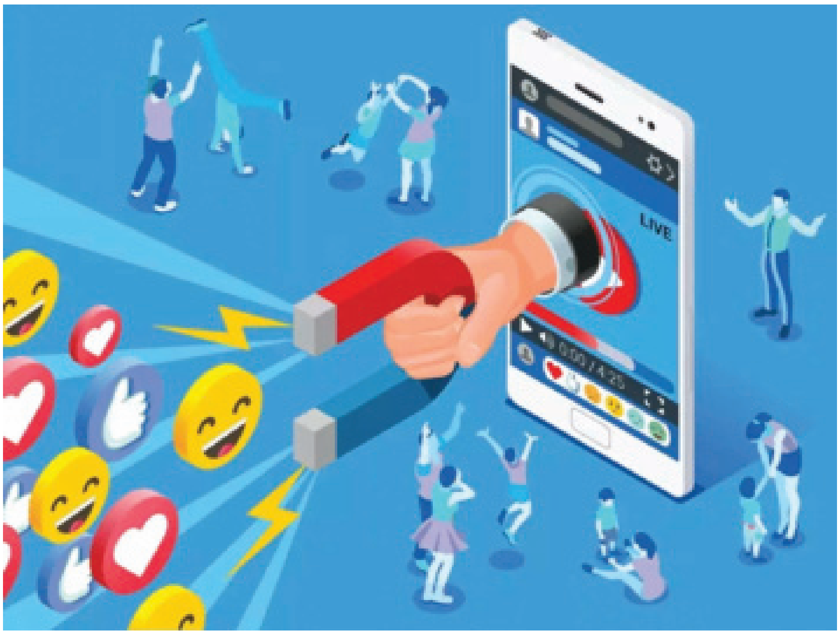
MARKETING STRATEGIES FOR MSME BUSINESS BY BANKS



Importance of MSME Sector

The Micro, Small and Medium Enterprise sector is crucial to India's economy. Micro, Small and Medium Enterprises (MSMEs) are amongst the strongest drivers of economic development, innovation and employment. The MSME sector also contributes in a significant way to the growth of the Indian economy with a vast network of about 63.38 million enterprises. The sector contributes about 45% to manufacturing output, more than 40% of exports, contributing 29 % of the GDP while creating employment for about 111 million people and manufacture around 8,000 quality products for the Indian as well as International markets, which in terms of volume stands next to agricultural sector.

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The MSME sector in India is exceedingly heterogeneous in terms of size of the enterprises and variety of products and services and levels of technology employed. However, the sector has the potential to grow at a faster pace. To provide impetus to the manufacturing sector, the recent National Manufacturing Policy envisaged raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022.

Need for MSME Leads Generation:

As per the data published in the past, approximately 10 % of the credit requirement of MSME units is met from the institutional finance and remaining avail the finance mainly from unorganised sources. Thus there is vast potential in financing to MSMEs by Banks.

The processing of MSME credit proposalsis now done at Central Processing Cells (CPCs) in most of the banks to ensure uniform quality of processing and reduce the turn around time for the growth of MSME Business. These CPCs are equipped with experienced processing officers who have capacity to process the proposals quickly and the functioning of CPCs have been well established and stabilised in most of the banks. CPCs have capacity to process large number of credit proposals; however this capacity is underutilized due to lack of leads for new MSME credit proposals. Hence there is need to generate large number of leads for MSME business growth and for optimum utilisation of CPSs.

Strategies for lead generation for MSME Finance:

The marketing for MSME proposals is done by Branch Managers, Marketing officers and also by Relationship Managers at CPCs. There are number of ways in which one can generate leads for MSME credit proposals, some of which are as under.

1) Know USPs / Key features of yourProducts

Before we begin to market our products or services to anyone, we must know the key features and USPs (unique selling proposition) of our products or services. This is most important in case of marketing of banking products/services, as almost every bank will be providing similar products & services and hence product differentiation is most important. Unless you highlight what makes your product/service unique in this competitive world, you cannot undertake marketing efforts successfully.

Highlighting the USPs/key features of products requires some home work with creativity so that it can be prepared properly and we can use it for marketing. For this purpose, we have to study each & every product thoroughly, find out the key features / USPs and note it down. Similarly we can study other bank's products to know their features and compare with our products so that we can tell our prospective customers how our product is better compared to other banks.

2) Lead Generation from existing current account customers:

This is the easiest way to generate leads for MSME Business financing. Any Bank Branch will have many current account customers who are not availing any credit facilities from a particular branch or other bank. We can create a data of good current account holders having average credit balance of say Rs.10 lakhs & above and having good turnover in the account since last couple of years. We will be having required details of the these accounts like name if promoters, contact details, their line of business etc. We can contact them when they are coming to branch for any transactions or thoughphone, SMS / e-mail and know more about their business. Further Bank official can also visittheirbusiness unit / office and find out whether they need credit facilities for their business like acquiring premises, replacement of machinery, expansion / diversification etc. If yes, we can brief them about MSME products of the Bank and explain features of the scheme which are suitable to them. If they are convinced, give them loan application formsand follow up till you get the same duly filled with all required papers and then process it promptly to convert the lead in to business.

3. Generation of leads by way of referral from existing borrowers:

First of all we have to prepare the list of good existing borrowers of the Branch /region in excel format considering their conduct &dealing with the Bank, their reputation, performance in terms of sales and profits, repayment track record etc. This list should be updated regularly & the name of key person, their contact no. etc should be the part of this list. Now, we have to collect the list of buyers as well as suppliers of our existing borrowers. For this, we can ask the key person / finance manager of existing borrower and get the required details about their buyers and suppliers. We can also use the stock statements, financial statements and account statement of our borrower to know their buyers and suppliers.

After doing the home work as mentioned above, we have to request our existing customer for providing good referrals. We have to note down the details of referral, like name of prospective borrower, their contact number, their reputation in the market etc. and prepare a list of referrals. Now we have to start calling these prospective borrowers and seek appointment for meeting.

After getting appointment, first of all gather information about their business, performance and financials etc. Then enquire whether they are satisfied with their existing bankers. If not, request them to shift to our Bank. In case, they are going for any expansion / modernization project, request them to avail additional finance from your Bank. Listen keenly to their requirements like quantum of loan, margin & collateral offered etc. and see whether your Bank can offer him suitable credit facility as per their requirement. If yes, give them our loan application forms, credit information form etc. and follow up till you get the proposal from them. Do not commit for sanction of loan in first meeting and also do not lose your heart if you are not getting lead in the first meeting. Instead be in touch with them regularly so that they can remember you in case of financial assistance required by them in future from our Bank.

We should maintain a referral register and keep a proper record of all referrals and update the same periodically to know the status of each referral which are contacted and what are the outcomes of each referrals, whether converted into real business or not.

4. Preparation of profile of the Region / Districts in the region:

For preparing the profile of the district / region, the data can be obtained from various sources like websites of govt. departments like dcmsme.org, websites of the units in the district, local industry association & also by visiting various industrial estates / areas and market enquiries etc. Find out the major economic activity / major industries in the district / region, their business performance in terms of sales & profit etc. Create the data base in structured excel format. Prepare the list of top performing units / units having good reputation in the district with details like name, address, contact numbers etc. which can be contacted for lead generation.

Find out the major competing banks in the district / region and try to find your market share. If our market share is less than industry average, then we should undertake market promotional activities for lead generation to get at least to get average market share.

Once the profile of the district is ready, we can contact units having good reputation / performance by telephonic calls, sending e-mails or personal visit to the units. Find out whether they are satisfied with their existing banker. If not, ascertain whether they are looking for new bank. Enquire whether they are undertaking any expansion / modernisation project and are in need of additional finance. Tell them about your Bank's strength in terms of wide network, technology, various MSME schemes, USPs / key features of various MSME schemes. Handover them our loan application forms, credit information form etc. Follow up till you get proposal from them. Invite them to our Branch / CPC to for further discussion.Do prepare the list of units which are not to be approached due to bad market reputation / unsatisfactory credentials for future use by new officers of your Bank. Update the data in excel from time to time with filling details like contacts made, status of lead, follow up made till we get the loan proposal etc.

5. Industry Association as a source for lead generation in large numbers:

The objective of any industry association is to support the members for their growth and development and solve their problems which they are facing by co-coordinating with all the stake holders like government departments, banks & financial institution etc. Industry association could be at district level or state level or at national level. Such associations have large number of members. Such associations will have data of its member in terms of their name, address, business they are doing & their performance etc. Thus if we approach Industry Association and have liaison with them on regular basis, we can get the details of their members to whom we can approach for lead generation and business development. The Industry Association will be knowing the financial needs of their members and can facilitate banks to get leads for business development. Thus liaison with Industry Association is also a good source for generating large number of leads. Create a data base in excel of the members of association contacted for future use and update the data with the developments from time to time.

Industry Association usually organize meeting of members periodically. Request the head / official of association to inform date & time of such meetings so that we can attend the meeting and meet large number of members and give power point presentation of various MSME schemes of your Bank. We can also put our stall and display our schemes and interact with the members to know their financial requirements if any. Handover our loan application forms, credit information form etc and follow up till you get the proposal.

6. District Industries Centre (DIC) / Ministry of Corporate Office (MCA) as a source for lead generation:

By visiting office or website of ROC/DIC etc. we will come to know about new units registered/new companies formed and also details of existing units like their name, line of activity, place of activity and nature of project, business performance etc. which will help us to in planning for lead generation for extending our financial support to such units.

These are the best avenues to contact the prospective borrowers, know their plan for setting up the unit or expansion project and accordingly we can chalk out our product offering as per their requirement, suitability and eligibility.Create data base of all the details collected, units contacted, status of lead etc. and update on regular basis.

7. Visiting Industrial areas /clusters:

Industrial Cluster means group of similar units operating in the same geographical area. In industrial areas /cluster, the required infra-structure facilities like power, water, labour etc. are easily available. There could be common infra-structure facilities like effluent treatment plant, convention / exhibition halls etc. Due to this, the units in such area have better productivity and produce good quality products which make them competitive in the market. Hence, performance of units will be better and they may need funds for growth of business and therefore there is business potential for Banks for financing such units.

Find out industrial areas/estates or clusters in the region and also find out nearby branches of your Banks. Gather the details like number of units operating, products manufactured etc. from units financed by us in these industrial areas/cluster, industry associations, by visiting to industrial areas / clusters & market enquiries etc. Then, list out the top performing units in terms of reputation, sales and profitability etc. Plan for visiting units such units. In case, we get contact number of officials of such units, take their prior appointment else make attempt to visit the units directly just as one does in door to door marketing.

8. Attending industry exhibition/workshops/ seminars:

Industry exhibition/workshop/seminar is a place where large number of buyers and sellers meet for business purpose. In such exhibitions, sellers display their products and buyers see the products and if they like the features / advantages, then visitor may show his interest in the products and if price is reasonable, the visitor may buy the product or show willingness to buy the product. From Bank's point of view, both the sellers and buyers could be our prospective customers. The seller may need finance for his business expansion / modernization or may be looking for shifting to new bank if they are not satisfied with the existing bankers. Also the buyer may need finance to purchase the machinery/ equipment displayed in the exhibition. By visiting such exhibitions, we can contact large number of prospective customers in few days as exhibition will be organized for couple of days. Many Banks also put their stall in such exhibitions to display their products & services for marketing purpose and the visitors can make enquiries with the bankers for credit facilities if any required by them. Similar benefits are there in attending workshops & seminars etc. Thus attending industry exhibitions / workshops could be very good source for lead generation in large numbers.Create data base of all the details gathered & update on regular basis.

9. Friends & relatives a source for lead generation:

As an individual we have large number of friends who could be our childhood friends, neighbours, classmates, ex-colleagues etc. Similarly an individual will also have large number of relatives. If we are in touch with our friends & relatives regularly and maintain good relations with them and attend social gathering / family functions etc., then they could be a great source for lead generation. One more important thing is, since such persons are our friends & relatives, they will be also genuinely interested in helping us in business development. Thus lead generation with the help of our friends & relatives is also one of the easiest & very effective ways of generating leads.

Visit the unit / office of our friends & relatives and gather the information about their products & services, performance of unit and financials etc. If prima facie, overall findings are satisfactory, then give them our product brochures and loan application forms, credit information etc. and follow up with them to get the credit proposal in case they need finance for their business.

10. Digital Marketing:

We can generate leads by digital marketing i.e. using various digital platforms some of which are as under.

1) Many Banks subscribe digital database of thousands of listed and unlisted companies. Use this data base to know their expansion / modernisation plans if any and contacts such companies for lead generation.
2) Enquiries from our website can be funnelled & used for lead generations. We have to educate our customers

about these online platforms for using our online application facilities especially to tech savvy customers.

3) Advertisement of products through SMS/e-mails/ website especially whenever an innovative product is designed & launched to reach to large number of customer in cost effective manner.

4) Search in social website like Facebook, Twitter, Linkdin etc. to get information on top companies in our locality and find out whether the company is reputed company with growing business etc. so that such companies can be contacted for lead generation.

5) Locate the entrepreneurs in our surrounding areas through Google map: Maps can be utilized to locate the industries and business establishments to conduct campaigns or advertising etc.

6) Leads from the govt. portals (https:// www.standupmitra.in, www. psblaonsin59minutes.com etc.): We can get Leads from these portals and can be used to generate business.

7) Incorporating about our MSME schemes in statement of account generated online in such a way that products are advertised based on type of customer which will meet their requirements.7

8) Targeting website visitors of our Bank for lead generation based on their search on the website.

11. Co-origination of loans with NBFCs:

NBFCs play a significant role in promoting inclusive growth in the country by catering to the diverse financial needs of bank excluded customers. India's large un-organized markets create a huge demand for unsecured as well as secured credit. In geographical areas where banks do not have sufficient reach, NBFCs fill this gap. Their contribution in deposit mobilization and credit extension can hardly be over-emphasized. Focusing on funding the sectors where there is a credit gap, the core strengths of NBFCs lie in their strong customer relationships, large "feet on street"(FOS)work force understanding of regional dynamics, well-developed recovery systems, low cost of operation, personalized services and fast decision making.

As per RBI directives, Bank may engage with NBFC-ND-SIs (Non Banking Financial Company -Non Deposit taking Systemically Important) to co-originate loans for the creation of priority sector assets. This arrangement should entail joint contribution of credit at the facility level, by both lenders (Bank and NBFC). It should also involve sharing of risks and rewards between the Bank and the NBFC by ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the Bank and the NBFC.

12. Co -Marketing:

We can also get leads for MSME financing by way of co-marketing. For example, MSMEs use Tally package for their accounting and these are generally small or mid size MSMEs. There can be tie up by Banks with Tally package sellers to co-market for getting leads to banks for financing the purchase of tally package and also any other financial needs of MSMEs for purchase of fixed assets or working capital etc.Some more examples of co-marketing could be with machinery / equipment sellers, raw material suppliers etc.

Conclusion:

There is vast potential for MSME finance by Banks as many of the MSMEs are still availing the finance from unorganised sources. MSME advances are high yielding advances and thus contribute to the bottom-line of Banks in big way. Marketing of MSME proposals is quite different than marketing of retails loans for which one should know the business model of individual MSME unit and understand their financial requirements.

There are number of ways to general leads for MSME business by Banks some of which can be generated by interacting with customers visiting branches and also by feet and street like visiting industry association, industry clusters, attending seminars & industry exhibitions etc. The co-origination of loans with NBFCs, co-marking and digital marketing are new trends now a days. The various strategies suggested above are indicative in nature and not exhaustive and there is lot of scope for creative and innovative ideas for lead generation.

The ultimate objective is optimum utilisation of our resources for our business growth and profitability and to support for the growth and development of MSME Sector which is growth engine of our economy. ❑

CIBIL MSME RANK - AN ADDITIONAL DUE DILIGENCE TOOL

CIBIL MSME Rank is a tool to Access the Credit Risk ranking of Micro, Small and Medium Enterprises to make informed lending decisions, CMR is a credit risk for MSMEs that predicts the probability of an MSME becoming NPA in the next 12 months. It helps us to understand the credit behaviour of MSME as well as the probability of default based on the rank. It is applicable to MSMEs with aggregate commercial borrowing between Rs 10 lakhs to Rs 10 Crores.CMR provides a rank to the MSME based on its credit history data on a scale of 1 to 10.CMR 1 being the best possible rank for the least risky MSMEs and CMR 10 being the riskiest rank for MSMEs.The lower the CMR, the lower the Risk of NPA associated with the MSME.

About the author

Navnit Kumar

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The Key Parameters used in CMR to measure credit risk are:

1. Liquidity-the liquidity profile of borrower is adjudged by looking at the seasonally adjusted patterns of funds utilization over the past 24 month's period.
2. Firmographics-descriptive attributes like the maturity of the entity, ownership type, industry, location.
3. Repayment Behaviour-month on month analysis of payments made along with the assets classification, are considered to determine if the borrower has a poor or a good track record.

The Model categorises the Entity into broadly three categories:

a) CMR-1 to CMR-3-Never delinquent or No Amount overdue.

b) CMR-4 to CMR-7-Are delinquent but never an NPA

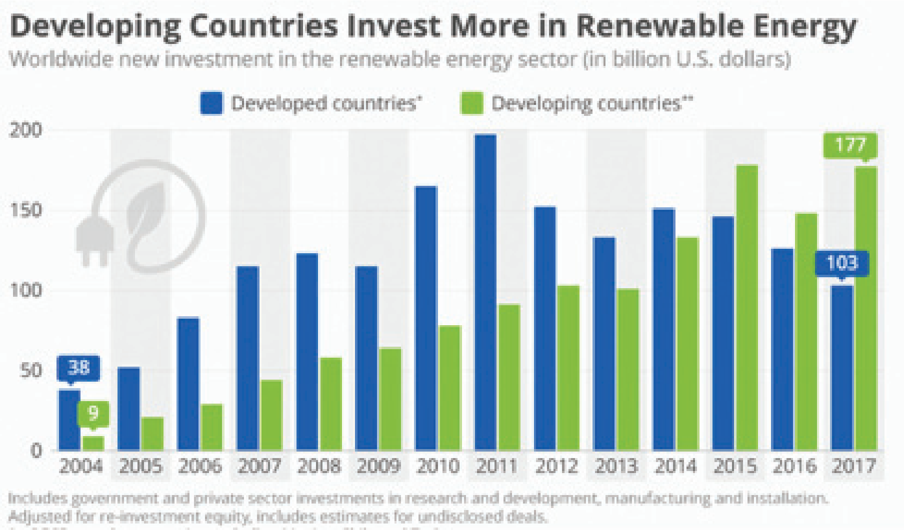
c) CMR-8 to CMR-10-are known to be NPA at some point in time in the past 24 months.

CIBIL MSME Rank	Meaning	Description
CMR-1	Lowest Risk of Default	Borrowers in this rank are expected to have the highest likelihood/probability to service their credit obligations on time. Such borrowers carry lowest credit risk.
CMR-2	Very Low Risk of Default	Borrowers in this rank are expected to have t very high likelihood/probability to service their credit obligations on time. Such borrowers carry lowest credit risk
CMR-3	Low Risk of Default	Borrowers in this Rank are expected to have high likelihood / probability to service their credit obligations on time. Such borrowers carry low credit Risk.
CMR-4	Significantly lower than the average default	Borrowers are expected to have much better ability to service credit obligations then the average borrower. Such borrowers carry much lower than the average credit risks.
CMR-5	Marginally lower than average likelihood of default	Borrowers in this rank are expected to be marginally better than the average ability to service their credit obligations in a timely manner .Such borrowers have marginally better than average credit risk.
CMR-6	Average Likelihood of default	Borrowers in this rank are expected to have average safety regarding timely servicing of credit obligations. Such borrowers carry average credit risk.
CMR-7	Higher than average likelihood of default	Borrowers in this rank are expected to have higher risk in servicing in their debt obligations then average borrower. Borrowers are considered to have higher then average credit risk.
CMR-8	High Likelihood of Default	Borrowers have defaulted or been delinquent in past and have very high likelihood to be in default status.
CMR-9	Very High Likelihood of default or imminent default	Borrowers have defaulted or been delinquent in past and have very high likelihood to be in default status.
CMR-10	Highest Likelihood of default or in default.	Past defaulters and have highest likelihood to continue in default status.

Important points:

1. Borrowers with CMR rating up to CMR-3 should be given preference for faster disposal
2. For CMR 4/5, need based facilities may be approved.
3. For CMR 6/7, Proper justification for the sanction / enhancement should be given. Credit Risk mitigants like additional collateral, guarantee etc.may be stipulated.
4. For CMR of 8/9/10 may not be consider in case of new proposal while in case of existing accounts, enhancement may be done if reason is justifiable .Credit Risk mitigants like additional collateral, guarantee etc. may be stipulated.
5. Borrowers without ''CIBIL MSME Rank'' proposal to be considered as per extent guidelines. If borrower has availed any credit facilities and then no 'CIBIL MSME Rank' is coming then reasons for this to be ascertained.

Present CMR distribution of MSME Portfolio



If We will see the data of MSME In Non-Npa Portfolio 39% companies lies in CMR 1, 2 & 3 category where the scope of finance in already available while in CMR 4 & 5 percentage is 33% & others are in CMR 6, 7, 8 & 9 category.

We may see there is a huge opportunity not only for lending but also customer can be guided to improve their rating by maintaining Financial discipline as well as to they must aware about the technical reasons for lower ratings .It will help Banks as well as customer to minimise the risk and get better pricing. There are already 69% MSME borrower they can have easy access to credit.

With the help of CMR Rating it is a game changer in doing the due diligence as it was very difficult to do this because it is largely very unorganised sector.

Source: report-msme-pulse-June-2018

Benefits of CIBIL CMR

1. The new product is statistically built behavioural scorecard for MSMEs to predict default in next 12 months.CMRs are compliant with Basel norms and will help in overcoming some of the key challenges in MSME lending like delayed submission/Quality of financial statements ,subjectivity of credit decisions etc.

2. Generation of CIBIL report is an integral part of due diligence process and CMR will be an additional parameter in that report itself, However generation of that report ranks needs to be opted while generating the CIBIL Commercial credit report. Every CMR grade has a validated pdestimate associated with it which can help bank to offer risk based pricing to MSME units.

3. CMRs can facilitate continuous and timely surveillance of MSMEs which is otherwise difficult for lenders

4. Renewal of existing accounts, these CMRs can act as a monitoring tool to judge their financial performance.

"CIBIL MSME Rank will be very helpful tool for credit decision as collection of information is very difficult for MSME sector which is largely unorganised. This will help Banks in acquisition of new MSME customers as well as to reduce turnaround time in disposal of proposal. It will also provide greater credit opportunities for deserving small businesses finally CIBIL MSME rank will help lenders to take quality credit decisions, improve Turnaround time, Control NPA and provide access to faster and cheaper credit. "

Disclaimer:

Information from various publics sources have been utilized for writing this article. ❑

Review of Rs. 1 lakh croreAgri Infra Fund likely after disbursing Rs. 20,000 cr

The government plans to review its newly launched Rs 1 lakh croreAgri Infrastructure Fund (AIF) after the disbursement of Rs 20,000 crore. "The scheme, operational for 10 years, will be reviewed by the Department of Expenditure for evaluation and mid-course correction if required," said a senior agriculture department official, who did not wish to be identified. "It will be monitored regularly through an online platform. All assets created under this scheme will be geotagged for effective realtime monitoring." Under this scheme, disbursement is scheduled in four years, starting with sanction of Rs 10,000 crore in the first year and Rs 30,000 crore each in the next three financial years.

LET'S UNDERSTAND MSMES UNDER NEW RULE

Till 25th may 2020, the classification of MSMEs was done based on investment in plant & machinery/equipment in accordance with the provision of Section 7 of MSMED Act, 2006, but on 26th of May 2020 while delivering the part of Atma Nirbhar Bharat Package, our Finance Minister Smt. Nirmala Sitharaman brought up a change in the definition of MSMEs by announcing the amendments in the section 7 of MSMED Act, 2006. Earlier, the MSMEs were defined on the basis of investments put in, now the revised definitions will also include turnover of the company. Government also declared that there will be no more distinction between Manufacturing and Service MSMEs.

In exercise of the powers conferred by sub-section (1) read with sub-section (9) of section 7 of the 'Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) and in supersession of the notification of the Government of India, Ministry of Small Scale Industries, dated the 29th September, 2006, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section(ii), vide S.O. 1642(E), dated the 30th September 2006 except as respects things done or omitted to be done before such supersession, the Central Government, hereby notifies the following criteria for classification of micro, small and medium enterprises, namely:-

(i) **Micro enterprise,** where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;

(ii) **Small enterprise,** where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;

(iii) **Medium enterprise,** where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

This notification shall come into effect from 01.07.2020.

About the author

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Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant and Machinery or Equipment			
Classification	**Micro**	**Small**	**Medium**
Mfg Enterprises	Investment<Rs.25 lac	Investment<Rs.5 Cr.	Investment<Rs.10 Cr.
Service Enterprises	Investment<Rs.10 lac	Investment<Rs.2 Cr.	Investment<Rs.5 Cr.
Revised MSME Classification			
Composite Criteria : Investment and Annual Turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing and Service Enterprises	Investment<Rs.1 Cr. & Turnover<Rs.5 Cr.	Investment<Rs.10 Cr. & Turnover<Rs.50 Cr.	Investment<Rs.50 Cr. & Turnover<Rs.250 Cr.

Questionnaire	Answers
How to become MSME?	o File Udyam Registration online in the Udyam Registration Portal o Based on self declaration o No requirements to upload documents, papers, certificates or proof o On registration, Udyam Registration Number (URN) will be allotted. o E- Certificate: Udyam Registration Certificate on completion of the registration process
Highlight the norms of shifting from one category to another (both down gradation and up gradation).	o Up gradation to next Higher Category: If enterprise crosses the ceiling limits specified for its present category in either of two criteria - Investment as well as Turnover o Down gradation to lower Category: No enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both of the criteria - Investment as well as Turnover. Status quo will be maintained during that financial year. Benefits of the changed status will be available from 1st April of the ensuing year. o All units with GST numbers listed against same PAN shall be collectively treated as one Enterprise o The Turnover & Investment will be clubbed for all the units and then the category will be decided
What is the process of calculation of investment in plant and machinery or equipment?	o Plant & Machinery or equipment: Include all tangible assets (other than land and building, furniture and fittings). o Purchase value of P & M: Whether purchased first hand or second hand, purchase invoice value shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR. o Calculation of turnover: Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprises. o Enterprises having no PAN: For such enterprises, Turnover will be considered on declaration basis only for a period upto 31 March 2021 and thereafter PAN and GSTIN shall be mandatory.

Questionnaire	Answers
What is the process of Registration of existing enterprises under the new rule?	o Enterprises shall register again on the Udyam Registration portal on or after the 1st day of July, 2020. o The existing enterprises registered prior to 30th June 2020, shall continue to be valid only for a period up to the 31st day of March 2021.
What is the process of updation of information and transition period in classification?	o Updation of details of ITR & GST Return for the previous year on self declaration basis. o Failure to update the relevant information within due date - Suspension of registration. o Based on information furnished- the classification of the enterprises will be updated. o In case of an upward change in term of investment in P&M or Equipment or Turnover or both and consequent reclassification, enterprise will maintain its prevailing status till expiry of one financial year from the close of year of registration. o In case of reverse graduation of enterprises- the enterprise will continue in its present category till the closure of the FY.
What is the grievance redressal process?	o The Champion Control Room- Single window system for facilitation the registration process and handholding to MSMEs in all possible manners. o The District Industrial Centers (DICs) - Single Window facilitation system in districts. o Person not having aadhaar no, may approach any of the above single window system for getting an Aadhaar number and Udyam Registration thereafter. o In Case of any discrepancy or complaint- General Manager of DICs shall undertake an enquiry for verification of the details of Udyam Registration submitted by enterprises.

Gratuity cut-off may be relaxed

Government is considering relaxing the minimum eligibility condition for gratuity payments to employees. The criteria may be reduced between one and three years from five years amid increasing uncertainty in job security. The development comes days after a report on social security code by the Parliamentary Committee on Labour recommended that the eligibility period for gratuity payable to an employee on termination of his employment should be cut down to one year from the current norm of five years. "There is demand from several quarters to lower the gratuity threshold. How to take it forward and lower the five-year threshold is a subject on the table; it is likely to be lowered," Mint reported citing unidentified government official.

"There are two options-pro-rata basis or proportional change for a few sectors, or a reduction in the five-year threshold for all sectors. Demand for the second option has more takers in the normal discourse with experts and economists. The standing committee has suggested to lower it to 1-3 years from the current five years," the report also quoted the official as saying. The gratuity is received by a person only if he has completed a minimum of five years of continuous service with an organisation. But, it can be paid before the completion of five years at the death of an employee. He may also receive it in case of disability due to an accident or disease.

Meanwhile, the Parliamentary Committee report had also highlighted the concern that the threshold limit of twenty or more employees for Employees' Provident Fund Organisation (EPFO) registration can be used by the employers to exclude themselves from the EPFO coverage.

RMAI Certificate Course on Risk Management

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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.

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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 Two Live Query Sessions for Clearing the doubts. 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 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 US $ 20 – International Students 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

Phone: 9073791022/8232083010

Post: Risk Management Association of India,
25/1, Baranashi Ghosh Street,
Kolkata – 700007. India

RBI CIRCULAR

Extension of timeline for finalization of audited accounts

RBI/2020-21/11

July 06, 2020

1. Please refer to para 18(2) of the Master Direction on Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, as per which every applicable NBFC shall finalise its balance sheet within a period of 3 months from the date to which it pertains.
2. In view of the on-going situation and taking in to account the feedback received from various stakeholders, it has been decided that every applicable NBFC shall finalise its balance sheet within a period of 3 months from the date to which it pertains or any date as notified by SEBI for submission of financial results by listed entities.

(Manoranjan Mishra)
Chief General Manager

Exemption from Registration as NBFC – Alternative Investment Fund (AIF)

RBI/2020-21/12

July 10, 2020

1. A reference is invited to para 5 of Master Directions on Exemptions from the provisions of RBI Act, 1934 dated August 25, 2016. Venture capital fund companies, holding a certificate of registration obtained under section 12 of the Securities and Exchange Board of India Act, 1992 (Act 15 of 1992) and not holding or accepting public deposit are exempted from the provisions of section 45-IA and 45-IC of the RBI Act, 1934 and also from the applicability of guidelines issued by the Bank for NBFCs.
2. Consequent upon the repeal of Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and enactment of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, it has been decided to substitute the word "Venture Capital Fund Companies" with "Alternative Investment Fund Companies", in exercise of the powers conferred under section 45NC of RBI Act, 1934.
3. Master Direction on exemptions from the provisions of Reserve Bank of India Act, 1934, is updated accordingly.

(Manoranjan Mishra)
Chief General Manager

Implementation of Section 51A of UAPA, 1967 - Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List - Addition of one individual

RBI/2020-21/14

July 18, 2020

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on April 20, 2020, in terms of which "Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the

name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC)."

2. In this regard, Ministry of External Affairs (MEA) has now forwarded the following Press Release issued by the United Nations Security Council (UNSC) Committee established pursuant to Resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida, and associated individuals, groups, undertakings and entities regarding changes in the list of individuals and entities subject to the assets freeze, travel ban and arms embargo set out in paragraph 1 of UNSC resolution 2368 (2017), and adopted under Chapter VII of the Charter of the United Nations.

   The UNSC press release concerning the amendment to the list is also available at URL: https://www.un.org/press/en/2020/sc14256.doc.htm

   Notification: Note SC/14256 regarding addition of a Pakistani individual [QDi.427 Name: 1: Noor 2: Wali 3: Mehsud 4: na] in UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List.

3. Updated list of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:

   https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

   https://www.un.org/securitycouncil/sanctions/1988/materials

4. As per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any RE is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL: https://www.un.org/securitycouncil/ombudsperson/application

5. In view of the above, REs are advised to take note of the aforementioned UNSC communication and ensure meticulous compliance.

(Dr. S. K. Kar)
Chief General Manager

Implementation of Indian Accounting Standards

RBI/2020-21/15

July 24, 2020

1. Please refer to paragraph 3 of the Annex to our circular DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020, on the captioned subject, in terms of which any net unrealised gains arising on fair valuation of financial instruments, should not be included in owned funds whereas all such net losses should be considered.

2. On a review, it has been decided that the unrealised gain/loss on a derivative transaction undertaken for hedging may be offset against the unrealised loss/gain recognized in the capital (either through Profit or Loss or through Other Comprehensive Income) on the corresponding underlying hedged instrument. If after such offset and netting with unrealised gains/losses on other financial instruments, there are still net unrealised gains, the same should be excluded from regulatory capital as required by paragraph 3 of the annex to the said circular.

3. It is also clarified that unrealized gains/losses shall be considered net of the effect of taxation. All other instructions remain unchanged.

(Manoranjan Mishra)
Chief General Manager

Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines

RBI/2019-20/258

June 24, 2020

1. It has been observed that many digital platforms have emerged in the financial sector claiming to offer hassle free loans to retail individuals, small traders, and other borrowers. Banks and NBFCs are also seen to be engaging digital platforms to provide loans to their customers. In addition, some NBFCs have been registered with Reserve Bank as 'digital-only' lending entities while some NBFCs are registered to work both on digital and brick-mortar channels of credit delivery.

Thus banks and NBFCs are observed to lend either directly through their own digital platforms or through a digital lending platform under an outsourcing arrangement.

2. It has further been observed that the lending platforms tend to portray themselves as lenders without disclosing the name of the bank/ NBFC at the backend, as a consequence of which, customers are not able to access grievance redressal avenues available under the regulatory framework. Of late, there are several complaints against the lending platforms which primarily relate to exorbitant interest rates, non-transparent methods to calculate interest, harsh recovery measures, unauthorised use of personal data and bad behavior.

3. Although digital delivery in credit intermediation is a welcome development, concerns emanate from non-transparency of transactions and violation of extant guidelines on outsourcing of financial services and Fair Practices Code, etc. issued to banks and NBFCs, a reference to which is drawn in the Annex. It is, therefore, reiterated that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of financial services and IT services.

4. It must be noted that outsourcing of any activity by banks/ NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever banks and NBFCs engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

a) Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.

b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank/ NBFC on whose behalf they are interacting with him.

c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the bank/ NBFC concerned.

d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.

e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.

f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

5. Any violation in this regard by banks and NBFCs (including NBFCs registered to operate on 'digital-only' or on digital and brick-mortar channels of delivery of credit) will be viewed seriously.

(Manoranjan Mishra)
Chief General Manager

STATE CO-OPERATIVE BANKS MAINTAINING ACCOUNTS WITH THE RESERVE BANK OF INDIA

(Rs. Billion)

Year (end-March)	Aggregate Deposits	Demand Liabilities			Time Liabilities			Invetsments in Government Securities	Bank Credit
		Total	Deposits		Total	Deposits			
			Inter-Bank	Others		Inter-Bank	Others		
1	2	3	4	5	6	7	8	9	10
1978-79	4.94	2.98	0.98	1.63	7.49	4.14	3.31	1.60	5.10
1979-80	5.70	3.11	1.11	1.61	9.10	4.98	4.08	2.12	6.32
1980-81	6.23	3.67	1.18	1.95	10.34	6.00	4.28	2.44	7.57
1981-82	6.67	4.46	1.66	2.23	11.50	7.00	4.44	2.69	9.46
1982-83	7.33	5.94	2.41	2.64	12.53	7.78	4.69	3.22	10.23
1983-84	7.98	6.33	2.83	2.70	14.62	9.27	5.28	3.61	10.65
1984-85	9.23	8.59	4.33	3.17	17.25	11.07	6.06	4.33	12.65
1985-86	10.29	9.19	4.38	3.42	19.23	12.25	6.87	5.04	15.39
1986-87	11.94	9.79	4.60	3.82	23.64	15.17	8.12	6.05	16.27
1987-88	13.81	11.88	5.23	4.93	26.97	17.81	8.88	6.78	16.28
1988-89	16.97	14.59	6.01	6.52	31.42	20.56	10.44	8.14	20.33
1989-90	20.17	17.95	8.14	6.71	37.86	23.97	13.46	9.46	23.49
1990-91	21.52	18.31	7.18	7.94	39.63	25.45	13.59	10.58	25.53
1991-92	25.76	21.98	8.79	9.64	55.48	38.75	16.12	12.04	33.63
1992-93	28.31	25.08	13.63	8.23	60.31	39.57	20.08	14.37	42.77
1993-94	34.15	20.31	6.88	9.56	88.17	62.72	24.59	25.64	39.00
1994-95	38.50	22.16	7.72	10.45	93.95	65.08	28.06	21.10	53.10
1995-96	42.86	29.96	12.48	12.27	102.87	71.25	30.59	24.08	63.18
1996-97	53.77	32.15	11.50	14.25	141.99	101.51	39.52	29.56	72.07
1997-98	56.28	30.16	9.34	13.34	180.98	136.71	42.94	62.52	78.49
1998-99	75.11	36.30	12.61	16.03	221.67	161.09	59.08	57.80	91.73
1999-00	88.70	33.45	10.81	16.93	252.94	179.60	71.77	67.58	102.42
2000-01	96.82	47.00	15.00	19.90	278.61	199.60	76.92	75.37	128.22
2001-02	121.19	48.88	13.97	22.45	305.97	203.20	98.74	83.21	138.12
2002-03	122.26	55.83	18.81	22.51	331.47	229.05	99.75	101.35	147.08
2003-04	137.82	74.41	32.35	26.79	352.37	238.10	111.03	136.39	151.18
2004-05	145.81	56.27	11.56	28.61	377.92	257.40	117.20	164.76	146.57
2005-06	156.65	60.65	14.57	31.01	384.64	255.61	125.64	164.72	155.89
2006-07	171.05	73.24	19.21	35.71	394.25	255.40	135.34	141.49	164.04
2007-08	204.33	78.04	21.23	38.43	485.85	314.56	165.90	169.56	176.74
2008-09	230.94	85.87	23.98	41.35	614.56	420.09	185.59	187.63	187.46
2009-10	268.96	97.46	20.21	48.87	714.85	484.89	220.10	248.96	194.49
2010-11	285.59	116.72	16.56	62.34	659.05	427.24	223.25	245.08	243.31
2011-12	313.42	118.40	14.81	66.98	709.87	452.62	246.44	251.52	306.50
2012-13	356.51	127.17	25.01	70.14	802.49	506.96	286.37	269.28	364.98
2013-14	417.90	139.70	25.43	76.18	899.50	541.40	341.70	289.40	388.20
2014-15	422.28	148.09	33.75	77.70	854.56	499.16	344.57	282.37	426.43
2015-16	491.40	155.40	33.00	82.30	885.90	467.00	409.10	291.10	484.00
2016-17	508.70	181.40	45.00	104.40	930.50	512.60	404.30	327.10	458.70

Note : Data for 2016-17 are provisional.
Also see Notes on tables.

IMPORTANT BANKING INDICATORS - REGIONAL RURAL BANKS - OUTSTANDING

(Rs. Billion)

Year	Deposits			Bank Credit	Investments in Approved Securities			Cash in Hand
	Demand	Time	Aggregate (2+3)		Government Securities	Other Securities	Toal (6+7)	
1	2	3	4	5	6	7	8	9
1987-88	5.36	17.35	22.71	23.28	0.05	0.01	0.06	0.34
1988-89	6.45	22.82	29.27	28.58	0.05	0.01	0.06	0.40
1989-90	8.17	29.98	38.15	34.09	0.05	0.01	0.06	0.46
1990-91	9.41	36.19	45.60	34.97	0.09	0.06	0.16	0.56
1991-92	10.44	42.27	52.71	39.51	0.08	0.17	0.24	0.64
1992-93	10.93	52.77	63.70	44.51	0.10	0.37	0.47	0.74
1993-94	13.94	66.51	80.45	50.24	0.39	0.52	0.91	0.86
1994-95	21.15	87.33	108.48	62.01	4.59	3.75	8.34	2.16
1995-96	24.75	108.95	133.70	72.89	8.42	9.83	18.26	1.77
1996-97	29.47	140.25	169.71	85.44	7.23	17.65	24.88	2.26
1997-98	38.05	171.73	209.77	96.87	10.11	25.17	35.28	2.53
1998-99	46.88	207.40	254.28	110.16	11.91	38.16	50.07	3.00
1999-00	51.05	249.46	300.51	126.63	12.24	47.86	60.09	3.43
2000-01	60.98	298.97	359.95	152.11	16.42	58.47	74.89	3.57
2001-02	73.05	351.89	424.94	180.33	19.70	49.01	68.71	4.00
2002-03	85.13	391.31	476.44	213.59	76.73	43.35	120.08	4.71
2003-04	107.27	426.63	533.90	250.57	133.24	42.08	175.32	5.47
2004-05	127.57	455.29	582.86	316.51	169.70	32.42	202.13	5.98
2005-06	173.55	468.40	641.95	360.50	167.87	22.63	190.50	11.55
2006-07	200.03	616.17	816.20	484.20	202.49	21.75	224.24	11.10
2007-08	210.22	733.90	944.12	574.17	234.11	19.76	253.87	11.04
2008-09	243.53	894.75	1138.28	640.11	271.18	22.96	294.14	12.26
2009-10	287.10	1071.04	1358.14	790.16	382.01	10.29	392.29	14.34
2010-11	336.63	1230.39	1567.02	945.45	442.62	12.31	454.93	16.71
2011-12	344.79	1389.14	1733.93	1110.82	471.79	15.80	487.59	18.20
2012-13	372.69	1591.54	1964.22	1299.36	491.78	11.70	503.48	18.10
2013-14	397.05	1809.19	2206.24	1520.51	552.20	9.34	561.54	20.36
2014-15	471.17	2071.09	2542.26	1739.72	599.69	14.64	614.33	20.45
2015-16	509.16	2428.39	2937.54	1971.11	788.22	11.96	800.18	22.85
2016-17	653.54	2802.19	3455.73	2132.47	1127.85	6.63	1134.48	26.40

Notes : Data as on last reporting Friday of March.

Source : Reserve Bank of India.

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