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In this issue

- "Survival of the fittest"- The Post Covid Business World
- Digital Payments and Merchant Discount Rate (MDR)
- Institutional Protection Scheme for Urban Co-operative Banks: Lessons from German Co-operative Financial Network
- Impact of COVID-19 - Finding new avenues for Business continuity in DCCBs in Telanganal
- Future Prospect of Atm Industry

"The economic recovery would be slow, but the central bank stood fully prepared and is battle-ready for whatever measures were needed to prop up growth."

Shaktikanta Das
RBI Governor

"If the capital expenditure is not happening and investment in the economy is not happening at the same pace, then obviously this is a demand issue."

Rajnish Kumar
SBI Chairman

"It will further strengthen efforts for the betterment of the rural sectors while supporting the government's mission of ensuring sustainable and healthy lifestyle amid the COVID-19 pandemic."

G N Chintala
NABARD Chairman

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BANKING FINANCE

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From The Desk Of Editor-in-Chief

RBI in order to reduce cheque-related frauds has recently asked banks to implement a system called Positive Pay from January 2021. The system adds an extra layer of security. The system acts against cheque frauds where the cheque leaf and signature are genuine but a fraudster alters cheque details.

The Cooperative Banks very frequently are in the news for wrong reasons. Many cooperative banks are reporting frauds regularly. This may be the reason for enhanced supervision from RBI for monitoring of activities of cooperative banks. Many cooperative banks are being controlled by political parties which is also a matter of concern. Banks should be free from any political interference. This problem should be addressed very seriously by RBI.

Finance minister Nirmala Sitharaman launched MSME Prerana, an online business mentoring programme for MSMEs in local language by Indian Bank. The initiative is meant for empowering entrepreneurs through skill development and capacity building workshops in the local language. The programme is in collaboration with Poornatha & Co, a firm that designs entrepreneurial development programmes in vernacular languages using online web-based interactive sessions and case studies.

Banks and financial companies are staring at a massive exercise in recalculating loan dues following a government proposal to waive compound interest during the loan moratorium, even as they work on restructuring vast amounts of stressed loans under central bank supervision.

If the Supreme Court accepts the government proposal, banks and financial institutions will have to rework millions of equated monthly instalments (EMI) for the moratorium period. As the proposal will also apply to those who did not use the moratorium, ways must be devised to compensate them as well.

Analysts estimate that the exercise will cost the government ₹ 5,000-7,000 crore, assuming that no more than 40% of the overall loans will be eligible for relief. "To bring in parity between a borrower who availed of the moratorium and one who didn't, a notional amount of interest on interest will need to be reduced from the principal amount outstanding against the borrower who didn't avail the moratorium. Hopefully decision will bring relief to borrowers.

Contents

03 Editorial

News

05 Banking

07 RBI

10 Industry

18 Mutual Fund

21 Co-Operative Bank

23 Legal

25 Press Release

Features

50 RMAI Certificate Course on Risk Management

52 RBI Circular

55 Statistics

Articles

27 "Survival of the fittest"- The Post Covid Business World
Akhilesh Shukla

32 Digital Payments and Merchant Discount Rate (MDR)
Gautam Kumar Sagar

34 Institutional Protection Scheme for Urban Co-operative Banks: Lessons from German Co-operative Financial Network
Dr Ashish Srivastava

39 Impact of COVID-19 - Finding new avenues for Business continuity in DCCBs in Telanganal
S. Satyanarayana & G. Eswara Rao

45 Future Prospect of Atm Industry
Rajeev Shankar

BANKING

NEWS

IS passes Banking Regulation (Amendment) Bill, 2020

The Lok Sabha passed the Banking Regulation (amendment) Bill 2020 that seeks to protect the depositors of co-operative banks and empower the Reserve Bank of India (RBI) to regulate the banking activities of c ooperative societies.

Replying to the over two-hour discussions on the Bill in the lower house, the Finance Minister Nirmala Sitharaman asserted that the Centre "cannot and does not want to undermine the cooperative movement" in the country, but would want the RBI to effectively regulate those

Finance Minister, Nirmala Sitharaman cooperative societies if they are undertaking banking activities. "For better governance, we need to have banking regulations to apply on them", she said.

Sitharaman highlighted that in the last two decades as many as 430 cooperative societies have been de-licensed and liquidated. However, not a single commercial bank under RBI supervision under the Banking Regulation Act had gone into liquidation in the last two decades, she added.

Sitharaman also made it clear that the Centre was not encroaching into the terrain of the States and was only using its powers under Items 43 and 45 in the Union List of the Constitution to enact this law.

"This Bill is in exercise of the powers vested under the Union List item and therefore consultation with States is not necessary. Consultation with States is required only on those in the concurrent list", she added.

Sitharaman said that the Centre had to promulgate an ordinance in June as it was felt that the Covid-19 pandemic could make the already weak cooperative banks more "fragile" and this had to be avoided.

SBI inks MoU with Aus bank

State Bank of India (SBI) in Australia has inked a memorandum of understanding (MoU) with Australian digital Bank Volt Bank for serving Indian migrants in the Australian market.

Bandhan Bank's new vertical to help entrepreneurs

Bandhan Bank, which recently completed five years of operations as a bank, has set up a new vertical called Emerging Entrepreneurs Business (EEB) to support the emerging needs of the unbanked and under banked segment of customers.

The vertical will focus on supporting this segment of customers in their journey to becoming entrepreneurs. In addition to micro loans, the vertical will also manage micro home loan, micro bazaar loan and micro enterprise loan, said a press statement issued by the bank.

The bank has further appointed Kumar Ashish as the Executive President and Head to spearhead EEB. Ashish has over 26 years of experience in setting up and managing businesses of significant scale in retail and business banking, rural banking, microfinance, agri banking and treasury.

Ashish spent about two decades at ICICI Bank, where in his last role, he was Senior General Manager & Retail Business Head for North India. During the long stint with ICICI Bank, he also led the rural, agri-business and microfinance portfolios for the bank.

In his last assignment prior to joining Bandhan Bank, Ashish was Group Director, Airtel Money, in Africa (a division of Airtel Africa), which runs mobile money operations across 14 countries in sub-Saharan Africa.

Ashish will be based out of Bandhan Bank's headquarters in Kolkata and will report to Chandra Shekhar Ghosh, Managing Director and Chief Executive Officer.

PSBs see faster uptick in retail credit inquiries during Jul-Aug

The state-run lenders are seeing faster pick up in retail credit inquiries than their private counterparts on quicker reopening of branch network, a report by a credit information company (CIC) said. Despite the inroads done by digital alternatives, through which lenders are receiving inquiries and even disbursing loans online, branch offices continue to play an important role, Transunion Cibil said in the report.

The lenders get in touch with CICs while doing diligence on every credit proposal, which triggers in inquiries.

It can be noted that many analysts have said that a large share of the incremental credit demand is coming from the more aggressive private sector lenders who also have larger capital buffers.

"Public (sector) lenders saw the biggest rebound in inquiries in July and August 2020, most likely because they were early in recommencing operations than their private and NBFC (non-bank finance companies) counterparts," the report by Cibil said.

Inquiries from over a dozen state-run lenders for the two months were at 102 per cent of the same observed in January-February this year and 118 per cent of that in the same period a year ago, it said.

The same numbers for the private sector lenders were at 70 per cent and 78 per cent, respectively, while for NBFCs and housing finance companies, inquiries were much lower at 51 per cent of the pre-COVID period in January-February and 57 per cent of the levels observed in July-August last year.

Personal bankruptcy: SC rejects SBI appeal against Anil Ambani

The Supreme Court dismissed the appeal of State Bank of India (SBI) seeking vacation of the stay granted by the Delhi High Court on personal bankruptcy proceedings initiated by the bank against Reliance Group chairman Anil Ambani.

SBI's case is that it had granted credit facilities to Reliance Communications (RCom) and Reliance Infratel (RTIL) in 2015 and the same were personally guaranteed by Ambani pursuant to a deed of personal guarantee of September 23, 2016, furnished by him.

J&K Bank to raise up to Rs. 4,500 cr capital through equity, debt

Public sector Jammu and Kashmir Bank is looking to raise up to Rs 4,500 crore through equities and debt, according to its annual report.

The bank will seek shareholders' approval for the fund raise proposal in its annual general meeting to be held on September 28, 2020, the lender said in its Annual Report 2019-20.

The implementation of Basel III guidelines has necessitated the need for banks in India to augment their capital base.

This becomes important as Basel III capital requirements call for increase in quantity and quality of capital, besides providing for capital buffer during economic downturn, the lender said in its report.

In the light of the economic and business environment in India besides the downward pressures in the financial sector, increase in NPAs, slow growth in overall business variables, among others, the bank gauges the capital requirements for the near to medium term from time to time, it said.

12 PSBs join to launch Doorstep Banking Services

The 12 public sector banks (PSBs) in the country have forged an alliance to launch Doorstep Banking Services (DBS) at 100 top deposit centres across the country.

This move is part of the EASE (Enhanced Access and Service Excellence) Reforms for PSBs.

Initially, non-financial services will be available to all customers, especially senior citizens, persons with disabilities, and defence forces, among others. The non-financial services include pick-up of cheque / demand draft / pay order; new cheque book requisition slip, 15G / 15H forms, IT / GST challan; issue of request for standing instructions; and request for account statement.

The services will also include delivery of non-personalised cheque book; term-deposit receipt; acknowledgment; TDS / Form 16 certificate issuance; and pre-paid instrument / gift card.

Financial services - cash pick-up and delivery - will be available from October 2020. The services, which will be interoperable among these banks, will be gradually scaled up beyond the 100 locations.

The services will be rendered by the Doorstep Banking Agents deployed by the selected Service Providers at 100 centres across the country. ❑

RESERVE BANK NEWS

RBI asks banks to upgrade system to auto identify NPAs

The Reserve Bank of India, asked banks to upgrade their systems by June 30, 2021, for identification of non-performing assets (NPA) and calculation of provisioning.

The central bank noted that many banks are still not yet fully automated and are resorting to manual identification of NPAs. All borrowal accounts, including temporary overdrafts, irrespective of size, sector or types of limits, shall be covered in the automated IT-based system (system) for asset classification, upgradation, and provisioning processes.

RBI appoints A. K. Dixit to oversee PMC Bank operations

The Reserve Bank of India (RBI) appointed former Union Bank of India general manager A.K. Dixit as the new administrator of Punjab and Maharashtra Cooperative (PMC) Bank as current one, J.B. Bhoria, stepped down citing health reasons.

"The present Administrator J.B. Bhoria is stepping down on 22 September 2020 due to health reasons. It has been decided to appoint A.K. Dixit, ex-general manager, Union Bank of India as the new administrator of the bank with effect from 23 September," RBI said in a notification.

Detailing the reasons behind the sluggish turnaround of PMC Bank, the regulator said huge losses by the bank and steep erosion in deposits pose challenges to revival.

"While the administrator of PMC bank and the RBI have been exploring various options for resolution of the bank, several factors such as huge losses incurred by the bank resulting in its entire net worth getting wiped out, steep erosion in deposits, continue to pose serious challenges in finding a workable plan for revival of the bank," it said.

In outright OMO, RBI to buy Rs. 10,000 cr of bonds

The Reserve Bank of India (RBI) announced it would go for an outright purchase of Rs 10,000 crore of bonds from the secondary markets on September 24.

So far, the central bank has been simultaneously buying and selling bonds of equal amounts, with an intention to keep the operational liquidity neutral. But this is the first time in this fiscal year (April 2020-March 2021, or FY21) that the central bank has announced an outright open market operation (OMO) purchase. In OMOs, the RBI buys or sells bonds from the secondary markets.

The RBI had last done an outright OMO purchase operation on March 26, of Rs 15,000 crore.

After that, all the OMOs were simultaneous buy and sell operations, in which the central bank bought long-term securities and sold short-term securities.

This exercise is also called 'Operation Twist' in market parlance.

In the latest round of the outright OMO purchase, the RBI would be buying bonds maturing between 2026 and 2031. The central bank said it was doing so in view of the "current liquidity and financial conditions".

Even though the liquidity surplus in the banking system has come down from its recent highs of Rs 7 trillion to Rs 4.67 trillion, it is still at a huge surplus.

RBI to give staff option to join pension scheme

The Reserve Bank of India has agreed to offer its employees an option to switch over to pension facility from the contributory provident fund (CPF). It was a long-standing demand by the central bank employees.

"This will be the last such option given to eligible serving/retired employee/ family members of deceased employees to switch over from CPF scheme to pension scheme and no further option will be given in future," RBI said in an internal note.

The decision has been taken in consultation with the government. All existing employees who joined RBI before January 1, 2012 will get this benefit. For retirees, the cut-off date is November 1, 1990, the date of introduction of the pension scheme at RBI.

The switch over option will be available till November 15. Those who will be availing themselves of the facility would be eligible to draw pension from July. "No arrears of pension will be paid for the period prior to July 1, 2020," RBI said.

Reserve Bank to construct digital payment index

The Reserve Bank of India (RBI) is in the process of constructing a digital payment index to assess the extent of digitisation and innovation in existing modes and channels to bridge the digital divide, said a senior official with the central bank.

Observing that digital payments in India have been growing rapidly, RBI Executive Director, T Rabi Sankar, said there is still a lot of catching up to do as per-capita penetration is still quite low.

"The RBI is in the process of ...constructing and periodically publishing a composite digital payment index (DPI) to capture the extent of digitisation. The DPI could be the key to accurately measure the deepening and penetration of digital payments across the country," he said while addressing a webinar organised by the US-India Business Council.

A comprehensive index has also been recommended by a high-level committee headed by Nandan Nilekani on deepening digital payments in the country.

Earlier, in February, the RBI said that the DPI would be based on multiple parameters and reflect the penetration and deepening of various digital payment modes.

Compliance officers: RBI issues norms for banks

The Reserve Bank of India has prescribed guidelines for 'Compliance Functions in Banks' and creating a 'Role of a Chief Compliance Officer' to bring uniformity of approach and to align the supervisory expectations from CCOs with best practices. These guidelines cover policy (which should be reviewed at least once a year), tenor and appointment of a CCO, and reporting requirements and duties and responsibilities of the compliance function, among others.

The RBI observed that banks currently follow diverse practices vis-a-vis 'compliance the functions and the role of CCO'.

LS passes bill to bring co-operative banks under RBI supervision

In a bid to protect the interest of depositors, the Lok Sabha passed an amendment to the Banking Regulation Act to bring cooperative banks under the supervision of the RBI.

The Banking Regulation (Amendment) Bill, 2020 replaces an ordinance that was promulgated on June 26.

Replying to the debate on the bill, Finance Minister Nirmala Sitharaman said this legislation is for depositors' safety and not for undermining powers of the Registrar of Cooperative Societies.

Powers of the Registrar of Cooperative Societies have not been encroached upon but banking activity of cooperatives will be regulated by the Reserve Bank of India (RBI), she said.

Urban cooperative banks and multi-state cooperative banks will be brought under the RBI's supervision process applicable to commercial banks.

There are about 1,482 urban cooperative banks and 58 multi-state co-operative banks with a depositors base of about 8.6 crore.

Interest of bank depositors has to be protected: Das

The Reserve Bank of India (RBI) governor Shaktikanta Das warned that India's economic recovery will be gradual and argued strongly in favour of protecting the interest of depositors amid a contentious Supreme Court hearing on waiver of interest during the loan-moratorium period.

India's lead economic indicators, which had shown an uptick in June and July, appear to be levelling off, Das said at an event organised by the Federation of Indian Chambers of Commerce & Industry (Ficci).

"The end-August press release of the National Statistics Office (NSO) was a telling reflection of the ravages of Covid-19... the recovery is not yet fully entrenched in some sectors," he said.

"By all indications, the recovery is likely to be gradual as efforts towards reopening of the economy are confronted with rising infections."

His remarks came days after the finance ministry said in its monthly report for August that the worst is over for the Indian economy and that it's on the way to a V-shaped recovery. Though there's uncertainty due to the pandemic, a positive development on the vaccine front would end that and bring discretionary spending back to pre-Covid levels, the ministry said.

Weeks before this, the government unveiled GDP figures for the first quarter of FY21, showing the economy had contracted by 23.9%.

RBI battle-ready to meet economy's needs: Das

Reserve Bank of India (RBI) Governor Shaktikanta Das said, that the economic recovery would be slow, but the central bank stood "fully prepared and is battle-ready" for whatever measures were needed to prop up growth.

Das said while there had been some recovery, it was "not yet fully entrenched and moreover, in some sectors, upticks in June and July appear to be levelling off". "By all indications, the recovery is likely to be gradual as efforts towards reopening the economy are confronted with rising infections," he said in an address streamed online. The event was organised by the Federation of Indian Chambers of Commerce & Industry (FICCI).

He said the immediate policy response to Covid-19 had been to prioritise the stabilisation of the economy and support a quick recovery, but policies for the medium term after the crisis would be equally important. He suggested five focus areas, including prioritising human capital, increasing productivity, and trying to get into the global supply chain.

While responding to requests from industry captains on whether norms regarding the resolution of stressed accounts could be liberalised further to include more companies, the governor was forthcoming. He said for the central bank, protecting depositors' interest and preserving financial stability would be a prime concern. "The primary concern in the banking system is the protection of depositors' money. Ultimately, it is the depositors' money that is being lent out," Das said.

"Depositors run into crores in numbers, whereas borrowers are in lakhs. There are small depositors, middle-class depositors, there are retired people who depend on bank deposits. So, the interests of depositors have to be protected. Also, the aspect of financial stability of the banking sector needs to be also kept in mind," he said, responding to various demands by industrialists.

The governor said banks had an important role in spurring economic development in an emerging-market economy like India as they were in the forefront of providing credit.

"We don't want a repeat of the situation which India experienced four-five years ago where the non-performing assets (NPA) levels of banks had gone up very steeply. On the other hand, we are also mindful of the fact that Covid-19 has adversely affected a large number of businesses, particularly those that took loans from banks. They also needed some relief," Das said.

Businesses that are otherwise viable but have genuine cash-flow problems because of temporary disruptions in activity have to be looked after too. "So, the focus is to assess and enable such businesses that are otherwise viable but their cash flows are drying up. Both the sides have to be matched and, in fact, the revival of such businesses will also ensure NPA levels are kept low and swift economic recovery takes place," he said during the question-answer round of his keynote address. In this context, he praised the Kamath committee for coming up with an exhaustive set of recommendations in just 30 days.

Das also said the RBI could not give the same leeway to the non-banking financial sector as it gave to banks because NBFCs had enjoyed a light-touch regulation until now.

The loan-to-value ratio in the case of gold loans for NBFCs is 75 per cent, whereas for banks it could go up to 90 per cent.

RBI: Positive pay system for cheque payments from January 1

In order to check banking fraud, the Reserve Bank of India has decided to introduce from January 1, 2021, the ‘positive pay system’ for cheque, under which re-confirmation of key details may be needed for payments beyond Rs 50,000.

Under the positive pay system, the issuer of the cheque will be required to submit electronically, through SMS, mobile app, internet banking or ATM certain minimum details of that cheque like date, name of the beneficiary, payee, amount to the drawee bank.

These details will be cross-checked before the cheque is presented for payment. In case any discrepancy is flagged by cheque truncation system (CTS) to the drawee bank and presenting bank, redressal measures would be undertaken, the RBI said. ❑

INDUSTRY NEWS

Foreign contribution Act passed in Lok Sabha

The Lok Sabha passed a Bill to amend the Foreign Contribution (Regulation) Act, which seeks to make it mandatory for office bearers of any nongovernmental organisation to provide their Aadhaar numbers at the time of registration and also brings various other changes.

The Foreign Contribution (Regulation) Amendment Bill, 2020, was passed by the Lok Sabha, even as civil society organisations asked the government to stop looking suspiciously at them.

Amid concerns raised by various Opposition members about the Bill, Minister of State for Home Nityanand Rai said the legislation was not against any religion or NGO.

Replying to the discussion on the Bill, the minister asserted that legislation is necessary for an Atmanirbhar Bharat (self-reliant India) and that it will help curb misuse of foreign funds.

The Bill seeks to make it mandatory for office bearers of any non-governmental organisation (NGO) to provide their Aadhaar numbers at the time of registration.

Among other provisions, the Bill proposes to enable the Centre to allow an NGO or association to surrender its FCRA certificate, capping administrative expenses at 20 per cent, from the current 50 per cent. It also seeks to mandate civil society organisations to have SBI accounts at a Delhi branch (to be notified later) to receive foreign funds, and prohibits one Fcra-registered society to transfer funds to another which is also recognised by the Act.

Step up infra investment to spur growth: SBI Chief

The investment in infrastructure needs to be stepped up to spur demand and revive the economy, said State Bank of India (SBI) Chairman Rajnish Kumar at a webinar organised by the All India Management Association.

The data clearly shows that investment in the economy has come down, said the head of the country's biggest lender. "If the capital expenditure is not happening and investment in the economy is not happening at the same pace, then obviously this is a demand issue," he said.

In such circumstances, there is a need to create more businesses and entrepreneurs who have the wherewithal to invest in operations and borrow, he observed.

Asserting there is muted demand for loans, Kumar said banks are not risk averse, but are being prudent in these trying times to avoid a repeat of the post 2008 scenario when there was "dilution" in credit underwriting standards.

In a first, India makes it to top so of innovation index

India has moved four places on the Global Innovation Index (GII) 2020 to rank at 48 since 2019. This makes it the third most innovative lower middle-income economy in the world, according to the report. India at the 48th place also retains the highest rank in the central and southern Asia region.

The index, compiled by the World Intellectual Property Organization (WIPO), along with Cornell University and the INSEAD Business School, presents the latest global innovation trends and annual innovation ranking of 131 economies.

India increased the most in three pillars: Institutions (61, from 77 in 2019), business sophistication (55, from 65 in 2019), and creative outputs (64, from 78 in 2019), it noted.

Under institutions, the country's rank on indicators, such as political and operational stability (from 91 to 83), government effectiveness (from 65 to 55), and ease of resolving insolvency (from 95 to 47), improved remarkably.

Under business sophistication, indicators such as expenditure financed by business was not available last year; this time India came in at 48.

India also bettered its rank in both intellectual property payments (27, from 29 in 2019) and research talent (38, from 46 in 2019).

Domestic airlines can fly with 60% capacity: Govt

The government has allowed airlines to increase flights up to 60 per cent of their total capacity, against the previous cap of one-third capacity, aviation regulator Directorate General of Civil Aviation said. On June 26, the Centre had allowed the airlines to operate a maximum of 45 per cent of their pre-covid domestic flights. A senior government official said data has proved that air travel is the safest mode of transport due to its controlled access and complete traceability.

India in top 50 innovators club

For the first time, India has broken into the Top-50 club on the Global Innovation Index, riding on improvements in many parameters.

Ranked 48th, India not only improved by four positions since last year but also found a place among top three most innovative countries in the lower middle-income economy band.

Govt: Can retire central staffers prematurely

The Centre has made it clear it can, in public interest, prematurely retire its employees at any time even after they have attained the age of 50/55 years or completed 30 years of qualifying service, and not limit their 'performance review' to these two set milestones laid down in the pension rules. Moreover, even government employees cleared to be retained in service as per FR 56(j) and Rules 48 of CCS (Pension) Rules, 1972, may face further review at any time during their remaining service.

Government sources say the new rules seek to remove any ambiguity in interpretation of orders issued earlier. The earlier orders were regarding Fundamental Rule 56(j)/l and Rule 48 of the CCS (Pension) Rules, 1972, which provide for review of performance of a government servant after attaining 50/55 years of age or on completion of 30 years of qualifying service, with a view to ascertain if he should be retained in service or retired in public interest.

If a review cannot be undertaken due to non-adherence of set timelines due to administrative exigencies, the updated norms state in 'black and white' that such review can be undertaken at any time during his remaining service. That the August 28 O.M. eliminated the scope of ambiguity on whether the government servant is immune to a review of his performance and premature retirement.

India's import of refined palm oil drops to nil for the 2nd month

India's refined palm oil imports dipped to zero for the second consecutive month in August this year as against 2.57 lakh tonnes imported during the same month last year, according to trade body Solvent Extractors' Association of India (SEA).

The import restrictions placed on the refined palm oil (RBD Palmolein) has encouraged domestic processing as there has been a 23 per cent rise in crude palm oil (CPO) imports to 7,24,351 tonnes in August this year as against 5,87,329 tonnes recorded in the corresponding month last year.

Last year Malaysia had shipped excessive RBD Palmolien to India taking the advantage of lower duty concession, the SEA noted.

GST taxpayers to get more help in filing returns

Starting this month, GST taxpayers will have the assistance of auto-generated documents detailing tax liability and availability of input tax credit (ITC) to make it easier for them to file their monthly summary returns (GSTR-3B), the Goods and Services Tax Network (GSTN) said.

Usually, the taxpayers face two main issues while filing their GSTR-3B which are related to their liability and ITC. Till now, taxpayers were required to compute these values but now the system has been upgraded to enable linking of summary returns and the outward supply return or GSTR-1.

GST collections in August drop 12% to Rs. 86,449 crore

Central and state governments collected Rs. 86,449 crore as Goods and Services Tax (GST) in August, a 12% decline from the tax receipts in the same month a year ago.

August GST receipts is just a tad below the Rs. 87,442 crore collected in July, signalling that the tax on consumption is stabilizing as the country comes out of the lockdown restrictions and attempts an economic recovery. Official data showed that after settlement for inter-state transactions, central government collected Rs. 34,122 crore while states collected Rs. 35,714 crore in August.

During August, revenue from import of goods was 77% while the same from domestic transactions (including import of services) was 92% of the revenues from these sources during the same month last year. It may also be noted that the taxpayers with turnover less than Rs. 5 crore continue to enjoy relaxation in filing of returns till September, said the statement by the ministry of finance.

The GST revenue dip on account of imports shows the pandemic taking a toll on international trade, said Abhishek Jain, tax partner, EY. Domestic GST revenue at 92% year-on-year for operations in July is a sign of economic recovery after lifting the lockdown, explained Jain. The tax collections in August is in respect of transactions in July.

Over 380,000 firms struck off under law in 3 years: Govt

More than 380,000 firms have been struck off from official records under the companies law during the past three years, according to the government. In a written reply to the Rajya Sabha, Minister of State for Corporate Affairs Anurag Singh Thakur also said the term "shell company" is not defined under the Companies Act.

RIL 1st Indian co to hit $200 bn mcap

Reliance Industries (RIL) became the first Indian company to cross the ₹200-billion market capitalisation mark after its stock surged over 8% on the back of reports that global retailing giant Amazon has been offered a ₹20-billion worth of stake in its retail venture.

From being an entity with a market cap of nearly ₹43 billion a little over five years ago and a pure-play business-to-business (B2B) entity, RIL's market value has risen almost five times as it scaled up its two consumer-focused businesses - telecom and organised retail - during the intervening period. In the process, it has leap frogged to become one of the 10 most valued companies in Asia and also among the top 40 globally. RIL is the only Indian company in these exclusive clubs, Bloomberg data showed.

Direct tax refunds worth Rs. 1.06 lakh cr issued till Sept 15

Nearly 31 lakh direct tax assessees have been issued refund this fiscal.

"The Central Board of Direct Taxes issues refunds of over Rs. 1,06,470 crore to more than 30.92 lakh taxpayers between April 1 and September 15," a Finance Ministry statement said. This includes personal income tax refunds of Rs. 31,741 crore for over 29.17 lakh assesses. Corporate tax refunds account for Rs. 74,729 crore have been issued in over 1.74 lakh cases.

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Income-tax refund arises when taxes paid are higher than the actual tax liability (including interest). It could be in the form of advance tax, self-assessment tax, tax deducted at source, foreign tax credit etc. There is no separate procedure to claim an income tax refund. One can claim tax refund by filing the return of income in the usual manner.

A taxpayer is supposed to ensure that the return is electronically verified through Aadhaar number OTP, EVC generated through bank account or physically verified by posting the signed ITR-V (acknowledgement) to Centralised Processing Centre (CPC) within 120 days of filing the return. Normally, a taxpayer has a time limit of 120 days, from the date of return filing, to verify his/her returns. The earlier one gets the verification done, the earlier the CPC will process one's returns. Once the returns are processed by the CPC at the primary level for arithmetical errors etc, refund will be issued to the taxpayer.

Pre-filled GST return form soon, says GSTN CEO

Gst-registered businesses will soon get pre-filled Return form, GSTR-3B, GST Network Chief Executive Officer Prakash Kumar said. "We are moving towards providing taxpayers with a pre-filled GSTR-3B form so that they can pay taxes at ease. To start with, an option to edit the form would be provided to allow businesses to make past adjustments etc," he said.

PM launches scheme worth Rs. 20,050 crore for fisheries

Prime Minister Narendra Modi launched Rs 20,050-crore Pradhan Mantri Matsya Sampada Yojana (PMMSY) to boost production and exports in the fisheries sector as part of the government's aim to double farmers' income.

Through video conference, the Prime Minister also launched several other initiatives in the fisheries and animal husbandry sectors in Bihar, a state which is heading for the assembly polls in October-November.

Modi launched a mobile app e-Gopala that will provide solutions to farmers on livestock related issues and inaugurated Semen Station with state-of-the art facilities in Purnea with an investment of Rs 84.27 crore on 75 acres of land made available by the Bihar government.

After the launch, the Prime Minister interacted with farmers focusing on the livestock and fisheries sector. The PMMSY is a flagship scheme for focused and sustainable development of fisheries sector in the country with an estimated investment of Rs 20,050 crore for its implementation during 2020-21 to 2024-25 as part of Aatmanirbhar Bharat package.

The investment of Rs 20,050 crore under PMMSY is the highest ever in the fisheries sector, the PMO said.

Out of this, an investment of about Rs 12,340 crore is proposed for beneficiary-oriented activities in marine, inland fisheries and aquaculture and about Rs 7,710 crore investment for fisheries infrastructure.

UTI AMC set to go public with Rs. 3,000-cr issue

UTI Asset Management Company (UTI AMC) is planning to launch its Rs. 3,000-crore initial public offering (IPO) on September 29. The IPO is a pure offer for sale (OFS). State Bank of India, Life Insurance Corporation of India (LIC), Punjab National Bank, Bank of Baroda, and T Rowe Price International are selling shares. The issue will close on October 1, and the details of the price band are not known. The IPO includes a reservation of up to 200,000 shares to eligible employees. The offer constitutes 30.75 per cent of the post paid-up capital of the company.

Kotak Mahindra Capital, Axis Capital, Citigroup Global Markets India, DSP Merrill Lynch, ICICI Securities, JM Financial, and SBI Capital Markets are the book-running lead managers to the issue. UTI AMC is the second-largest asset management company in India in terms of total assets under management (AUM). The company caters to individual and institutional investors through a wide variety of funds and services.

Covid wipes out an estimated 500 million jobs worldwide

The damage to labor markets from the coronavirus is proving worse than anticipated, according to the International Labour Organization, which also sees a much slower recovery at the end of this year.

The ILO said that global working hour losses so far this year have been "considerably larger" than previously estimated. In the second quarter, working hours were 17% lower compared with the end of 2019, equivalent to almost 500 million jobs. That's up from 400 million projected in June.

The organization also estimates that labor income losses around the world -- excluding the offset from government support programs -- amounted to ₹3.5 trillion so far.

Govt extends suspension of new insolvency cases by 3 months

The government extended the time period, in which defaults by companies cannot be grounds for initiating insolvency proceedings, by three months, according to a notification by the Corporate Affairs Ministry.

The government, in June, issued an Ordinance preventing the initiation of insolvency proceedings against companies for defaults in the six-month period starting March 25 under the Insolvency and Bankruptcy Code (IBC).

L Viswanathan, partner at Cyril Amarchand Mangaldas, said the extension was in line with the time given to lenders and borrowers to restructure loans by the RBI, and "therefore if a restructuring is not initiated within the timeline stipulated by the RBI, lenders will have the right to initiate insolvency proceedings for future defaults."

Rs 1,350-cr J&K package 5% interest grant for all borrowers

Jammu and Kashmir Lieutenant Governor Manoj Sinha announced a Rs 1,350 crore relief and rehabilitation package for the business community in Jammu and Kashmir, in light of the Covid-19 economic slowdown.

The main component of the package is 5% interest subvention (a grant by the government) to all borrowers "irrespective of size", which would cost the administration Rs 950 crore, and would be available for six months in the current financial year, the LG said, terming the move unprecedented.

"There are special circumstances here. For the last several years, people involved in business, trade, industry or artisans have faced a lot of difficulties. I am happy to announce that the administration has approved a Rs 1,350 crore package for the business sector which has been battling an economic crisis," Sinha said, adding that the package was in addition to the announcements by the Prime Minister under the Aatma Nirbhar Bharat Abhiyan.

Increasing commercial borrowings push up external debt by 2.8%

India's total external debt increased by 2.8 per cent to USD 558.5 billion at the end of March mainly on account of a rise in commercial borrowings, according to a report released by the Finance Ministry. The external debt stood at USD 543 billion at end-March 2019.

The ratio of foreign currency reserves to external debt stood at 85.5 per cent as at end-March 2020, as compared to 76.0 per cent a year ago, the report said.

External debt as a ratio to GDP rose marginally to 20.6 per cent as at end March 2020 from 19.8 per cent a year ago, 'India's External Debt: A Status Report: 2019-2020' showed.

Compared to end-March 2019, sovereign debt shrank 3 per cent to reach USD 100.9 billion, it said, adding, this decrease was primarily due to a fall in FII investment in G-Sec - the second largest constituent - by 23.3 per cent to USD 21.6 billion from USD 28.3 billion a year ago.

Loans from multilateral and bilateral sources under external assistance- the largest constituent of the sovereign debt - grew 4.9 per cent to USD 87.2 billion, it said.

Non-sovereign debt, on the other hand, it said, rose 4.2 per cent to USD 457.7 billion mainly due to an increase in commercial borrowings - the largest constituent - by 6.7 per cent to USD 220.3 billion.

Outstanding NRI deposits - the second largest constituent - at USD 130.6 billion was almost equal to the level a year ago, it said.

In most emerging markets, as the economy expands, foreign debt typically accumulates to address shortage of domestic savings, India is no exception to this phenomenon.

Final approval given to 37 mega food parks: Ministry

The Food Processing Ministry said that so far it has given final approval to 37 mega food parks in 23 States and UTs and are under various stages of implementation.

In a written reply, the Ministry informed the Lok Sabha that 19 mega food parks out of the 37 are currently operational and that the government had envisaged a total of 42 mega food parks.

"This scheme is now a component of the new Central Sector Umbrella Scheme- Pradhan Mantri Kisan Sampada Yojana (PMKSY). The Mega Food Park Scheme (MFPS) aims at providing modern infrastructure facilities for food processing along the value chain from farm to market," it added.

As per the scheme guidelines, each fully operational mega food park will provide direct/indirect employment to 5,000 persons. The schemes aims to have a positive impact on increased realisation of farmers, reduction in wastage and creation of an efficient supply chain backed by collection centres, primary processing centres and logistic infrastructure, the Ministry added.

The scheme provides for a capital grant at the rate of 50 per cent of the project cost (excluding land cost) in general areas and at the rate of 75 per cent of the project cost (excluding land cost) in difficult and hilly areas - North East Region including Sikkim, J&K, Himachal Pradesh, Uttarakhand and ITDP notified areas of the States subject to a maximum of Rs. 50 crore per project.

Minimum qualification for board members of insolvency professional agencies proposed

The Insolvency and Bankruptcy Board of India (IBBI) has proposed setting minimum qualifications for members of governing boards of insolvency professional agencies (IPA) as well as introducing periodic self-evaluation by such agencies to strengthen their role in regulating work of insolvency professionals (IPs).

IPAs monitor the conduct and performance of IPs and initiate appropriate action against their members who do not comply with provisions of the Insolvency and Bankruptcy Code (IBC).

The IBBI has proposed an amendment to the bylaws of IPAs to set certain minimum qualifications for the appointment of independent and shareholder directors, which may include expertise in fields of finance, law, economics, management or insolvency.

Rs. 1.61-tn loans sanctioned to MSMEs under credit guarantee scheme

The Finance Ministry said banks have sanctioned loans of about Rs. 1,61,017 crore under the Rs. 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector reeling under the slowdown caused by the coronavirus pandemic.

However, disbursements against this stood at Rs. 1,13,713 lakh crore till September 3.

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 to mitigate the distress caused by lockdown due to COVID-19 by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs).

The latest numbers on ECLGS, as released by the finance ministry, comprise disbursements by all 12 public sector banks (PSBs), 24 private sector banks and 31 non-banking financial companies (NBFCs).

Benefit from scrapped flat deal is capital gain

If a Mumbaikar books a flat, then cancels the deal with the builder, and benefits by receiving a sum higher than the earnest amount paid, the excess will not be treated as a tax-free income. In tax parlance, it will not constitute a capital receipt. The Income-Tax Appellate Tribunal's Mumbai bench, in a recent order, ruled that the excess consideration received is in the nature of 'capital gains'.

In the absence of any contrary jurisdictional order, this ITAT order will also play a significant role in assessment of cases outside Mumbai.

The ITAT view is more favourable than the tax department's. An I-T officer, in the course of his assessment, had treated the excess sum minus the booking and earnest money as 'income from other sources'.

Under Section 54 of the Income-Tax (I-T) Act, if long-term capital gains arising out of a house sale are invested in another home in India within a stipulated period of time, then to the extent of such investment, the taxable component of capital gains is reduced. This results in a lower tax outgo. Thus, if the entire amount of long-term capital gains is invested, no tax is payable.

Anil Harish, an advocate specialising in real estate, told : "I agree with the ITAT view and it is a good decision. Years ago, in 1979, the Bombay high court had held that when a part-payment was made and a right was acquired, this amounted to a capital asset, even though the transaction had not been completed. On the sale of the asset, the surplus was to be treated as a capital gain. This high court order has been the foundation for several other decisions referred to in the recent ITAT order."

In this case heard by ITAT, Mukesh Sohanraj Vardhan, the taxpayer, had treated the benefit of Rs 18.75 lakh received from the builder on cancellation of his deal-flat booked in Vardhaman Heights, Byculla-as a long-term capital gain. He had invested a significantly higher amount in another house property within the stipulated time and thus claimed the benefit of Section 54. The I-T officer, though, sought to treat the sum of Rs 18.75 lakh as income from other sources-a position the commissioner of income-tax (appeals) upheld.

Govt relaxes timeline for submission of life certificate

The Centre has relaxed the existing timeline for submission of life certificate for Central Government pensioners up to December 31.

Central Government pensioners have to submit a life certificate in November for further continuation of their pension.

Keeping in view of the vulnerability of the elderly population to Covid, all Central Government pensioners can submit the certificate from November 1 up to December 31, said Jitendra Singh, Minister of State (Independent Charge), Development of North Eastern Region, MOS PMO, Personnel, Public Grievances, Pensions, Atomic Energy and Space.

However, pensioners in the age group of 80 years and above can submit life certificate from October 1 to December 31, said an official release.

During this extended period, the pension will continue to be paid uninterrupted by the Pension Disbursing Authorities (PDAs).

The Centre has also asked pension-disbursing banks to explore video-based customer identification process as a consent-based alternative method to establish the customer's identity for obtaining a life certificate from the pensioner, to the extent permitted by the RBI guidelines, the release added.

From Oct, 5% tax on foreign fund transfer

Any amount sent abroad to buy foreign tour packages, and every other foreign remittance made above Rs. 7 lakh, will attract a tax-collected-at source (TCS) beginning 1 October unless tax is already deducted at source (TDS) on that amount.

While the tax on foreign tour packages will be 5% for any amount, for other foreign remittances the tax will kick in only for the amount spent above Rs. 7 lakh.

For education-related foreign remittances funded by loans, though, the tax will be just 0.5% for the amount above Rs. 7 lakh, considering many Indian students take loans to pursue education abroad.

Under the Reserve Bank of India's liberalized remittances scheme, individuals can remit a maximum of ₹250,000 abroad every year. The provision to collect tax on remittances was introduced in the Finance Act of 2020 subject to riders and notified on 27 March to take effect from 1 October.

Many financial institutions have communicated the applicability of tax-collected-at source on remittances from October to customers.

The Union finance ministry has been extending the scope of both tax-deducted at source and tax-collected at source, and encouraging electronic payments in order to have a better idea of transactions in the Indian economy and to be able to match the spending pattern of assessees with their reported taxable income.

Forex reserves surge $3.8 bn to all-time high of $541.4 bn

The country's foreign exchange reserves surged by ₹3.883 billion to touch a life-time high of ₹541.431 billion in the week ended August 28, the Reserve Bank of India (RBI) data showed.

In the previous week ended August 21, the reserves had risen by ₹2.296 billion to ₹537.548 billion. In the reporting week, the forex kitty rose mainly on the back of a jump in foreign currency assets (FCAs), a major component of the overall reserves.

FCAs increased by ₹3.925 billion to ₹498.094 billion, the central bank data showed.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

The gold reserves were down by ₹64 million in the reporting week to ₹37.2 billion, as per the RBI data. The special drawing rights with the International Monetary Fund (IMF) remained unchanged at ₹1.481 billion. The country's reserve position with the IMF rose by ₹22 million to ₹4.657 billion during the reporting week, the data showed.

VC funding flows back in Q2, bets big on digital

Early stage venture investments have picked up significantly since July, after a relatively slow period of deal-making in the previous quarter, multiple investors told.

The pandemic is throwing up opportunities for new digital businesses, prompting more entrepreneurs to enter the fray. Deal flow and the number of startup ideas a venture firm evaluates

registered a 50 per cent-plus uptick from the previous quarter, according to at least six funds ET spoke to, with some also attesting to an improvement in the quality of founders.

"There has been a gradual realisation in July-August that this post Covid-19 world is going to be the new normal for some time," said Karan Mohla, executive director at Chiratae Ventures India Advisors, which is evaluating more than 250 deals every month - a level comparable to its deal flow in January.

Other funds such as Inventus Capital Partners, Lightspeed Venture Partners, Matrix Partners, WaterBridge Ventures and Orios Venture Partners said deal activity had picked up relative to April-June.

The massive fund-raising of Reliance Jio Platforms has also piqued the interest of many new investors, said venture capitalists. These new investors are eager to grab a share of India's digital and technology sector, said venture capitalists, who have been galvanised into action by the realisation that the calendar year is ending.

In contrast, in the first half of 2019 - one of the busiest years for early stage VC funds and startup investments - number of early stage deals was 476, compared to 240 in 2020, Tracxn data showed.

Firms with up to 300 workers can hire and fire without Govt nod: Bill

The government has proposed to introduce more conditions restricting the rights of workers to strike, alongside an increase in the threshold relating to layoffs and retrenchment in industrial establishments with 300 workers, from 100 workers or more at present - steps that are likely to provide more flexibility to employers for hiring and firing workers without government permission.

These changes have been proposed in The Industrial Relations Code Bill, 2020, introduced in Lok Sabha. Labour and Employment Minister Santosh Kumar Gangwar also introduced two other labour code Bills: The Code on Social Security, 2020, and The Occupational Safety, Health and Working Conditions Code, 2020.

The Industrial Relations Code has raised the threshold for requirement of a standing order - rules of conduct for workmen employed in industrial establishments - to over 300 workers.

Trade welcomes India-Maldives cargo ferry service from Sept 20

The Federation of Indian Chambers of Commerce and Industry has launched virtual road shows at three ports ahead of the launch of a direct cargo ferry service from Thoothukudi via Kochi to Maldives.

M Beena, Chairperson, Cochin Port Trust, who was the chief guest, said the cargo service has received a very good response from the trading community in Kerala especially from Malabar region.

The freight from Beypore and Azheekal ports is expected to reach Kochi by road and by sea to Mali. In addition, large-scale exporters from ports such as Kandla on the west coast to Mali via Kochi are expected.

India accounts for only 9.7 per cent of the Maldives's total imports, so there is huge opportunity for Indian traders, she said.

Shadow banks seek special fund for 3-5 yr loans

Non-banking financial companies (NBFCS) want the government to set up a dedicated fund through which they can get loans with tenures of three to five years, as it will help the cash-strapped sector maintain a healthy asset-liability match.

In a representation to Union Finance Minister Nirmala Sitharaman, the Finance Industry Development Council (FIDC) said the average tenure of loans extended to the majority of customers (individuals and MSMES) is 24-48 months. However, funding under the partial credit guarantee scheme, special liquidity scheme, and the refinancing being done by Sidbi are for a short tenure of six months to 18 months.

The tenure of refinancing should be increased to at least 36 months for a healthy asset-liability profile, said the lobby group for NBFCS.

The all-india financial institutions - Sidbi and Nabard - may be assigned the role of refinancing. All NBFCS, irrespective of their size and credit rating (even unrated), should be eligible to get funds, the FIDC said.

The key balance sheet parameters such as capital adequacy ratio, non-performing assets (NPAS), track record along with promoters' experience and understanding of the market, should be the important consideration for extending financial support to NBFCS.

It said bank lending to NBFCS for on-lending to priority sector to be treated as priority sector lending for banks.

There is a need to carve out a space for small and mid-sized NBFCS within the sectoral cap in bank lending. While NBFCS account for 20 per cent of total credit in the economy, most banks have capped the exposure to the sector (NBFCS) at 8-9 per cent.

India Inc raises record Rs. 4-lakh cr via bonds

Corporates have mopped up a record Rs. 4-lakh crore from the bond market between April and September 17. This is the highest amount raised via rupee bonds in the beginning of the year since 2015, according to Bloomberg data.

Covid-hit corporates rushed to raise funds from the bond market as risk averse banks refused to lend fearing default. The unprecedented lockdown and subsequent hit on the economy has taken a heavy toll on India Inc.

Nominal GDP to grow at 19% in FY22: Govt

India's economy is likely to rebound 19% in the next fiscal without adjusting for inflation after recording what economists estimate will be the deepest contraction in the country's history in the prior year, according to the finance ministry's estimates.

It is a bit more modest than some optimistic estimates that the Fifteenth Finance Commission has received from experts, the Commission's chairman, NK Singh, said in an interview, citing a presentation made by the finance ministry's chief economic adviser, Krishnamurthy Subramanian.

"We had to make projections about the rebound from a very low base year. The chief economic adviser said in a presentation that it could go as high as 19%, while some even said it could be 21% as an extreme case, and others said it could be more modest," said Singh.

Timeline 21 months, Tata projects to build new parliament

Tata Projects Limited won the bid to construct the new Parliament building - a part of the Central Vista redevelopment project.

An official of the Ministry of Housing and Urban Affairs said Tata Projects Ltd had submitted a bid of Rs 861.90 crore. According to the Central Public Works Department (CPWD), the construction cost was estimated at Rs 889 crore. Larsen and Toubro (L&T) submitted a bid of Rs 865 crore.

According to the original plan, the new building was to be ready by 2022, to coincide with 75 years of Independence. The construction is expected to take about 21 months.

The Central Vista redevelopment project envisages a triangular Parliament building, a common central secretariat and revamping of the 3-km-long Rajpath, from Rashtrapati Bhavan to India Gate. ❑

MUTUAL FUND NEWS

Sebi introduces very high risk category in mutual fund schemes

Sebi has revamped the product labelling on mutual fund schemes under the risk-o-meter by introducing "very high risk" category to warn investors. The existing five categories to measure risks are - low, low to moderate, moderate, moderately high, and high. Based on the scheme characteristics, mutual funds will assign a risk level for schemes at the time of launch of scheme/new fund offer, Sebi said in a circular.

It further said any change in risk-o-meter will be communicated by way of notice-cum-addendum and by way of an email or SMS to unit holders of that particular scheme. Risk-o-meter will be evaluated on a monthly basis and mutual fund houses will have to disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on the industry body Amfi website within 10 days from the close of each month.

Sebi said mutual funds will have to disclose the risk level of schemes as on March 31 of every year, along with the number of times the risk level has changed over the year, on their website and Am website. The risk in equity funds will be judged on the basis of three parameters - market capitalisation, volatility, and impact cost.

For investment by mutual funds in instruments having short-term ratings, Sebi said, "the liquidity risk value and the credit risk value shall be based on the lowest long term rating of the instrument of the same issuer (in order to follow conservative approach) across credit rating agencies". However, if there is no long term rating of the same issuer, then based on credit rating mapping, the most conservative long-term rating will be taken for a given short-term rating.

Sebi said mutual funds need to publish scheme in a tabular form scheme-wise changes in risk-o-meter in the annual reports and abridged summary. The product label will be disclosed on the front page of the initial offering application form, Scheme Information Documents (SID) and Key Information Memorandum (KIM). Also, it needs to be disclosed on the common application form - along with the information about the scheme. Scheme advertisements should be placed in a manner so as to be prominently visible to investors. "Change in risk-o-meter will not be considered as a fundamental attribute Change of the scheme in terms...of Sebi (Mutual Fund) Regulations," the regulator noted.

This directive will be in force with effect from January 1, 2021, to all the existing schemes and all plans to be launched on or thereafter. However, mutual funds may choose to adopt this directive before the specified time period. "Sebi has come up with a detailed description of risk associated with debt, equity and derivatives instruments.

This will enhance the risk information available to Investors and Investors can now map their investments based upon their risk profile. "This is a very good initiative from Sebi and looking at the recent experiences where there has been a gap between perceived risk and actual risk and quite pragmatic approach for the protection of Investors interest," said Omkeshwar Singh, head RankMF at Samco Securities

Forensic reveals more wrongdoings in Franklin Templeton

A forensic audit has indicated several

wrongdoings, including insider trading, by the key management personnel of Franklin Templeton Asset Management (India).

Certain key officials of the fund had redeemed their personal investments just before the formal announcement of the closure of six debt schemes and made money during that time, the audit report by Choksi & Choksi pointed out.

According to sources, "capital markets regulator Sebi may look into these redemptions from the perspective of insider trading regulations."

The fund is currently facing several court cases and investigations, including one by Sebi, for allegedly closing six schemes in an abrupt manner.

The Choksi & Choksi report indicates that the fund gave favours to certain companies it had invested in by not exercising the put option, despite the suggestions given by the risk management committee to its Chief Investment Officer to do so.

A put option is a contract that gives its holder the right to sell a number of equity shares at a pre-determined price, called the strike price, before the option's expiry.

As per the report, fund managers were inconsistent in exercising the put option. With some companies, they executed it, but with some others, they didn't, despite a major downgrade from category A to category D grade in less than a year's time.

Rules permit fund managers to execute the put option when investments are downgraded by credit rating agencies.

Amit Tandon, Managing Director, IIAS Proxy Advisory, firm told: "Clearly, it appears that a lot was going on in the back-end. If something is too good to be true, you need to look under the hood. This holds not just for investors, but even the board and trustees."

On April 23, 2020, Franklin Templeton wound up six debt schemes that were meant for high-yield investments, with a total asset under management of over Rs 25,000 crore. The company cited inadequate liquidity in the debt market as a reason.

The forensic audit pointed that the firm invested heavily in unlisted debt securities, which were mainly illiquid. Some of those companies were newly incorporated.

Mutual Funds industry assets base rise 12% to Rs 27.6 lakh crore in September quarter

Mutual fund industry's asset base rose by 12 percent to Rs 27.6 lakh crore during the September 2020 quarter, primarily on account of rebound in markets.

The average asset under management (AAUM) of the industry, comprising 45 players, was at Rs 24.63 lakh crore in April-June quarter this year, according to data by Association of Mutual Funds in India (Amfi).

All top 10 fund houses -- SBI MF, HDFC MF, ICICI Prudential MF, Aditya Birla Sunlife MF, Nippon India MF, Kotak MF, Axis MF, UTI MF, IDFC MF and DSP MF -- witnessed an increase in their respective average AUMs during the September quarter.

Notably, Axis MF, UTI MF, SBI MF and Kotak MF have witnessed an increase in the range of 14-16 percent in their assets base beating the average industry's growth of 12 percent.

According to Vidya Bala, co-founder of Primeinvestor.in, market rebound caused the growth in the industry's AUM on a quarter-on quarter basis.

"Otherwise steady outflows from equity funds is a sign of lack of confidence in funds by retail investors. The uncertainty caused by COVID-19 has also prompted investors to redeem and keep assets in cash," she added.

Omkeshwar Singh, Head RankMF at Samco Securities, said the AAUM of September quarter is higher compared to June quarter majorly due to appreciation in value of existing holding in equity oriented funds -- rise on the equity markets.

"In the debt side, there has been incremental inflows of nearly Rs 1 lakh crore and mostly in July 2020," he added.

SBI Mutual Fund, which continues to be the largest fund house in the country, saw its asset base growing 15.6 percent to Rs 4,21,364 crore. It had an average AUM of Rs 3,64,363 crore in the preceding quarter.

HDFC MF saw its asset base rising by 5.4 percent to Rs 3,75,516 crore during the period under review, from Rs 3,56,183 crore in the June quarter.

ICICI Prudential MF posted an average AUM of Rs 3,60,049 crore in September quarter, against Rs 3,26,291 crore in June quarter, indicating an increase of 10.3 percent.

Aditya Birla Sunlife MF and Nippon India MF have seen their average AUM growing by 11 percent each to Rs 2,38,674 crore and a little over Rs 2 lakh crore respectively.

Kotak MF' average AUM spiked by 14.5 percent to Rs 1,91,598 crore in three months ended September 30 from Rs 1,67,326 crore in the preceding quarter.

The asset base of Axis MF climbed by 16.3 percent to Rs 1,56,255 crore in September quarter while that of UTI MF accelerated by 16.1 percent to Rs 1,55,190 crore.

UTI MF, which has recently concluded its initial public offering, had an AAUM of Rs 1,33,631 crore in the June quarter.

The average AAUM of IDFC MF and DSP MF went up by 12.3 percent and 12 percent to Rs 1,14,335 crore and Rs 82,286 crore respectively.

In the June quarter, the industry had registered an 8 percent decline in AUM on account of outflow pressure both in debt and equity.

Aditya Birla Sun Life Mutual Fund launches 'Special Opportunities Fund'

Aditya Birla Sun Life AMC has launched Aditya Birla Sun Life Special Opportunities Fund, an open-ended equity scheme following the special situations theme. Aditya Birla Sun Life Special Opportunities Fund will be managed by Senior Fund Manager Anil Shah. The fund management team also includes Chanchal Khandelwal and Vinod Bhat.

"Markets have a way of offering special opportunities to stock pickers. Sometimes it will favour growth companies and sometimes value companies. In times of uncertainty, even the good companies get impacted due to some reason or the other.

Money managers have to look at the hidden value that can be unlocked from these companies in times ahead. These opportunities backed by good managements enhance the probability of success of these companies. An avid stock picker will be on the lookout for these kind of potential opportunities.

This fund will be run by a team that has immense experience in identifying and investing in such opportunities and have a track record of identifying trends early on. We are already in a special situation market due the unprecedented nature of the times we are in. We believe that the time is just right to benefit from many special opportunities that exist today in terms of new emerging trends, existing businesses adapting and evolving, and a big consolidation in many industries that is underway," says A. Balasubramanian, MD & CEO, Aditya Birla Sun Life AMC.

The fund will seek to have a focused portfolio through bottom-up approach of stock selection based on the size of opportunity, prospects of future growth and scalability, potential of growth in return on equity, and margin of safety. The portfolio will be sector and market cap agnostic.

The fund can also invest upto 25% of the corpus in international opportunities pertaining to special situations.

"In addition there is abundant liquidity which is favourable for equity markets, make this the perfect time to look for these opportunities and come into this fund with an investment horizon of five years or more", adds Balasubramanian.

The minimum application amount for this fund is Rs. 500 and in multiples of Re 1 thereafter, during the NFO period. Investors can come into this fund both in the SIP or Lumpsum route.

Three held for defrauding coop bank of Rs 6 crore

CID (crime) Surat recently nabbed three persons accused for defrauding Kalupur Commercial Cooperative Bank of Rs six crore by not repaying loan. Police booked Bhavesh Patel, 36, his father Bhagwan Patel, 58, and uncle Ashwin Patel, 56, for cheating, forgery and criminal breach of trust. They had allegedly forged mortgage papers while borrowing, investigation by the bank revealed. The complainant was lodged by the bank's assistant manager Jayesh Sakaliya. Police also booked Hemang Parikh, former manager of the bank's branch Mumbai and HT Shah, a property valuer.

Investigation so far revealed that Bhavesh had taken a loan of Rs 6crore in 2016 from the bank's Mumbai branch for a unit he owned in Surat district. He had mortgaged the unit for Rs Rs 3.10 crore unit and bungalow worth Rs 45 lakh. He declared the value of these properties to around Rs 6 crore for which he took help of Parikh and Shah.

The accused later declared their inability to repay the loan which was declared a non-performing asset (NPA) by the bank. When the bank tried to seize the mortgaged properties, they came to know the actual value. "Bhavesh borrowed the loan in the name of his father and uncle who are actually not doing business. Bhavesh himself became guarantor but he is mastermind of the fraud," said a CID officer.

CO-OPERATIVE BANK NEWS

NABARD to refinance Rs. 800-cr. loans

National Bank for Agriculture and Rural Development (NABARD) announced a special refinance facility to support the government''s Water, Sanitisation and Hygiene (WASH) programme.

An amount of Rs 800 crore has been earmarked for this purpose for the financial year 2020-21, NABARD said in a statement.

NABARD will provide concessional refinance to all eligible financial institutions, including commercial banks, regional rural banks and cooperative banks, with a repayment period of up to 36 months.

"The support will be channelised to fund WASH activities, a thrust area eligible for 95 per cent refinance. The bank credit will also be extended to NBFCs-MFIs (Non-Banking Financial Companies-Microfinance Institutions) and other MFIs (Societies, Trusts, etc)," it said.

Speaking on the new refinance product, NABARD Chairman G R Chintala said it will further strengthen efforts for the betterment of the rural sectors while supporting the government''s mission of ensuring sustainable and healthy lifestyle amid the COVID-19 pandemic.

"The financial institutions will be better placed to improve credit flow to the sanitation sector in rural India where vulnerable communities do not have access to WASH facilities," he noted.

The funding will support eligible activities such as construction, repairing, enlarging of household toilets or converting an existing toilet to an accessible family toilet, domestic water motor pump, bore well/ tube well, sumps, rainwater harvesting structures, community water purifier plants and waste-water systems.

While the initiative will act as a boost to the ''Swachh Bharat Mission'', it will also encourage rural youth, small and medium enterprises and SHGs (Self Help Groups) to undertake commercial activities in the sanitisation sector, the statement said.

RBI lays down new tier-wise cyber security guidelines

RBI laid down a set of new cyber security guidelines for urban cooperative banks, in the wake of a rising number of cyber attacks in the recent past. RBI said that it has become essential to enhance the security posture of UCBs to prevent, detect, respond to, and recover from cyber-attacks. The central bank further said that considering the heterogeneity of the UCB sector in terms of size, regions, financial health, and digital depth, it was recognised that a 'one size fits all' approach may not be suitable while prescribing cyber security guidelines for UCBs.

Based on risk exposure in terms of the digital services offered by the UCBs, a differentiated tier-wise approach will be followed while prescribing cyber security controls for UCBs. The Reserve banks said that the approach will ensure that the UCBs with high IT penetration and offering all payment services are brought at par with other banks having mature cyber security infrastructure and practices. The Board of the UCBs will have the responsibility to implement the cyber security controls.

However, the cost of enhanced security may also reach to the bank customers. Considering that implementation of the cyber security framework would be a cost-intensive process, the responsibility for implementation, monitoring, compliance, and the response would have to be assigned from the Board level and percolate down till the end-user, RBI added.

RBI's 'Vision for Cyber Security' for UCBs - 2023 includes a five-pillared strategic approach, which are Governance Oversight; Utile Technology Investment; Appropriate Regulation and Supervision; Robust Collaboration; and Developing necessary IT, cyber security skills set. Meanwhile, for the UCBs with higher digital depth, the IT/IS Governance

Framework would include appointing a Chief Information Security Officer (CISO) and setting up various committees such as IT Strategy Committee, IT Steering Committee, etc.

Directors of Ghaziabad Bank charged for Rs. 100 Crore Scam

24 directors of Ghaziabad's now defunct Mahamedha Cooperative Bank have been charged for allegedly misappropriating around Rs. 100 crore, according to an FIR lodged in Ghaziabad.

The case was lodged following an audit by a company engaged by the Cooperative Department. The company in its report named the errant directors and officials.

In a complaint to police, Cooperative Department Assistant Commissioner and Registrar Devendra Singh alleged the bank officials sanctioned loans to ineligible customers. He said Rs. 99.85 crore was embezzled.

Devender Singh said properties of seven people who took hefty loans from the bank have been attached. Properties of other borrowers will also be attached, he said.

The case will be investigated by the cooperative cell of the UP police, SP (City) Abhishek Verma told.

3 held for fraud with Kangra cooperative bank

The Una Vigilance and Anti-Corruption Bureau today arrested three persons, including an employee of Kangra Central Cooperative Bank (KCCB), for their alleged involvement in the misappropriation of funds in the name of the polyhouse scheme under which farmers are given a subsidy of 80 per cent of the cost of the unit.

Sagar Chand, ASP, Una vigilance bureau, said that in March this year, the KCCB had lodged a complaint with their office for investigation into a series of irregularities in Gagret, Panjawar and Kutheda Jaswalan panchayats of Una district with regard to the polyhouse financing scheme.

He said that in March 2015, mastermind of the scam Kuldip Chand, who was working in the loan department of the bank, sanctioned a bogus loan in the name of Balwinder Singh of Kutheda Jaswalan panchayat for a polyhouse unit, the subsidy amount on which was Rs 15 lakh. This was done without the knowledge of the beneficiary and hence the polyhouse was never constructed. However, the first subsidy installment of Rs 11.26 lakh released by the government was credited to the bank account of Madan Lal of Amb.

Later, another subsidy installment of Rs 3.74 lakh was diverted to the bank account of Dinesh Kumar of Kutheda Jaswalan village. Both Madan Lal and Dinesh Kumar had nothing to do with the polyhouse scheme, but had connived with Kuldip. The subsidy amounts from both bank accounts were later withdrawn and allegedly shared by the three accused - mastermind Kuldip Chand, Madan Lal and Dinesh Kumar.

Meanwhile, victim Balwinder started receiving notices from the bank when the loan amount swelled to Rs 23 lakh, said Sagar Chand. Another bogus loan of Rs 5 lakh for starting a shuttering business that he never took also stood against the name of Balwinder in the KCCB branch.

The ASP said that a case under the IPC and the HP Prevention of Specific Corrupt Practices Act had been registered against the trio.

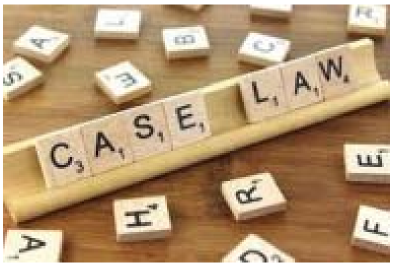
Kerala Bank earns Rs 374 crore in 4 months

Kerala Bank has earned a revenue of Rs 374.75 crore in four months since its formal inception in November 2019, cooperation minister Kadakampally Surendran said recently revealing the first balance sheet of the bank. Braving several odds, Kerala Bank has come into being in last November by amalgamating 13 district cooperative banks and the state cooperative bank.

The Malappuram district cooperative bank stood against the merger and continues to function as a separate entity. During 2019-20 fiscal, the bank did business worth Rs 1,01,194 crore. During the merger, the cumulative loss of the banks was Rs 1,150.75 crore. In four months, the cumulative loss could be brought down to Rs 776 crore, the minister said.

The Covid related financial stress has disrupted the loan repayment flow, leading to a spurt in NPAs. The bank has a reserve capital of Rs 1543.44 crore, Kadakampally said. The bank has seen a spurt of Rs 1525.8 crore in investments and an increase of Rs 2,026.40 crore in loans. Kadakampally said the bank would soon introduce a new loan scheme worth Rs 1,000 crore which is aimed at providing 17,000 new employment opportunities.

With the backing of NABARD, 10 mobile-banking vans would soon hit the roads and 1,500 micro ATMs would be installed. In order to simplify the recovery proceedings, the bank would soon launch a onetime settlement scheme. NABARD sponsored food processing industry loan and agro industry loans would soon be launched, the minister said. During the current fiscal, farmer loans worth Rs 1,543.44 crore was distributed through primacy cooperative societies. A total of Rs 3,676.49 crore was given out as gold loan, Rs 425.86 crore as mortgage loan and Rs 195.83 crore as housing loan. In addition to this, cooperatives were given loan worth Rs 2,887.35 crore during the current financial year.



LEGAL CASES

Kerala HC allows bank to return FDs in EMIs

Debtors moving the court for an equated monthly instalment (EMI) option to pay off loans declared as nonperforming assets is common. But now, a bank has sought EMI facility to return fixed deposits, and the Kerala high court has allowed it.

The Pattanakkad Service Cooperative Bank near Cherthala was responding to a petition filed by an investor, Dr Divya Prakash of Pattanakkad, questioning the bank's refusal to return the fixed deposits she made in 2013.

Admitting the veracity of fixed deposit receipts produced by the petitioner and liability, the bank's counsel sought the court's permission to repay the amount in 10 EMIs citing financial constraints. The court directed the bank to repay the amount covered under eight fixed deposit receipts in 10 EMIs from October 10.

Petitioner's counsel advocate B Pramod said the bank was in financial trouble, allegedly due to mismanagement, and a few other customers had also approached the high court to get back their deposits.

SC: Backwardness can't justify 50% cap breach

The Supreme Court has said that social, educational and economic backwardness or inadequate representation of a community in public services cannot be a ground to grant it reservation in breach of the 50% ceiling fixed by the court. A bench of Justices L Nageswara Rao, Hemant Gupta and S Ravindra Bhat said relaxation of the "strict rule of 50% can be made in certain extraordinary situations".

The bench stayed operation of the Maharashtra law to grant reservation to Marathas holding that the government prima facie failed to make a case to justify its decision. The judgment underscores the primacy of the quota ceiling the SC laid down in the Indra Sawhney case and will serve to constitute a high threshold for governments seeking to provide reservation in breach of it.

The bench said, "The social, educational and economic backwardness of a community, existence of quantifiable data relating to inadequacy of representation of the community in public services and deprivation of the benefits flowing from reservations to the community are not exceptional circumstances for providing reservations in excess of 50%."

"We are of the prima facie opinion that the high court committed an error in treating the above factors as circumstances which are extraordinary, warranting relaxation of the strict rule of 50%," the bench said while disagreeing with the HC order which had upheld the validity of the Socially and Educationally Backward Classes Act under which reservation for the Maratha community was granted in jobs and educational institutions.

The bench said implementation of the law during pendency of the case would cause "irreparable loss" to the candidates belonging to the open category as it would be difficult to cancel the admissions made in educational institutions and appointments made to public posts at a later stage if the law is declared invalid and unconstitutional.

Centre to SC: Moratorium on loan repayment can be extended by 2 years

The Centre informed the Supreme Court that moratorium on repayment of loans allowed during the Covid-19 crisis can be extended by up to two years. Meanwhile, the apex court will take up the matter again; it indicated to the parties that there will be no more adjournment.

The RBI had allowed banks and other financial institutions to offer a six-month moratorium to individual and corporate term loan borrowers to tide over the financial crisis precipitated by the pandemic-induced lockdowns.

The government stand came a day after the six-month moratorium period ended on August 31. The Bench, headed by Justice Ashok Bhushan and comprising Justices RS Reddy and MR Shah, was hearing a plea on waiver of interest rate. It had asked the Centre and RBI to review the move to charge interest on EMIs and interest on interest during the moratorium period.

Appeals will be filed at courts in assessee's state, clarifies CBDT

With income-tax appeals going faceless, will all writs and appeals at the higher level such as the income-tax tribunal or high court have to be filed in Delhi? This is among taxpayers' key concerns as all orders will be issued through the National e-assessment Centre in Delhi.

However, senior officials at the Central Board of Direct Taxes (CBDT) have clarified that the appeals at the tribunal or high court will be filed in the state where the assessee resides.

Though all appeals till the Commissioner of Income Tax (Appeals) level will go faceless, personal hearing might be allowed via video-conferencing in some cases after approvals from designated senior officers.

CIT (Appeals) is the first level of appeal against a demand raised by the assessing officer. Appeals against orders at the CIT level can be filed at the Income Tax Appellate Tribunal (ITAT) and later in high courts and the Supreme Court.

"All appeals will be filed on the e-filing portal. Suppose one has to go to the ITAT or high court, it will be in the address of jurisdiction of the taxpayer. For example, if the taxpayer's address in her PAN card or returns is Mumbai, the litigation will also be in Mumbai," an official clarified.

However, appeals will be randomly sent to CIT (Appeals) in any city other than the place of residence of the taxpayer.

"With faceless schemes kicking in, the appeals like in case of assessment will be sent to commissioner appeals in a city other than where the taxpayer resides," said the official.

The order passed by CIT (Appeals) will run through the risk management system (RMS), which uses artificial intelligence to flag outliers and picks up cases that require a review. The RMS technology is supported by

Tata Consultancy Services. Cases requiring a review according to the RMS will be sent to a commissioner of appeals in a second city. "Based on the faceless appeals order, either the department or a taxpayer can move ITAT," said an official.

will be allowed to take the help of technical units, comprising chief commissioner level officers, which are tasked with providing officers with legal and sectoral advice.

Besides, personal hearing may be allowed in certain cases through video-conferencing, after approval of the principal chief commissioner (PRCCIT) or chief commissioners of income tax (CCIT).

"Suppose a person says, I want personal hearing, we are making a rule where we are giving power to PRCCITS or CCITS to examine whether personal hearing is needed. But it will be via video-conferencing as we do not want any interface," the official said.

For submissions that are not in English, verification units under the 30 regional e-assessment centres in 20 cities may be used for translation. "Some submissions or documents can be in a different language. There we are making arrangements for translation. It should not be very difficult," said the official.

Tax consultants are apprehensive about the effectiveness of the scheme and worry that litigation may go up at the tribunal level. Tax experts argue that assessees prefer presenting their arguments in person.

However, a senior CBDT official pointed out that assessees are used to face-to-face hearing, whereas now they will need to develop the skill of writing. "If they expect self-explanatory orders, then you need to give self-explanatory submissions also," he said.

Amit Maheshwari, partner, AKM Global, said discussion in person becomes important at the first stage of appeal by the taxpayer, which is generally missing in faceless appeals.

"In the case of faceless appeal proceedings, most discussions generally happen electronically without any personal interaction, which ends up making the issue more complex," he said.

The commissioner has the power to confirm, reduce, enhance or annul the existing order and if taxpayers fail to convince the commissioner, the assessees may not get relief. "The risk of enhancement or confirmation of tax demand is substantial," Maheshwari said. ❑

Finway join hands with Alphabot.ai, a pioneer of algorithmic trading in India

After leaving an indelible imprint in segments like Loan, Finance, Advisory, and Insurance, Finway, one of India's leading Financial Services Company, has decided to venture into the field of stock trading by joining hands with Alphabot.ai, a pioneer in algorithmic trading in India.

Unlike traditional mutual funds, Alphabot.ai deals in automated trading of stocks and derivatives with the help of algo trading strategies. A major upside to automated trading over other forms of stock trading is that it makes trading quite simple and hassle-free. In manual trading, the trader has to constantly monitor the stock market for ups and downs – which means sacrificing comfort and staying focused all the time on the stock market. Also, when a trader is making buying and selling decisions solely based on instincts, it can often result in blunders as humans are prone to greed and fear. Such irrational impulses govern us all the time and force us to make choices that aren't often in our best interest.

These are the major problems that Alphabot.ai seeks to address. By taking the help of ever-advancing computer software and diligently crafted trade algorithms, Alphabot.ai makes sure that the burden is lifted off from the trader's shoulders.

Addressing the tie-up with Alphabot.ai, Mr. Rachit Chawla, Founder and CEO, Finway, said, "We are firm believers in innovation and providing the maximum value to the customers. During our existence as a financial services company, we have tried to consolidate the fragmented lending channel and we've brought transparency to the table as well. As the next step towards the fulfillment of our dream of "empowering people financially", we have started providing algorithmic trading services by tying up with Alphabot.ai, a company that is a pioneer of algorithmic trading in India. Finway has always been an organization that motivates people to fulfill their dreams, and we will continue to tread this path with utmost zeal and we'll do everything in our power to spread financial literacy in the country."

Alphabot.ai is a trading interface for all types of investors and traders. It entertains Retail customers, who would like to trade profitable strategies automatically, and it also accommodates strategy developers, who can put up their strategies that can be traded by others, and in turn, the strategy developers get monetary benefits.

Traders and investors can make a precise entry, exit, and money management rules in the automated trading systems. Alphabot.ai offers automation of complex trading strategies in Equity, Forex, and Derivative markets.

Mr. Aseem Singhal, Co-founder, Alphabot.ai, said, "We are elated to have partnered with Finway and we'll be working together towards achieving our mutual objective of providing financial independence to all individuals. Our huge distribution network can be greatly leveraged to get this great product in the hand of the consumers. As contemporary time demands, getting a product for automated stock trading was imperative and hence the product and our association is in line with customers' requirements."

ESAF Small Finance Bank Announces Fintech Conclave 2020

ESAF Small Finance Bank has announced its first Fintech Conclave for the country's cutting edge fintech companies who can redefine the future of digital banking with innovative technologies and to be a partner in rebuilding India. The conclave endorses entrepreneurship in the banking sector and is open for start-ups, established and growth-phase technology firms, social innovators and entrepreneurs having innovative solutions that align with ESAF's core mission to provide responsive banking services to the underserved and unserved population of India.

Through this conclave, ESAF provides fintech firms a platform to showcase their new digital banking solutions that facilitate last mile financial inclusion. The competent finalist can eventually become a long term strategic partner of the bank as the co-creator of new financial digital products that will be the latest enhancement to happen in the banking sector.

The new normal evolved post the Covid-19 pandemic has given fillip to contactless digital banking and the banking sector is exploring more such solutions that would enhance customer experience and technology-based service delivery. It is here the Fintech Conclave 2020 inviting entrepreneurs who offer digital solutions to multipartite banking, to have a say. As the banking sector exploring new digital avenues with customer satisfaction in the spotlight, the doors are wide open for fintech entrepreneurs to devise digital products that meet the need.

PhonePe to digitize 25 Million small merchants across 5500 talukas in India

PhonePe, India's leading digital payments platform today announced that it will enable digital payments for over 25 million small merchants across India in the next one year. The company will also onboard these kiranas on its PhonePe for Business app, offering them end-to-end control of the payment process including instant payment confirmations, receipts and reconciliations. It plans to reach 5,500 talukas via its merchant acquisition team that will lead to over 10,000 jobs being created in semi urban and rural areas.

Despite the rapid penetration of digital payments, kiranas across India still rely on cash. Kirana owners have smartphones, data and the aspiration to adopt newer technology, but there are no services that match their aspirations. Kiranas are looking to acquire customers and forge deeper relationships with them. Customers on the other hand are looking for safety and convenience, while continuing to access their local trusted neighbourhood merchant.

PhonePe with its multiple offerings is all set to bridge this gap. It offers its merchant partners a personalized store page on the PhonePe app allowing them to list their store timings, share their product catalogue and promote home delivery options, thereby reaching out to a much wider customer base. Customers have the convenience of discovering local stores in their vicinity and connecting with the merchants using the call or chat feature to place their orders, and pay remotely via the stores tab on the PhonePe app. PhonePe is bringing these offerings to merchants in semi-urban and rural areas to help them digitize and grow their business.

Commenting on the announcement, Vivek Lohcheb, Vice President - Offline Business Development, PhonePe said, "Kiranas and merchants across small villages and towns are striving to progress and prosper. We are really excited to partner with them in this journey and take digital payments to the last mile of India across every village and town. This is also in line with our brand ethos of ''Karte Ja. Badhte Ja'' which reflects the role played by PhonePe in India's progress, helping bridge the digital divide while empowering merchant partners across Bharat."

Signzy Among the Top 2 Indian FinTechs to Qualify for Fintech100 Abu Dhabi, MENA's Leading FinTech Festival

Leading Indian RegTech startup Signzy today announced that it is among the Top 2 Indian FinTechs to qualify for Fintech100 Abu Dhabi, MENA's Leading FinTech Festival. The FinTech100 recognizes the most disruptive, emerging fintechs from around the world and brings them to compete at FinTech Abu Dhabi on November 24th-26th this year.

Abu Dhabi Global Market, the Central Bank of the UAE, and Unbound are identifying and selecting an expanded cohort of 100 of the world's leading startup and scaleup talent in the financial technology space. The startups hail from categories like Lending, RegTech, Blockchain, Capital Markets, Mortgage & Real Estate, Insurance, Personal Finance, Payments & Billing, Wealth Management, and Money Transfer & Remittances.

Commenting on the India-level win, Arpit Ratan, co-founder of Signzy, says, "We are thrilled to be among the leading startups selected for the FinTech100 Abu Dhabi 2020. We are confident that this event will open more opportunities to one of the world's most important markets for us. Right from our inception, Signzy has aimed to address the compliance, security, and regulatory requirements of the banking and financial services ecosystem. We are glad that our innovations are being recognized at a global platform of this calibre, motivating us along the way."

For FinTech100 Abu Dhabi, startups are assessed on the scalability of the business model, the company's and its product fit for socio-economic contribution to Abu Dhabi/UAE, company's services, or solution readiness for market deployment, and the founding team's track record and qualifications.

Signzy works with over 90 financial institutions including banks, insurance firms, Asset Management Companies, and NBFCs, including the largest banks like SBI, ICICI Bank, and more. Globally, Signzy has a strong partnership with Mastercard and offices in New York and Dubai to serve customers in multiple geographies.

"SURVIVAL OF THE FITTEST"- THE POST COVID BUSINESS WORLD

Abstract

When world economy is struggling due to the severe impact of the Coronavirus pandemic outbreak all over the world, there is an urgent need to adopt the change to survive. People, need to adopt the different life style with taking extra care about their health & hygiene, business need to change their business model which is best suited to the current situations, economies need boosters to survive and nations need more investment in the healthcare industry to save the life of their nationals as an immediate step. There is all-around need for change and those who will adopt to change will survive. My article "Survival of fittest"-The Post Covid Business World is all about to restart the business & economy.

"Organisms best adjusted to their environment are most successful in surviving and reproducing"

Charles Darwin.

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Introduction

"Survival of fittest" is a biological concept that is given by the Charles Darwin in 1859 in his book "On the Origin of Species." The concept we read as a Darwinian evolutionary theory. Despite it is a biological concept it is more relevant to the business & economy particularly at the time when world economy is struggling due to the severe impact of the Coronavirus pandemic outbreak all over the world.

The severity of the impact can be estimated by the fact that the most developed economies like US, UK & Germany having a sound healthcare system & infrastructure, are struggling to save their lives & livelihood. Why it is more relevant to discuss this concept here because there is an urgent need to adopt the change to survive, for human beings, for businesses, for economies & for nations.

People, need to adopt the different life style with taking extra care about their health & hygiene, business need to change their business model which is best suited to the current situations, economies need boosters to survive and nations need more investment in the healthcare industry to save the life of their nationals as an immediate step. There is all-around need for change and those who will adopt to change will survive.

Key Challenges faced by Businesses & Economies

With the pandemic bringing business & industries to a halt because of the nationwide lockdown in most of the countries, promoters are storming their brain how to continue the business in these circumstances. Whether we need to wait for government lift the lockdown or need to search some alternatives for survival? The business & industries those are having enough core strength to survive, that we call here as business immunity, they have a room to wait for lifting the lockdown.

But many business particularly small retailers and the small-scale industries, those are employment intensive industries having a direct impact on overall economy, these cannot be put on hold for a long time. For this reason, governments in many countries has decided to relax the lockdown in steps. Indian government also has also decided to relax the lockdown with certain restriction to restart the business activities that are in hold after the nationwide lockdown.

The key challenges that the businesses are facing during the pandemic are-

- Forming the strategies for moving forward in the restricted environment.
- Adopting the business model with digital infrastructure.
- Safety and well being of their employees.
- Keeping a healthy mind-set with all around negativity.
- Keeping the workforce motivated & engaged.
- Disruption in the supply chain.
- Decrease in demand due to all around lock down.

Despite all these challenges, one thing is certain that the business must go on. Business & economic activities should continue and to ensure continuity, industries have been forced to reconsider their moves & strategies, forced to adopt new business model, forced to make themselves fit for survival and that is exactly Charles Darwin has said- "The concept of survival of fittest".

The changing business Model

The industries such as retail, education, media & entertainment and information technology witness a sea change in their business model and in the way, they used to do the business. The use of digital infrastructure playing a major role. By the way of virtual assistance, the educational institute has started classes through digital platform.

Digital Infrastructure & virtual assistance- In the field of training & development also the virtual trainings are replacing the physical classroom training, where no movement of the students is required and simply by sitting at their home they can take the advantage of the online trainings. The online retail chains are now having an added advantage. They are already having an enough digital infrastructure, now with some relaxation in the lockdown they have started to supply the grocery and other ordered items on the apps and websites.

In the Media & entertainment industry, OTT platforms like Hot Star, Netflix and Amazon Prime have seen a significant increase in usage. The media houses & the producers are presenting content through these OTT platforms and it is very popular also. The relaxation has not been given to multiplex yet, and the film industry is feeling pressure. At this point of time few producers have decided to release the films on OTT platforms. COVID-19 has enforced upon us a digital transformation. The IT industries have adopted the concept of Work from home and that model is best suited to the industry like information technology.

The feasibility check - Before adopting a business model it is very important to check the feasibility of that business model because the market conditions are changing continuously. The cost and benefit analysis is also having a great importance before adapting any business model. Business need to evaluate the impact on the sales & revenues with a new model.

Remote working and Work from Home (WFM) - Businesses are facing the challenges from ensuring safety of employees for restoring of the supply chain. They have to seek possibilities of remote working with the help of technology and digital infrastructure. The organizations, those who had enough digital infrastructure before the Covid 19, they can perform better than their peers and the companies.

Those who do not have a digital infrastructure with online presence, are struggling. Since, it is difficult to predict how long this epidemic will last, it is important to be prepared for all scenarios. Businesses need to make alternative plans and reconfigure the business strategy to reduce the expenses.

But problems are common for all, we need to think out of the box to make the things happen for immediate business continuity. Again, we have to learn the lessons to prepare our self for post Covid business world.

The immunity check of business

In the human body, immune system fights many of the harmful infections & diseases so that the body can function normally. Similar to human body, businesses too have immune system. The immune system of an organization is developed by the system, procedures and the mind-sets. The immunity of the business refers to the inner core strength of business that protect the business in difficult times. The continuity of the business largely depends on the immunity of the business.

How to develop immunity in business - The ingredients that develop the immunity in business differs from business to business, it may be the capital infused, it may be the technical know-how of the business, it may be the market and it may be the business model of that particular business. The question here is that how compatible the business is, in such type of pandemic conditions and which factors are going to support your business. Now one thing that we have learnt here during this coronavirus pandemic is that the business should be enough immune to face such type of shock.

In this difficult time when all the super markets and malls are closed the small kinara shops performed well to fulfil the public daily need. Similarly, when the big factories are on hold, the small business that can be handled from home, have performed well. Digitalization and the automation are another way to enhance the immunity of the business. Wherever the automation can be done, it should be. Wherever the digital infrastructure is needed, it should be provided. Now businesses need to immunize themselves against future shocks.

Digital customer Interaction - Covid 19 has changed the way we were interacting with our customers. Social distancing & work from home has become the norms now and we have to deal and interact with customers within these norms only. Virtual assistance & online support now have become the way that how we deal with the customers. Employees of the various organization also need to be reskilled with the ability to work in this digital environment. A continuous and lifelong learning has now become the need. Here too, the mind-set& attitude of the employees plays an important role to make them ready to work within the changing environment.

When any organization is going to implement change and going to adapt new business model for survival, the immune system of the organization plays very important role. Their core strength & know how, their digital infrastructure and the mind-sets of the employees are the key drivers in the process of transformation. How immune the organization is, decides the survival of the organization.

The Invest India Business Immunity Program of Indian Government - The government has also been trying to infuse immunity by way of various stimulus packages to save the businesses. Government has launched Invest India business immunity platform. It is the platform which provides the real time information to the business & investors about the various initiatives related to India's fight against the coronavirus pandemic. It is a much needed and very important initiative in this difficult time for business and investors.

This platform also provides the information related to business decision taken to help various sectors of the economy by the concerned ministries. This also provides various solutions related to business like how to protect workforce from coronavirus and supply of goods and services. These initiatives of the government will help businesses to turn around and come out from this crisis with more inner strength and more immunity.

Creation of supportive environment by the government

The Government Initiatives- Government of India has announced Self -reliant Movement (Atmanirbhar Bharat Abhiyan) to boost the business & economy, which focuses on Economy, Infrastructure, system, Vibrant demography and demand. A comprehensive package of Rs. 20.97 lack crore shave been announced to cater to various sections including cottage industry, MSMEs, labourers & middle class. Many initiatives have been taken by the Government and

Reserve Bank of India to boost the business (including MSMEs). It includes

- ❖ Rs. 3 lakh crore collateral free automatic loans for business, including MSMEs,
- ❖ Rs 20,000/- crore subordinate debt for MSMEs
- ❖ Rs 50000/- equity infusion through MSME fund of funds.
- ❖ Global tender to be disallowed up to Rs 200 cores.
- ❖ Rs. 2500 cores EPF support for business and workers for 3 more months.
- ❖ EPF contribution reduced for business & workers for 3 months- Rs 6750/-
- ❖ Rs 30000/- crores liquidity facility for NBFC/HCs/MFIs
- ❖ Rs 90000/- crore liquidity injection for DISCOMs
- ❖ Rs 50000/- crore liquidity through TDS/TCS reductions

Under Rs 3 lack crore collateral free loans Emergency credit line guarantee scheme (ECLGS) has been announced which is being provided by The National Credit Guarantee Trustee Company to Banks, NBFCs and Financial Institutions. According to this scheme eligible businesses including MSMEs, get a pre-approved sanction limit of up to 20 % of loan outstanding as on 29th February 2020. This is in the form of additional working capital term loan facility. This scheme will help small businesses to come out from the impact of Covid 19.

Support from Banking - Banking is life line of any economy. It provides support to business & economy when it is actually needed. In the difficult time of Coronavirus pandemic, the role of banking has become more significant.

RBI has also announced that banks and other lending entities, including nonbanking finance companies and microfinance companies, are permitted to pass-on the relief as forbearance measure due to precarious situation of COVID-19 to borrowers. It includes three months moratorium on payment of instalments for term loan, deferment of interest payment for three months for working capital loans, easing of working capital finance, classification as special mention account (SMA) and some relief in credit card operations.

One thing is certain from the above discussion is that the government and Reserve Bank of India has taken all the steps which are necessary to boost the immunity in the business. Now the roles of banks have become more important to pass the benefit to the actual beneficiary including business and MSMEs.

Digital Lending Infrastructure - Indian banks now have enough digital infrastructure & they are providing almost all the banking products through digital channels whether it's an asset product or the liabilities product. Various digital initiative for the government and RBI has been taken as far as the banking products are concerned. It includes

- ❖ TReDS-Trade receivable bill discounting platform
- ❖ E Way bill system
- ❖ Psbloanin59minutes .com
- ❖ Udyamimitra portal
- ❖ Vidyalaxmi portal for education loan

These platforms are providing enough digital lending infrastructure for the needy business enterprises. With the ongoing pandemic stress, we can observe that the digital channels are the better option to deliver the transactions and services. The offline transactions have significantly reduced because the physical currencies may be a carrier of virus. With the help of the QR code-based payment system, internet banking, points of sales terminal, cards, mobile banking and the mobile wallets people are doing their transactions and enjoying banking services.

Challenges before Banking - On the other hand, when there is a slowdown in the economy, banks cannot be untouched by the adverse effect of the Covid 19. Banks are going to face number of challenges during Covid and post Covid period. Low credit growth, increasing NPAs, low NIM and shrinking CASA will be the key challenge before the banking industry. Before Covid period also banking industry was under pressure because of many incidents that happened including the NBFCs and Yes bank crisis.

The dual responsibility of banking - Banking is having dual responsibilities, one they have to maintain their internal immunity and on the other hand, they have to work as a blood for the economy and business by continuous credit flow. The responsibilities of the banking are huge to be redesigned and reshaping the business and economy. The business may have a very good strategies to transform their business model & to stand again, but it requires funding and here the role of banking comesinto picture. Banks may face difficulties to apprise the business proposal amid all negative waves because of the Covid 19 pandemic, but the trust & support from the government side will support the decision-making capabilities of the bankers.

We know that this phase is critical for banking as well. They have to adopt new ways of working for ensuring the safety of the employees, help the business and pass the benefits as announced by the government and the RBI and also their own business continuity. They have to emerge stronger than earlier with the transformation in their system & procedure with the help of technology and automation. The good thing is that the Indian banking industry is already on the path of transformation because of the government push towards cashless economy and the various government measures including PCA framework, EASE reforms, Merger and Amalgamation of the public sector banks and the capital infusion in the banks.

Amidst the challenges and opportunities, the banking industry in India is performing its role as an immunity booster for individuals, for society, for business and economy and also for nation.

Business Continuity plan

Amidst all turbulence in the environment one thing is certain "The business must go on". It has to be continued for survival. The novel coronavirus pandemic has compelled business to think over the strategy and plan for revival. It includes preventive measures to reduce the impact of disaster. The focus should be to bring the business back to normalcy with least delay and cost. It requires continues immunity check and immunity boosters at regular intervals when needed. Now businesses are reviewing whether their strategies remain fit in this situation or they need correction in their course of action pertaining to technological advancement, customer handling and employee behaviour and supply chain resilience.

The business and organisation need to prepare a sustainable plan which includes minimal disruption in the service, safety & well-being of employees and supply chain & delivery infrastructure. The cyber security standard is another important area because of the shift towards the digital platform. Among all these factors, inspiring & motivating the employees is another important aspect because in this changing business environment it is very important for the employees to adopt the changes in system and procedures.

The way Forward-Businesses need to be fitter than earlier to survive in tough situations. Businesses need to follow a well-defined strategy which includes-

- ❖ An immunity checks to identify the core & inner strength of the business.
- ❖ To transform the business model that is feasible to the current scenario of Covid 19.
- ❖ Adaptation of the digital infrastructure and automation.
- ❖ Review the business continuation policy & procedure.
- ❖ Take support for the Government and RBI initiatives.
- ❖ Design the framework for the well-being of the employees.
- ❖ Approach the customer base by various digital means.
- ❖ Maintaining the healthy relationship with business partners.
- ❖ Inspiring & motivating the workforce to adopt the changes.

Conclusion

The strategy time is almost over, the Unlocks-1 has been announced in India and it the time to implement the strategies. As in the slack time, we sharpen our axe to use it later, now businesses have to start their transformational journey after lockdown is over.

Those who are fit enough will survive & grow, those who are not, need to increase their immunity to save themselves for such type of pandemics in future. It is not only applicable in businesses and organizations it is applicable to economies as well. The inner strength of the economy, the immunity booster by the government and the central bank plays the key role.

One thing is certain the Indian economy has a sufficient immunity to fight against situation that aroused due to coronavirus pandemic and the Government & RBI are leaving no room to provide the boosters. Our domestic demand is our strength, our young population is our strength, our agriculture, our forest is our strength, and our well regulated financial sector is our strength. With these immunity boosters our businesses will be fit and will survive. Our economy will grow, our nation will flourish. ❑

DIGITAL PAYMENTS AND MERCHANT DISCOUNT RATE (MDR)

MDR has once again come into the news headlines with an announcement by India's Finance Minister Smt. Nirmala Sitharaman last month December 2019.

The news is -" From 1st January, 2020, businesses with an annual turnover of more than Rs.50 crore will have to offer low cost digital payment options to customers and Merchant Discount Rate (MDR) will not be levied on either customers or merchants."

What is MDR

MDR is the cost paid by a merchant to a bank for accepting payment from their customers via credit or debit cards every time a card is used for payments in their stores.

In simple word we can say,

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MDR is a fee charged from a merchant by a bank for accepting payments from customers through credit and debit cards in their establishments.

MDR compensates the card issuing bank, the lender which puts the PoS terminal and payment gateways such as MasterCard or Visa for their services.

How MDR is fixed

MDR charges are usually shared in pre-agreed proportion between the bank and a merchant and are expressed in percentage of transaction amount.

The rate is determined based on below mentioned factors

- Volume
- Average ticket price,
- Risk
- Industry

The merchant discount rate is expressed in percentage of the transaction amount.

Impact of Demonetization

Demonetization fuelled the digitization and digital payments in our country where people always thought that Cash is the King. Cash and paper instruments have been the conventional mode of payment.

But these days Cash is second option. The customer chooses first Digital mode to pay whether it is payment for movie ticket or hotel charges. More Indians from smaller towns and cities are paying digitally for goods and services, raising expectations of sustained growth for non-cash payments, even as Reserve Bank data indicates the sharp spike in digital transactions following the 2016 note ban has evened out following year

Payments company executives estimate that card transactions in towns with populations of up to 1 million have doubled in the three years since demonetization.

RBI had decided to slash merchant discount rate (MDR) charges on payments made through debit cards and do away with levies on small transactions through mobile phones and Internet from 1 January to 31 March 2017 to encourage digital transactions.

Following the demonetization drive, MDR was further reduced for transactions up to Rs 1000, to 0.25 per cent of the transaction value. For transactions above Rs 1000 but less than Rs 2000, MDR was kept at 0.5 per cent of the transaction value.

Recent Development in merchant discount rate (MDR)

The Government has decided that From 1st January, 2020, businesses with an annual turnover of more than 50 crore will have to offer low cost digital payment options to customers and Merchant Discount Rate (MDR) will not be levied on either customers or merchants.

Low cost digital payment modes

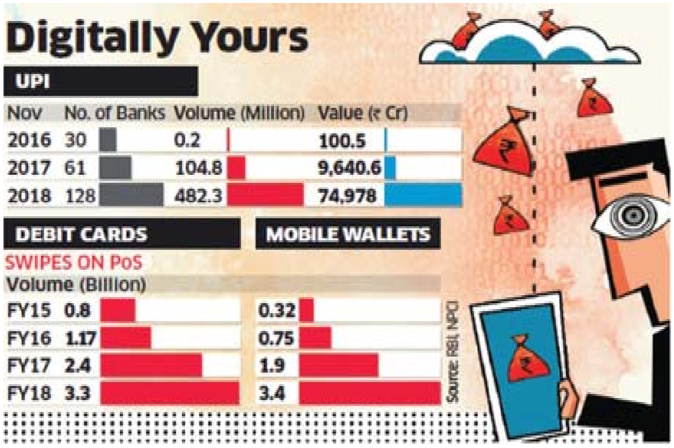
Low cost digital payment modes will include following digital apps/ platform

- BHIM UPI,
- UPI QR Code,
- Aadhaar Pay,
- Debit Cards,
- NEFT,
- RTGS, among others.

The move is expected to boost payments via home-grown real-time payments system Unified Payments interface (UPI) at merchant locations, along with RuPay debit cards.

Presently, it is applicable for online transactions and QR-based transactions.

The amount that the merchant pays for every transaction gets distributed among three stakeholders--the bank that enables the transaction, vendor that installs the point of sale (PoS) machine and the card network provider such as Visa, MasterCard, RuPay.



(Image source:- https://economictimes.indiatimes.com/)

There are some other point of view regarding the latest development:-

Vishwas Patel, the Payments Council of India Chairman, said, "The zero MDR on RuPay and UPI will kill the industry and make the business model unviable. It's like nationalization of the payments industry. If the government wants to drive digitization, then it should bear the cost."

If the government wants to push digital payments, then making MDR zero is not the solution, but a lower, controlled MDR along with added tax benefits to merchants will go a long way.

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INSTITUTIONAL PROTECTION SCHEME FOR URBAN CO-OPERATIVE BANKS: LESSONS FROM GERMAN CO-OPERATIVE FINANCIAL NETWORK

A deposit insurance coverage up to ? 0.10 million per depositor is applicable for all banks in India, but there is no umbrella or central organization, or any institutional scheme for resolution, restoration, or protection for the co-operative banks, especially the Urban Co-operative Banks (UCBs). The co-operative Banking in Germany with its unique institutional protection scheme through an umbrella organization could be worth examination and replication in India.

Introduction

Inherent risks in banking and fiduciary responsibility of banks towards their depositors necessitate a system of protection of depositors and accordingly, most of the jurisdictions, globally, have deposit guarantee schemes for bank depositors. However, a deposit guarantee scheme provides a restricted coverage, does not ameliorate risks at an institutional level, and does little to protect a bank from delinquency and bankruptcy. Moreover, notwithstanding the quality and effectiveness of a deposit guarantee scheme, bank customers do face inconvenience, difficulty, and losses in case a bank's financial position deteriorates.

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This is far more important for cooperative banks which play an important role in providing banking services and meeting the credit needs of the retail, small and medium scale borrowers, as these face greater challenges due to their comparatively smaller size, governance issues, regional functioning, and limited access to the funding market.

Structure of Co-operative Banking in India

The primary co-operative banks, popularly known as Urban Co-operative Banks (UCBs) in India are registered as cooperative societies under the provisions of, either the respective State Co-operative Societies Act(s) of the state concerned or the Multi-State Co-operative Societies Act (2002) of the union of India. These are essentially cooperative societies, licensed by the Reserve Bank of India, for conducting banking business. UCBs have a heterogeneous geographic and size-wise distribution in India.

As on March 31, 2018, out of the total number of UCBs in India, three states had the most number of UCBs, namely, Maharashtra (32%), Karnataka (17%), and Gujarat (14%). In terms of business, as on March 31, 2018, there were 1551 UCBs (Figure 1) with an aggregate deposit and advances of Rs. 4565 billion, and Rs. 2805 billion, which were about 3.9%, and 3.2% of the aggregate deposits and advances of the scheduled commercial banks respectively as per the report on Trend and Progress of Banking in India.

Despite not boasting of very significant size, the UCBs have a reasonable socio-economic significance due to their interface with a good number of clients coming from lower-medium socio-economic strata in India. However, there have been concerns with regard to financial soundness and quality of corporate governance in UCBs.

As per the information available in the annual report (2017-18) of Deposit Insurance & Credit Guarantee Corporation (DICGC), a subsidiary of Reserve Bank of India, 345 UCBs have gone into liquidation starting from the year 1977 up to March 31, 2018.

These bank liquidations involved the settlement of depositors' claims amounting to about Rs. 48 million. Considering the limited coverage of Rs. 0.1 million per depositor by DICGC, it is certain that a number of depositors would have lost their money in these UCBs.

In case of India, though a deposit insurance coverage for deposits up to Rs. 0.10 million is available for all bank depositors, there is neither any effective umbrella organization, or central institution, nor any institutional set up for resolution, restoration, or protection scheme for cooperative banks, especially the Urban Cooperative Banks (UCBs).

The German Cooperative banking model with its unique institutional protection scheme through an umbrella organization could be worth examination and replication in India.

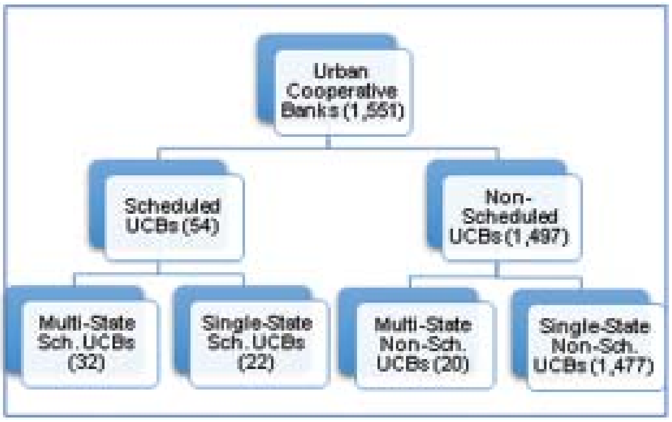


Figure 1: Structure of Urban Co-operative Banks in India (2018)

[Source - Database on Indian Economy, Reserve Bank of India]

Banking Structure In Germany

Germany's banking system comprises of three key segments, called pillars - private commercial banks, public-sector banks, and cooperative banks (Figure 2).

Figure 2: German Banking Structure - Three Pillars

[Source - DZ Bank AG Corporate Presentation, https://www.dzbank.com]

The private commercial banks account for about 40% of total assets in the German banking system. The public banking sector, comprising savings banks represents about 26% of total banks' assets. These banks have local governments, such as municipal corporations, and local bodies as their owners and operators in the area under their respective local governments. The cooperative banking sector in Germany consists of local cooperative banks and one central bank, namely, DZ Bank AG. The cooperative banks are owned by their members, and they have the mandate to support their members while also providing banking services to the general public. Like the savings banks, cooperative banks operate within a mutually agreed regional jurisdiction. There has been consolidation in the German banking system, in general, to achieve economies of scale, regulatory requirements and financial stress.

Cooperative Financial Network in Germany

Germany's local cooperative banks are quite formidable and have an extensive banking service network in Europe, with 875 cooperative banking institutions, comprising Volks Banks and Raiffeisen Banks. It boasts of more than 30 million customers, including about 18.6 million cooperative members. The local cooperative banks own the capital of the central institution, DZ Bank AG, which is structured as a company and provides liquidity support and specialized services, such as securitization, collateral management, merchant banking, etc. to cooperative banks.

As on December 31, 2018, the cooperative financial network had an asset size of Euro 1293.17 million, which was approximately 17% of the total bank assets in Germany. The network also boasts of a healthy common equity tier I capital ratio of 13.6% . Besides owning a central bank, the cooperative financial network in Germany also has an umbrella organization, called the National Association of German Cooperative Banks (BVR) , which acts as an umbrella organization for the German co-operative financial network. As an umbrella organization, BVR represents the interests of the co-operative banking group at both national and international fora and also operates a dual system of bank protection in the form of deposit insurance and institutional protection.

The deposit insurance scheme of BVR operates under national deposit insurance legislation (pursuant to section 43 EinSiG) in compliance to EU Deposit Guarantee Schemes Directive, 2015 (DGSD), while the BVR institutional protection scheme (IPS) is an additional, voluntary system for protection of cooperative banks at the institutional level and ensures that the banks remain strong and interests on all the bank clients are safeguarded.

Institutional and Deposit Protection Scheme for German Cooperative Banks through Umbrella Organisation

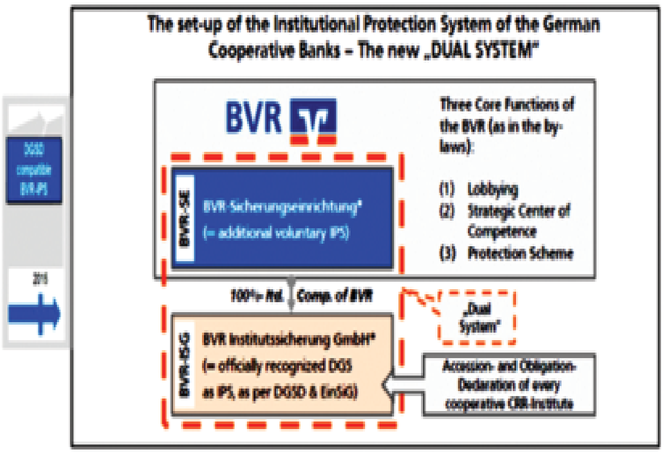
The BVR's protection scheme is a kind of self-help

organization of the Cooperative Financial Network that was formed voluntarily and operates on the basis of its statutes under the Articles of Association of the BVR. The protection scheme run by the BVR helps in ensuring the stability of and public confidence in the cooperative financial network. The scheme is in operation since 1934, but no cooperative bank so far has ever turned insolvent. The BVR protection scheme is run without any government support and is designated as BVR-ISG for deposit insurance, and BVR-SE for the institutional protection.

The BVR-ISG has been officially recognized as a deposit insurance system and fulfils the statutory requirement of ensuring that depositors affected by a bank's insolvency are compensated in accordance with national deposit insurance legislation. The BVR protection scheme (BVR-SE), the bank protection scheme, operates alongside the BVR-ISG (Figure 3). Member institutions contribute towards both the schemes for seeking protection.

In addition, the BVR is legally authorized to take measures to avert any threats posed to a bank's continued existence as a going concern. In order to perform its responsibility under the protection scheme, the BVR implements preventive measures aimed at obviating adverse trends and developments at the affiliated institutions and, if necessary, advises measures for a financial or operational restructuring of the concerned cooperative banks so that they can meet their legal obligations without any difficulties.

In most of the cases, no requirement arises for extending funding support to a cooperative bank from the BVR. However, in case of necessity, cover funds are assured by the BVR with a view to obtaining an unqualified opinion from the auditors of the respective cooperative bank. This is followed by a financial restructuring of the bank as per the advice of the BVR, which aims at protecting the bank from becoming insolvent and avoiding a situation in which depositors are to be compensated. The protection scheme run by the BVR aims to protect all individuals and non-bank clients of the affiliated institutions. The BVR protection scheme is regulated and monitored by the BaFin , the German Federal Financial Supervisory Authority.



BaFin has the right to obtain information from, and audit the protection scheme. The BVR prepares its annual financial statements and an annual report on the activities and financial position of the protection scheme and puts in place a risk management framework for the cooperative financial network. These statements and reports are audited by the independent auditors from outside the Cooperative Financial Network. Audit reports are shared with the BaFin, Deutsche Bundesbank, the cooperative auditors' associations, and the administrative board of the BVR.

Risk Management under Institutional Protection Scheme

The Cooperative Financial Network in Germany is a decentralized structure in which the individual banks operate independently with a central bank (DZ Bank AG) and an umbrella organization (BVR). In this system, the risk management primarily involves finding the risk-carrier institutions, which could be the weakest link in the network. The BVR puts in place a system whereby the individual cooperative bank's financial position along with the risk position is ascertained with a view to ensure that the entire cooperative financial network as a unit can be considered as financially sound. BVR's risk management process for the institutional protection scheme includes the following three steps.

- Institutional Classification Process - Automated Procedure
- Prevention Management - Standard Procedure
- Support Mechanism - Individualized Standard Procedure

A brief description of these processes is presented in the following paragraphs.

❖ *Institutional Classification Process*

The BVR protection scheme has well-designed systems for identifying, classifying, and monitoring the risks of all its member institution as also risks to the institutional protection scheme as a whole. Risks are assessed by way of assigning of rating on the basis of the BVR protection scheme's classification system. The rating process, based on the respective member institution's annual financial statements assigns one of the nine credit rating categories, which range from A++ to D. Rating a member bank in accordance with the classification system forms the basis of the risk-adjusted guarantee fund contributions for the protection scheme and also helps in the preventive management.

For the institutions that are also members of BVR-ISG, the 2017 rate for contributions to the guarantee fund of the protection scheme was set at 0.036% of the assessment basis (2016: 0.04%), along with individual discounts or surcharges depending upon the classification. For the other member institutions, the contribution rate was fixed at 0.083% of the

assessment basis .The results of the rating classification are supplemented by further analysis using a data pool which provides risk indicators to identify and examine particular abnormalities in the member institutions.

❖ *Preventive Management*

The aim of preventive management is early identification and rectification of adverse financial indicators with a view to preventing the need for financial support from the scheme. Besides data analysis, additional discussions with the banks under stress are arranged by the BVR to decide about the suitable measures for stabilizing and improving their business performance. Based on the risk ratings, the preventive management process is triggered whenever a bank is classified as B- or lower . In addition to financial-based risk ratings, the impact of environmental factors such as interest rate is also taken into account for the BVR protection scheme. In addition, the protection system also involves monitoring of large institutions simply because of the size of their balance sheet.

❖ *Support Mechanism*

The objective of restructuring management under the BVR protection scheme is to ensure that the member institutions' annual financial statements are able to receive an unqualified auditors' opinion. It ensures that the respective bank regains its economic viability while accommodating the interests of all members of the Cooperative Financial Network .The principles followed aim at regaining competitive position through recovery and restoring their fundamental profitability. Banks are obliged to complete the restructuring/ rehabilitation phase within a period of five years.

International Experience and the Indian Context

The co-operative banking in India, though quite old and spread out in the country, has not been able to come up with a cohesive network and protection scheme like the cooperative financial network in Germany. It remains divided between the rural and urban banking streams much like the Raiffeisen and Volks Bank in the German structure. However, unlike the German model, where these banks have gradually combined, in India, they continue to remain in separate streams with a certain overlap in their functions.

In this context, it is worth mentioning that the idea of setting up of an umbrella organization (UO) for the UCB sector was first mooted in the year 2006 by the Working Group (Chairman: Shri N S Vishwanathan) set up by the Reserve Bank on Augmentation of Capital of UCBs. It was examined in greater detail by the Working Group on Umbrella Organization and Constitution of Revival Fund for Urban Cooperative Banks (Chairman: Shri V S Das) in 2009, and the Expert Committee on Licensing of New Urban Co-operative Banks (Chairman: Shri Y H Malegam) in the year 2011. The need for UO was also stressed by the High Powered Committee on UCBs (Chairman: Shri R Gandhi) in the year 2015. Reserve Bank of India through its statement on Development and Regulatory policies dated February 07, 2019 had announced that a decision on the specifics of an umbrella organization for UCBs in India shall be taken.

Conclusion

Co-operative banks play an important role in the social cohesion, financial inclusion, and economic development in the geographical and demographic areas they operate. Establishment of a network of cooperative banks with a central institution and umbrella organization could boost their financial and operational strength. An institutional protection scheme not only binds the cooperative banks in a common network but also strengthens the member institutions through its preventive and supportive measures. The success of co-operative banks, central institutions, co-operative financial network, and the institutional protection scheme in Germany is worth deliberations for possible implementation in India.

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The views are personal and do not necessarily represent the official views of the Reserve Bank of India. Usual disclaimers apply. ❑

IMPACT OF COVID-19 - FINDING NEW AVENUES FOR BUSINESS CONTINUITY IN DCCBS IN TELANGANA

It is apprehended that COVID-19 will reshape our world. It is not known yet as to when this crisis will end. It has led to significant behavioural changes in humans and considerable contraction to our economy, that are likely to continue for some more time in the near future.

There lies the wisdom to look at the bright side in the event of any hardship and find out the solution to tide over the crisis. Despite so much disruption in various social and economic activities, there are certain positive areas which cannot be overlooked. All the activities, per say, did not get affected by the present pandemic. If we, for a while, move away from viewing the present unpleasant and gloomy situation and point our focus towards some dynamic shifts in the economy, agricultural sector, inter alia, come into sight in the forefront. Agricultural operations are, certainly, not interrupted. Farming community continued their operations despite sudden and total lockdown in the entire country besides social distancing in the humankind. Though there were some hick ups in this sector in the initial period due to disruption in supply chains, once the restriction of movement of goods is lifted, marketing of agricultural produce showed rapid signs of improvement.

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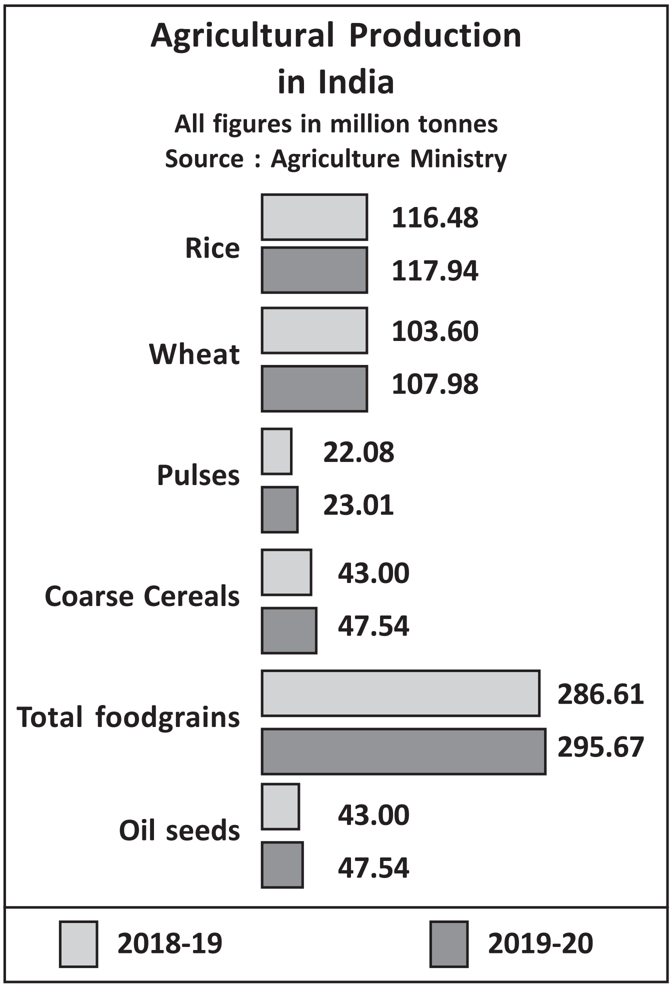
2. Estimated production of food grains and oilseeds during the years 2018-19 & 2019-20 are shown in the chart appearing herein. As may be seen therefrom, Indian agriculture has witnessed a distinct transformation. The total production of food grains reached a record 295.67 million tonnes in 2019- 20, registering a growth rate of 3.5 percent over that of the last year. Total horticulture production also reached an all-time high of 320 million tonnes, growing at an annual average rate of 4.4 percent over the last 10 years. (not shown in the chart.) Our country is now one of the leading producers of milk, cereals, pulses, vegetables, fruits, cotton, sugarcane, fish, poultry and



livestock in the world. Buffer stocks in cereals currently stand at 91.6 million tonnes or 2.2 times the buffer norm. *(Source: Website of Agri. Ministry)*

3. These positive trends in agricultural production do certainly stand as a silver lining in the current rural environment. This trend is also much in favour of our DCCBs, whose mainstay is providing credit facilities to agricultural and allied activities and whose prime clientele are the farmers, rural artisans, agricultural labourers and other service providers to farming activities.

4. In the backdrop of incidence of COVID-19 virus and resultant disrupted socio-economic activities as discussed in the foregoing, an attempt is made in this chapter to enumerate certain new avenues that are thrown up in rural lending which would enable the banks to continue their lending and other banking activities in a purposeful and profitable manner. The suggestions made in this note are based on various measures initiated by RBI and various schemes announced by Government of India through Alma Nirbhar Bharat Abhiyan Scheme.

5. Attila Nirbhar Bharat Abhiyan - Salient features that are conducive for growth in institutional credit in rural areas, directly or indirectly.

Hon'ble Prime Minister, in his address to the nation on 13 May 2020, opined that every citizen should view COVID-19 crisis as an opportunity to achieve economic self-reliance. He stressed on the importance of promoting "local" products. He called it Almanirbhar Bharat Abhiyan' (or Self-reliant India Mission) and said that in the days to come, the government will be unveiling the details of an economic package towards this aim, which, after including the earlier reliefs announced by Hon'ble Finance Minister of the Union Government and the RBI, would be worth Rs 20 lakh crore - or 10 per cent of GDP in FY2020. The brochures published by GoI on this subject are appearing in this reading material at the end. Following is a gist of activities that are likely to boost the lending activities of Rural Co-operative Banks, directly or indirectly.

- Limit of collateral free lending to be increased from Rs 10 to Rs 20 lakhs for Women Self Help Groups supporting 6.85 crore households. [under Pradhan Mantri Garib Kalyan Package (2)]

  Rs 3 lakh crores Collateral-free Automatic Loans for Businesses, including MSMEs. (100% credit guarantee cover to Banks and NBFCs on principal and interest). (For further details, the instructions issued by Gal or RBI may please be viewed)
- New definition of MSMEs. (details are shown in the table appended to this chapter.)
- NABARD will extend additional refinance support of Rs. 30,000 crore for crop loan requirements of Rural Co-op Banks & RRBs. This is over and above Rs 90,000 crore to be provided by NABARD through the normal refinance route during this year.
- Special drive to be undertaken to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. Fishermen and Animal Husbandry farmers will also be included in this drive to enable such farmers to gain access to institutional credit at concessional rate of interest.
- An 'Animal Husbandry Infrastructure Development Fund' of Rs. 15,000 crore will be set up which aims to support

private investment in Dairy Processing, value addition and cattle feed infrastructure.

- Agriculture Marketing Reforms to provide marketing choices to farmers. Barrier-free Inter-State Trade - Framework for e-trading of agriculture produce.
- Agriculture Produce Price and Quality Assurance.

6. New avenues for lending

Paradigm shifts in the priorities in various walks of our lives right from the methodology in the basic schooling of our kids to our consumption needs are noticed and the banks are required to fine tune their lending policies according to the changing needs of their clientele.

6.1. Reduction of CRR to 3% with effect from 28 March 2020

As a result of the decision taken by RBI to bring down the CRR requirements of the banks from 4% of net DTL to 3% (first time at a such a low ebb for CBs), the liquidity position of the banks improved proportionate to their deposits and other liabilities. [In Telangana, based on nine DCCBs' deposits position as on 31 March 2020 (sans other demand & time liabilities), the surplus liquidity that will be eased approximately ranged between Rs.2.60 crore to Rs.16.40 crore.] Thus, the banks' lendable resources increased to that extent, offering a scope for enhancing their lending activities or investments to pave way for growth in their business and profits.

6.2. Increasing the Loan to Value (LTV) of gold loans

(i) RBI, vide its notification, No. DoR.No.BP.BC/6/21.04.048/ 2020-21, dated 06 August 2020, with a view to further mitigate the economic impact of the COVID-19 pandemic on households, increased the permissible Loan to Value (LTV) Ratio for loans against pledge of gold ornaments and jewellery for non-agricultural purposes from 75 per cent to 90 per cent, upto 31 March 2021. It appears that this circular was addressed to CBs (including RRBs) and not to StCBs & DCCBs. However, it is expected that similar instructions may also be issued to DCCBs. Once these relaxations are extended to DCCBs, they may give wide publicity and increase its lending to this fully- secured-area of lending. Special gold loans schemes increasing the LTV at lowest competitive rate of interest in the market for the general public may be introduced.

(ii) DCCBs should desist themselves from the present practice of undervaluing the gold ornaments, pledged to them, thereby reducing the quantum of loan. This practice not only diminishes the loan eligibility of the customer but also brings down its outstanding in gold loans, which are fully secured and will have an adverse impact on its interest income. DCCBs should follow the rate prescribed by Apex Bank for their branches, from time to time, in assessing the value of gold while sanctioning such loans.

6.3. Loans for laptops/smart phones:

In the education front, as a result of introduction of virtual on-line sessions, every student, right from LKG to professional courses need to have either a smart phone or an android laptop to attend the sessions. Most people in the lower economic stratum of our society may not afford to buy these devices in view of their poor financial conditions. DCCBs may issue direct loans through their branches for purchase of mobile phones or laptops, as the case may be, by identifying good borrowers and also encourage PACS to finance through SHGs.

6.4. Construction of private godowns

In view of good monsoon this year, agricultural production is likely to be at record level in our State. Though the State Government procures the paddy from the farmers at the minimum supporting price, the farmers are of the opinion that agriculture is still a losing preposition in view of unremunerative prices and exploitation of middlemen. Absence of storage facilities is still a problem in the villages. All most all the godowns constructed by PACSs with NCDC's support in the past have now become obsolete. DCCBs may contemplate to finance a few individual private godowns at this juncture with proper due diligence.

6.5. Financing SRTO

Transportation of personnel as also goods is another major problem in villages as RTC is not operating their services even before the incidence of COVID-19. Most of the villages are depending upon private transporters either for their own commuting or for transporting their agricultural produce, particularly vegetables and other perishables. This would throw open ample scope for DCCBs / PACS to lend to this activity, which would be a win-win situation for the banks and the villagers.

6.6. Financing household consumer durables

(i) There is a disruption in services sector these days because of social distancing and demand for some devices like Televisions, Washing Machines, etc., has considerably increased. Financing this activity and similar household articles may be encouraged through direct lending or through SHGs.

(ii) Further, recent news published in the press on 08 September 2020 stated that suicide rate among farmers in Telangana State impressively came down in the recent past and its position amongst other States in the country dropped down from 2nd to 5th, reportedly, due to successful implementation of "Rythu Bandhu Scheme." [In order to ensure that the farmers do not fall again into the debt trap, a new scheme called "Agriculture Investment Support Scheme" - "Rythu Bandhu" was implemented from the year 2018-19 Kharif season onwards to provide investment support to Agriculture and Horticulture crops by way of grant of Rs.4,000/- per acre per farmer each season for purchase of inputs like Seeds, Fertilizers, Pesticides, Labour and other investments in the field operations of farmer's choice for the crop season.] This is an additional income to the farmers and improve their living standards to some extent. This development also throws an opportunity to DCCBs to devise a strategy to issue a few consumer loans of reasonable amounts to their customers of good track record.

6.7. Formulation of SHGs /JLGs amongst migrated labour, who returned home

It is witnessed that lockdown has forced many families to walk back to their villages and homes. (For academic interest - as per the data on migration in India based on 2011 Census, 455 million Indians or over one-third of the population were classified as "migrants") Many may be short-term migrants, who may go back to urban areas, when once the situation permits. Long term migrants, who may not be willing to take any risk, are more likely to be educated and come from upper income groups. They may be searching their livelihood by settling down in their villages / towns. Such migrants may be viewed as potential borrowers for institutional credit, whereby group lending can be resorted to by formulating JLGs and SHGS, particularly among women of homogeneous groups.

6.8. New avenues thrown open for lending as a sequel to modern technology in agricultural practices

As already indicated, during this COVID-19 pandemic, Agricultural sector is only unabated with uninterrupted activities of harvesting in the months of Jan to March and tilling, sowing and other seasonal operations at present. This is certainly a glimmer of hope and a blessing in disguise for DCCBs. Conventionally, DCCBs mostly lend to traditional activities in agriculture either for production or investment purposes. Notably, institutional finance towards capital formation in Agricultural sector has been showing a sharp decline over a period time. There is, therefore, a need to relook and change this trend by extending loans to a few modern farming activities like poly-houses, commercial dairies and commercial poultries besides cluster approach for financing cultivation of vegetables in semi-urban and urban areas in their area of operation. Twin cities of Hyderabad & Secunderabad and all the major towns in Telangana State offer considerable potential to such activities. It is a matter of pride for the State that the Government of Telangana set up two Centres of Excellence, one at Jeedimetla and the another at Mulugu in Siddipet district to train farmers, who grow flowers, fruits and vegetables, about proven technologies in poly house cultivation. Senior Officers of DCCBs may also obtain the views of their Staff members who visited the Center in Jeedimetla, as part of their training program conducted by CTI in the past. DCCBs may, in association with the CTI, arrange exposure visits to these Centers for the benefit of the progressive farmers and to chalk out a business plan, thereafter, as per the local potential and needs. This proactive measure on the part of DCCBs will go long way in enhancing their image in helping the farming community as also strengthening their financial position.

6.9. Cross selling of products to loyal customers with regular repayments

It is a proven fact that there are various advantages in cross selling of products such as (a) reduction in the cost of 'customer acquisition' and 'serving, marketing and communication' (It is believed that cost of contracting a new customer is 3 to 4 times higher than to serve an existing customer); (b) building brand value, if the loyalty of the customer is ensured; and (c) decrease in the probability of the customers' shifting to another player in the market. DCCBs may, therefore, cross sell their loaning products by preparing a data base of their loyal customers and identify top-up loans and new loans for customers, who pay their dues regularly and create additional liquidity to the borrowers at a reasonable rate of interest, however, ensuring the prudent principles of lending. This process can be undertaken on a regular basis.

6.10. Other activities of lending

The following activities, which have, otherwise, demand in rural areas may also be considered apart from their other lending activities.

(i) Milch animals (through JLGs)

(ii) Poultry farming (Broiler & layers)

(iii) Financing a few small & marginal entrepreneurs/ retail traders.

(iv) Tool kits for skilled / semi-skilled workers in conventional trades.

(v) Agra-processing units like Dal mills/ beaten rice/puffed rice units.

Aforementioned activities are only illustrative in nature and the banks may further conduct a survey and identify the potential activities in their areas of operations.

6.11. Recovery Management - Tie up with procurement operations

At present, most of the PACS are engaged in procurement of Paddy, for which the DCCBs are co-ordinating with the nodal agencies like Civil Supplies Corporation, FCI, MarkFed etc. The farmers are receiving the sale proceeds through their respective bank accounts. DCCBs may convert this chain of payment system to their advantage by linking the accounts of the borrowing farmers with DCCBs and the aggregators. This will enhance the actual recovery/cash collections, which will improve their liquidity position for diversification.

6.12. Cost cutting measures

Present pandemic has also very badly affected the interest incomes of all the financial institutions as a result of moratoriums on instalments including EMIs. As the banks do not have any control on external forces, they may, as a prudent measure, seriously think of resorting to cost cutting methods at every possible step in all seriousness. The annual budgets may be reviewed to identify avoidable expenditure and plug them at the right time. A stitch in time saves nine.

6.13. Increasing the contacts with the customers through SMS

There is every need to improve the system of sending messages (SMS) through bulk mailing to the borrowers under all types of loans whenever the repayment of loan instalment or payment of interest falls due. Such regular messages will, for sure, create a sense of responsibility in the minds of at least some customers, if not all.

7. Way ahead

A focused approach, targeting new opportunities while addressing immediate and constantly evolving needs would be critical for driving growth in the long run. A few of such initiatives, that were suggested by Monitor Deloitte (India), (which provides strategic consultancy services) are briefly indicated in the following paragraphs.

(i) Tactical initiatives to react to the needs of employees, customers, and communities, and maintain business continuity.

- ❖ Facilitate a conducive working environment for employees.
- ❖ Enhance customer centricity through digital channels and customised offerings.
- ❖ Work towards ensuring business continuity despite limited operations.

(ii) Use technology to adapt to new ways of working.

- ❖ Strengthen tech infrastructure for remote access (e.g., VPN, security tokens, network bandwidth, cloud-based systems.
- ❖ Reduce physical interactions using document scanning, Optical character Recognition (OCR), etc.

(iii) Provide 'empathy packages' to boost morale

- ❖ Provide COVID-19 insurance for employees and their families.
- ❖ Set-up an employee support center offering constant check-ins, counseling, etc.

(iv) Enhance digital channel adoption and usage

- ❖ Run SMS/email campaigns to make customers aware of digital channels and increase adoption.

- Tie-up with other players in digital ecosystem (e.g., online delivery apps) to increase digital adoption.
- Identify strategic risks based on exposure to each sector/ geography, to aid sector specific strategy formulation.
- Assess policies affecting high exposure sectors and their implications.

(v) Understand and cater to emerging needs

- Keep in constant touch with customers through SMS/ WhatsApp / calls to assure support through the crisis.
- Identify key and loyal customers and their emerging needs in the current situation.
- Understand priority customers' needs and pain points to identify products and services to be deployed.

(vi) Partner with governments and NGOs

- Support Central and State governments in COVID-19 relief initiatives (e.g., awareness building).
- Partner with local bodies to act as nodal points for public assistance in select micro - markets.

(vii) Maintain operational stability

- Optimise the number of branches/ATMs in operation and redeploy staff based on the Government's mandate.
- Ensure optimum liquidity and credit deployment.
- Work with residential welfare associations, SME groups, etc., for retail and SME offerings.

(viii) Build quick response capabilities

- Deploy centralised nodal team supported by localised teams to quickly address emergencies.
- After lockdown, scale up operations gradually while adhering to social distancing norms.

References:

(I) RBI Circulars issued during the period 01 March 2020 and 31 August 2020.

(2) Brochures released by GoI on 'Alma Nirbhar Bharat Abhiyan' (5 parts)

(3) Article published in the website by Monitor Deloitte (India) in the month of April 2020.

[1]*This article is written as part of reading material for a workshop conducted by TSCAB, CTI on "Impact of COVID-19 on banking sector - Role of Rural Co-operative Banks". So a few references and on-going schemes, appearing in this article are specific to Telangana State. Rural Co-operative Banks in other States may incorporate the Schemes, being implemented in their respective States.*

Revised definitions of MSME			
Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	**Micro**	**Small**	**Medium**
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	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 & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 ci%	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cn

FUTURE PROSPECT OF ATM INDUSTRY

Introduction of ATM in the banking industry sector can be demarcated as a major milestone in its evolution. The ATM was started by Barclays Bank in Britain in June 1967. In India, HSBC had introduced the first ATM in Kolkata in 1987. At that time, all the ATMs were standalone.

Deposit cash in Cash Deposit Machine (CDM) & withdrawing the cash through ATM& CDM are the most important features of ATMs/CDMs. Besides, other non-financial transaction like bill payment, account inquiry, mini statement, mobile recharge, payment of credit card etc. are being done by the help of ATMs.

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The ATM technology has developed to such an extent that some ATMs can memorize consumer preferences as per their past transactions, behaviour, and tailor services accordingly. In several cases, ATMs have internet scope which facilitates two-way communications with live agents, provide biometric options, and have the ability to demonstrate personalized advertisements. Maintenance of web enabled ATMs are easy. These ATMs can be swiftly connected to central monitoring system of vendors.

There is tremendous opportunity for growth of ATM market here. It is a place with 1.3 billion people, where 40% of them are unbanked. Though it is growing fast, there are many challenges associated with security issues of the software, surge of rental costs in major cities, housekeeping and replenishment of cash.

All Banks	Sept 2019	Jan 2019	Jan 2018	Jan 2017	Jan 2012
ATM (Nos.)	2,06,589	2,03,458	2,06,739	2,06,609	88,838
Debit Card (Nos. in Cr.)	83.56	92.34	84.67	77.86	26.80
Debit Cards (No. of Transactions in ATM)(nos. in Cr)	79.40	88.05	74.16	71.23	43.41
Debit Cards (Amount of transactions in ATM) (Rs. In Cr)	2,73,786	2,66,124	2,55,022	1,51,644	1,20,981

(Source: RBI)

The above data shows that there was a time when ATMs were opened day in day out by all the banks, from 2012 to 2017 there was more than 100% increase in no. of ATMs installed as well as no. of ATM card issued and no. of debit card transactions. But after demonetisation in the last quarter of 2016, increase in the no. of ATM has come to a halt and in last two years it is on declining trend.

All Banks	Sept 2019	Sept 2018	Sept 2017	Sept 2016	Sept 2015
POS Txns. (Nos. in Cr.)	59.44	50.09	37.90	20.31	15.23
Mobile Banking Txns. (Nos. in Cr.)	110.76	48.96	11.39	7.26	2.71

(Source: RBI)

While the growth of ATM has come to a standstill at present, POS and Mobile Banking transactions have been registering huge growth. The trend shows that people are showing more interest in digital transaction.

High maintenance cost-Interchange fee is the fee that banks pay each other for the use of their ATMs by other banks' customers. This is currently fixed at Rs. 15 per cash transaction and Rs. 5 for a non-cash transaction and has not been revised since 2012. The cost of transaction on ATM works out to be Rs 23 for a 150 hits/ day ATM.

After recent RBI guidelines on ATMs, maintenance and transactions on channels will become costlier. RBI has advised that banks may consider using lockable cassettes in their ATMs. Also, banks have to upgrade all the ATMs with supported versions of operating system and to implement anti-skimming and whitelisting solution. These guidelines will demand a sizeable investment that may account for up to 40% of the cost of ATM machine.

The Confederation of ATM Industry (CATMi) said that new rules issued by the government and the Reserve Bank of India (RBI) would hike the cost of running an ATM making it an unviable business. They have also warned that half of the ATM machines in the Country might face closure in near future if some corrective measures are not taken.

In the light of above circumstances; ATM industry is going to face tremendous challenge in near future.

Challenges and Threats

- **RBI Guidelines-**Regulatory and compliance issues play a key role in business and technology strategies of financial institutions, as the end goal of the compliance regulations is to manage and mitigate risks since security at the ATM has become one of the major challenges as the threats are becoming more diverse in nature than ever before. To mitigate risk in ATMs RBI came with following notifications-
  1. **Cassette - Swaps in ATMs-**To mitigate risks involved in open cash replenishment/ top-up, it is advised that banks may consider using lockable cassettes in their ATMs. This may be enforced in a phased manner covering at least one third ATMs operated by the banks each year, such that all ATMs achieve cassette swap by March 31, 2021.
  2. **Control measures for ATMs-**
     a. Implement security measures such as BIOS password, disabling USB ports, disabling auto-run facility, applying the latest patches of operating system and other software, terminal security solution, time-based admin access, etc.

b. Implement anti-skimming and whitelisting solution.

c. Upgrade all the ATMs with supported versions of software. Such upgrades shall be during phased manner to make ensure that in respect of the prevailing ATMs running on unsupported versions of software.

Huge expenditure will have to be incurred to implement the said measures by ATM operators. This will affect their profitability and visible gain will be negligible. But keeping in view of the recent security breach in many of the ATMs, implementation of the above measures is essential.

- **ATM Security-** ATM related fraud has become a worldwide issue affecting financial institutions along with its customers. Banks need to assess their fraud prevention capabilities to detect gaps needed to be filled and to attempt to get one step ahead of the fraudsters. ATM skimming remains a prime concern. Leading vendors have developed anti-skimming devices to alleviate the risk due to ATM skimming and to extend the lifespan of existing ATMs.

- **OS (Operating System) Upgrade-** Microsoft is contemplating to terminate the support for previous versions of windows operating systems. Windows 10 is the latest operating system offering various features related to security. Banks have to plan to migrate their ATMs since it may require additional cost in terms of money, effort and time.

- **EMV compliant-** As EMV (Europay, Mastercard and Visa) proved to mitigate card fraud by card skimming, many of the cardholders and merchants are adopting EMV technology to mitigate the risk. Majority of the POS terminals have implemented EMV but ATM industry adoption of EMV is slightly behind the target. As majority of the cards are EMV enabled, financial institutions need to understand that if ATMS are not EMV compliant, they can be held liable for any fraud happening when EMV enabled cardholder does a transaction at the ATM.

- **Cash replenishment and uptime-** With augmented focus on customer enablement, the service level agreements (SLAs) between the bank and the ATM service provider or the ATM service provider and the CRA (cash replenishment agencies) provide for minimum level of uptime, which should be maintained. If the uptime is less than the level as provided by the SLA, there are penalties imposed by the bank from the ATM service provider. Therefore, with evolving technology, ATM providers will have huge responsibility of maintaining uptime level as well as have such controls in place, which guarantee that the penalties charged by banks are in line with agreed terms& conditions as per the SLA and these penalties are recovered from respective vendors or CRAs.

- **Data collection and implementation-** Today, data is a real wealth and it is being said that whoever acquires and controls the data will have hegemony in the future. The global movement of data is creating huge prospects as well as challenges. But the implementation of systems and such procedures, which capture the data, record and maintain it in order to facilitate the flow and processing into useful information is an uphill task. The collection of primary or secondary data needs both thorough understanding of the information requirement and the adequate processes, which process such data into information.

- **Wallets and digital payments-** The Government is moving fast towards its plan of making the economy cashless through digitisation of payments and evolution of e-wallets for making various payments. Hence, it can be observed that making payments at POS is increasing at a much faster pace as compared to ATM transactions.

  People have started making payments directly by using debit or credit cards rather than withdrawing cash from ATMs and making payments in cash. Various modes such as netbanking, phone banking, e-wallets, etc., are slowly growing their operations in India. The comfort of operations, as well as benefit of mobility and various benefits offered by sellers or vendors or government for making payments digitally have started appealing users, who till date, have believed in a cash-driven economy. The RBI, in its master directions for prepaid payment instruments (PPIs), had proposed the idea of interoperability among digital wallets, following which digital wallets present in the ecosystem will be able to interact or transact with each other. Interoperability will let a user of one e-wallet to make payment to another e-wallet. With this customer facilitation will be increased due to the ease of making such payments. This poses threat to the ATM industry in the long run.

- **Cryptocurrency-** With the concept of cryptocurrency gaining more and more relevance globally, in the long run India cannot be expected to remain backward in this domain. Therefore, till the time when the cryptocurrencies in India are given legal status, it is going to be a challenge for ATM service providers to develop technologies for payments in cryptocurrency. It will also be a challenge for ATM service providers to facilitate cryptocurrency through ATMs and remain pertinent in the market.

Suggestive Measures

Based on the empirical data available related to ATM, Debit card issued, Debit card transactions, other digital transactions and feedback received, it is evident that ATM industry has reached to saturation and either become static or started declining. This is mainly due to increased cost in maintenance of ATM and more emphasis being given on less cash/cashless economy worldwide.

On the other hand, in our country ATMs are not going to be phased out in the near future as compared to some of the developed countries. It will evolve and take a new dimension. Keeping in view the huge amount involved in maintenance and further implanting latest security measures, there is need for cost-benefit analysis of each ATM. There is also need for rationalising of ATM installed, if needed closing some of them and/or shifting to a place which may be most suitable.

Some of the suggestive measures which may help in giving new dimension to ATM Industry are as below-

1. ATM should be equipped with NextGen digital banking products/apps/services to reduce the cost and drive people towards Cash Less banking. In future, ATM machines will not only be dispensing cash instead they will work as Kiosk where various Digital products/ services get delivered to customers without branch intervention.
2. Door delivery of sealed packets of cash- Devise model for delivery of cash through online delivery aggregators such as Big Basket, Swiggy etc. An app may be developed that authenticates the delivery to the right customer. This may be implemented in metro and urban cities with identified locations and with certain limit of cash taking a view of the security aspects.
3. Round the clock ATMs may be made available only at bus station, railway station /police station / prominent hospitals etc. This will help in reducing operating cost.
4. The replenishment of cash at all ATMs has to be done by a separate wing unrelated to the branches, so that branch banking doesn't get adversely affected.
5. All standalone ATMs need to be upgraded to Recyclers. E-Lobby is also sharing the burden of non-cash transactions being done on ATMs. In future, ATMs may replace the entire banking services including cash transactions, passbook printing, issue of inter-office instruments, submission of life certificates by pensioners, inquiry on products (selecting the products and obtaining details by SMS or e-Mail, Debit mandate registration, many more services, which are otherwise available on net banking may also be made available at ATMs).
6. Cash flow is an integral part of an Indian economy. Making less cash or cashless economy not only requires customer education but also require robust infrastructure and secure IT channel which involve a lot of CAPEX. Some investment in ATM industry along with infra upgrade will give much better results. The current machines must be upgraded or replaced with mini-kiosk branch functions (deposit, withdraw, cheques clearing, ECS/SI mandate, raising transaction related complaints, etc.)
7. Customers should be inculcated to go to alternate channels, India being cash transaction vested economy, people rush to bank and ATM. Mobile ATM should be increased. To discourage ATM transaction, ATM charges should be reviewed. ATM card should be issued after viewing customer's transactions at least for three months. Minimum balance norms should be brought for issuance of ATM card.
8. Less space occupying (may be embedded on side of buildings, with access from inside building, incurring less maintenance cost).
9. ATM industry is not having much room for expansion unless the drastic change in technology. Updated machines with solutions to note jam and wider acceptance of notes on recycler along with functionality where customers can give preference for cross sell or up sell of various products offered to them based on their records. Some technological innovations like biometric authentication for ATM cash withdrawals to avoid ATM cloning and other related frauds, are need of the hour.

Way Ahead

1. **EMV Adoption -** Until and unless EMV is adopted at all ATMs owned by financial Institutions, ATMs would be more vulnerable to fraud attacks which puts the security of customers' data at risk.
2. **Mobile Integration -** ATM needs to get smarter by integrating latest technologies available in the market like NFC or QR code etc. to be able to provide better banking experience for smartphone users at their ATMs and to mitigate risk due to various fraud techniques like card skimming and card trapping. ATM-mobile integration offers financial institutions significant amount of opportunities to enhance customer experience by offering services like including the ability to store transaction preferences, mobile card-less ATM access, faster completion of transactions to be on par with digitalisation and market changes in physical channels.
3. **ATM Data Analytics -** With the latest technological innovations and sophistication at the ATMs, ATMs facilitate customers to perform wide range of transactions which were typically handled by traditional branch representatives. Thus, there has been a noteworthy increase in the customers choosing for self-service channel which led to the necessity for data analytics in ATM industry to recognize customers' preferences and behaviour and to achieve operational efficiencies in areas like demand forecasting and cash management. Bank can deploy advanced data-based models and data driven decisions, to produce a wide range of customised statistics and increased customer satisfaction.
4. **Video Banking -** Using Interactive Teller Machines (ITM) customers can perform 95% of the activities performed by the branch through real time communication with remote teller generally situated in call centre. It will help the bank to add value to its customers by providing extended access to banking services and financial experts to its customers.
5. **ATM Branding -** This facilitates increase in transactions and helps to generate new opportunities by gaining customer attention and ATMs present profitable opportunities to promote brand awareness. In the traditional form of ATM branding, and ATM operated by and independent ATM Deployer builds a partnership with a financial institution (FI), in which the ATM bears the name, logo and graphics of the financial institution. Through this, a financial institution can offer surcharge free transaction to its customers thus boosting customer loyalty and helps in generating new opportunities.
6. **Distributed Ledger Technology (DLT) -** This technology is described as a ledger that is maintained by banks via nodes in a decentralised form across multiple locations, various transaction and multiple individuals. All the information is then stored and utilised by multiple banks within the nodal network that use these transaction and history of account to assess the credibility of the account or individual. This attributes enhanced safety and security for transactions related to such technologies, which may not only transform the usage of traditional ATMs but also obliterate the use of cards.
7. **Varying bill denominations -** With the fixed denominations dispensed in cash form, many banks have enabled their ATMs to dispense cash to the exact change requirement and provided additional flexibility to the customer when it comes to their cash withdrawals.
8. **Solar-powered ATMs -** ATMs in urban areas consume substantial amount of electricity. However, in rural areas the Government is introducing ATMs which will run on solar energy enabling the banks to provide services in those areas where there is shortage of power.

Conclusion

The landscape of the Indian economy is changing, on account of numerous economical, technological and regulatory reforms which in turn are affecting the ATM industry. However, in the long run, to alleviate the effects of changing scenario, strong and effective external risk management along with enterprise risk evaluation is essential, which will not only enable the business to sustain in the market but will also attain the objective of better customer facilitation. Unless the change is incorporated by the industry and its elements, which apparently requires strategic management and innovation, the industry may find it difficult to sell secure services to customers.

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4. www.economictimes.com ❑

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Module -8- Models for Estimation of Risk

Module -9- Project and Assessment

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Course Duration/ Time	30 Hours / 8 Week
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vii) Final Exam by Remote Invigilation

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   Type of Account: Savings

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RBI CIRCULAR

Submission of returns under Section 31 of the Banking Regulation Act, 1949 (AACS) – Extension of time

RBI/2020-21/28

August 26, 2020

1. In terms of section 31 of the Banking Regulation Act, 1949 ("the Act") read with Section 56 the Act [as amended by the Banking Regulation (Amendment) Ordinance, 2020], accounts and balance-sheet referred to in section 29 of the Act together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer. In terms of the first proviso to the above section, Reserve Bank may in any case extend the said period of three months for the furnishing of such returns by a further period not exceeding three months.
2. Since the aforesaid Ordinance amending, inter alia, Section 31 has been notified on June 29, 2020 for the primary (urban) co-operative banks (UCBs) and also as UCBs may be facing difficulties in submission of the returns due to the ongoing COVID-19 pandemic, it is considered necessary to allow more time for submission of the aforesaid return for the financial year ended on March 31, 2020.
3. In view of the above, Reserve Bank hereby extends the said period of three months for the furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2020 by a further period of three months. Accordingly, all UCBs shall ensure submission of the aforesaid returns to Reserve Bank on or before September 30, 2020.

(Neeraj Nigam)
Chief General Manager

Ad-hoc/Short Review/Renewal of Credit Facilities

RBI/2020-21/27

August 21, 2020

1. In terms of circular DBOD.No.BP.(SC).BC.98/21.04.103/99 dated October 7, 1999 on Risk Management System in Banks, Scheduled Commercial Banks (SCBs) are required to put in place a board approved credit policy, which, inter alia, should prescribe the periodicity and methodology of review/renewal of credit facilities. The policy should also prescribe differential time schedules for review/renewal of borrower limits so that lower rated borrowers whose financials show signs of problems are subjected to renewal control more frequently. The Master Circular for Urban Cooperative Banks (UCBs) on Management of Advances – UCBs dated July 1, 2015, requires all UCBs to lay down policy guidelines for periodic review of the working capital limits.
2. Further, in terms of the Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and the Master Circular DCBR.BPD. (PCB) MC No.12/09.14.000/2015-16 dated July 1, 2015 on Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs as applicable to SCBs and UCBs

respectively, an account where the regular/ad-hoc credit limits have not been reviewed/renewed within the prescribed timeline from the due date/date of ad-hoc sanction will be treated as Non-Performing Asset.

3. Banks are, therefore, expected to have a detailed Board approved policy on methodology and periodicity for review/renewal of credit facilities within the overall regulatory guidelines, and adhere to the same strictly.
4. However, an analysis of practices followed by the lenders while reviewing/renewing credit facilities has brought out certain supervisory concerns, including that of frequent/repeated ad-hoc review/renewal of credit facilities instead of regular review/renewals, non-capturing and/or inaccurate capturing of review/renewal data in the banking/information systems, and non-coverage of review/renewal activities under the concurrent audit/internal audit mechanism.
5. In this connection, we reiterate that timely and comprehensive review/renewal of credit facilities should be an integral part of the Board approved loan policy and credit risk management framework, and banks should avoid frequent and repeated ad-hoc/short review/renewal of credit facilities without justifiable reasons. Banks are also advised to capture all the data relating to regular as well as ad-hoc/short review/renewal of credit facilities in their core banking systems/management information systems and make the same available for scrutiny as and when required by any audit or inspection by Auditors/RBI. Further, the processes governing review/renewal of credit facilities should be brought under the scope of concurrent/internal audit/internal control mechanism of banks with immediate effect.
6. We advise that all banks should follow above instructions in letter and spirit.

(Ajay Kumar Choudhary)
Chief General Manager

Exclusion of "Westpac Banking Corporation" from the Second Schedule to the Reserve Bank of India Act, 1934

RBI/2020-21/30

September 03, 2020

We advise that the "Westpac Banking Corporation" has been excluded from the Second Schedule to the Reserve Bank of India Act, 1934 vide Notification DOR.IBD.No.99/23.13.138/2020-21 dated July 18, 2020, which is published in the Gazette of India (Part III - Section 4) dated August 22 – August 28, 2020.

(Sudhansu Mohan Parida)
General Manager

Long Form Audit Report (LFAR) - Review

RBI/2020-21/33

September 05, 2020

1. Please refer to RBI circular No. DBS.CO.PP.BC.11/11.01.005/2001-2002 dated April 17, 2002 on revision of Long Form Audit Report (LFAR).
2. Keeping in view the large scale changes in the size, complexities, business model and risks in the banking operations, a review of the LFAR formats, in consultation with the stakeholders, including the Institute of Chartered Accountants of India (ICAI), was undertaken and it has been decided to make the following changes.
3. The format of LFAR, as mentioned below, have been revised:
   a. Annex I for Statutory Central Auditors (SCA)
   b. Annex II for Branch Auditors
   c. An Appendix as part of Annex II for the specialized branches and
   d. Annex III on Large / Irregular / Critical accounts for branch auditors.

The revised formats are enclosed.

4. The revised LFAR formats are required to be put into operation for the period covering FY 2020-21 and onwards. The mandate and scope of the audit will be as per this format and if the SCA feels the need of any material additions, etc., this may be done by giving specific justification by the SCA and with the prior intimation of the bank's Audit Committee of Board (ACB).
5. Regarding other operational issues relating to submission of LFAR, we further advise as under:
   a. Timely receipt of LFARs from the auditors should be ensured;
   b. The LFAR on the bank, after due examination, should be placed before the ACB / Local Advisory Board of the bank indicating the action taken/proposed to be taken for rectification of the irregularities, if any, mentioned therein; and
   c. A copy each of the LFAR (i.e. for the bank / all

Indian Offices of foreign bank as a whole) and the relative agenda note, together with the Board's views or directions, should be forwarded to the concerned Senior Supervisory Manager (SSM) in the Department of Supervision, Reserve Bank of India within 60 days of submission of the LFAR by the statutory auditors.

6. The LFAR format and other instructions issued vide RBI circular No. DBS.CO.PP.BC.11/11.01.005/2001-2002 dated April 17, 2002 stand repealed.

(Ajay Kumar Choudhary)
Chief General Manager

Exim Bank's Government of India supported Line of Credit (LoC) of USD 215.68 million to the Government of the Republic of Malawi

RBI/2020-2021/38

September 17, 2020

1. Export-Import Bank of India (Exim Bank) has entered into an agreement dated June 12, 2020 with the Government of the Republic of Malawi, for making available to the latter, Government of India supported Line of Credit (LoC) of USD 215.68 million (USD Two Hundred Fifteen Million Six Hundred Eighty Thousand only) for the purpose of financing drinking water supply schemes and other development projects in the Republic of Malawi. Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. Out of the total credit by Exim Bank under the agreement, goods, works and services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.
2. The Agreement under the LoC is effective from September 09, 2020. Under the LoC, the terminal utilization period is 60 months after the scheduled completion date of the project.
3. Shipments under the LoC shall be declared in Export Declaration Form as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category- I) banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.
5. AD Category – I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website www.eximbankindia.in
6. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

(R. S. Amar)
Chief General Manager

Basel III Capital Regulations - Review of transitional arrangements

RBI/2020-21/42

September 29, 2020

1. Please refer to circular DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020 on 'Basel III Capital Regulations - Review of transitional arrangements'.
2. In view of the continuing stress on account of COVID-19, it has been decided to defer the implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. Accordingly, the minimum capital conservation ratios in para 15.2.2 of Part D 'Capital Conservation Buffer Framework' of Master Circular, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations', shall continue to apply till the CCB attains the level of 2.5 per cent on April 1, 2021.
3. The pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instruments (Perpetual Non-Convertible Preference Shares and Perpetual Debt Instruments), shall remain at 5.5 per cent of risk weighted assets (RWAs) and will rise to 6.125 per cent of RWAs from April 1, 2021.

(Usha Janakiraman)
Chief General Manager

IMPORTANT BANKING INDICATORS - REGIONAL RURAL BANKS - OUTSTANDING

(₹Crore)

Year	Deposits			Bank Credit	Investments in Approved Securities			Cash in Hand
	Demand	Time	Aggregate (2+3)		Government Securities	Other Securities	Total (6+7)	
1	2	3	4	5	6	7	8	9
1989-90	817	2998	3815	3409	5	1	6	46
1990-91	941	3619	4560	3497	9	6	15	56
1991-92	1044	4227	5271	3951	8	17	25	64
1992-93	1093	5277	6370	4451	10	37	47	74
1993-94	1394	6651	8045	5024	39	52	91	86
1994-95	2115	8733	10848	6201	459	375	834	216
1995-96	2475	10895	13370	7289	842	983	1826	177
1996-97	2947	14025	16971	8544	723	1765	2488	226
1997-98	3805	17173	20977	9687	1011	2517	3528	253
1998-99	4688	20740	25428	11016	1191	3816	5007	300
1999-00	5105	24946	30051	12663	1224	4786	6009	343
2000-01	6098	29897	35995	15211	1642	5847	7489	357
2001-02	7305	35189	42494	18033	1970	4901	6871	400
2002-03	8513	39131	47644	21359	7673	4335	12008	471
2003-04	10727	42663	53390	25057	13324	4208	17532	547
2004-05	12757	45529	58286	31651	16970	3242	20213	598
2005-06	17355	46840	64195	36050	16787	2263	19050	1155
2006-07	20003	61617	81620	48420	20249	2175	22424	1110
2007-08	21022	73390	94412	57417	23411	1976	25387	1104
2008-09	24353	89475	113828	64011	27118	2296	29414	1226
2009-10	28710	107104	135814	79016	38201	1029	39229	1434
2010-11	33663	123039	156702	94545	44262	1231	45493	1671
2011-12	34479	138914	173393	111082	47179	1580	48759	1820
2012-13	37269	159154	196422	129936	49178	1170	50348	1810
2013-14	39705	180919	220624	152051	55220	934	56154	2036
2014-15	47117	207109	254226	173972	59969	1464	61433	2045
2015-16	50916	242839	293754	197111	78822	1196	80018	2285
2016-17	65354	280219	345573	213247	112785	663	113448	2640
2017-18	211261	189198	400459	252919	135099	12306	147405	2789
2018-19	70087	355712	425799	276345	134207	524	134730	3051

Note **:** Data as on last Reporting Friday of March.

Source **:** NABARDSource : National Statistical Office (NSO), Government of India.

POPULATION GROUP-WISE NUMBER OF BRANCHES OF SCHEDULED COMMERCIAL BANKS

(Number)

Year	Rural	Semi-urban	Urban	Metropolitan	Total
1	2	3	4	5	6
1991	35206	11344	8046	5624	60220
1992	35269	11356	8279	5666	60570
1993	35389	11465	8562	5753	61169
1994	35329	11890	8745	5839	61803
1995	33004	13341	8868	7154	62367
1996	32995	13561	9086	7384	63026
1997	32915	13766	9340	7529	63550
1998	32878	13980	9597	7763	64218
1999	32857	14168	9898	8016	64939
2000	32734	14407	10052	8219	65412
2001	32562	14597	10293	8467	65919
2002	32380	14747	10477	8586	66190
2003	32303	14859	10693	8680	66535
2004	32121	15091	11000	8976	67188
2005	32082	15403	11500	9370	68355
2006	29534	16184	12166	11732	69616
2007	29658	16970	13009	12351	71988
2008	30173	18246	14232	13315	75966
2009	30821	19569	15245	14277	79912
2010	31845	21313	16621	15391	85170
2011	33315	23630	17571	16403	90919
2012	35931	26392	18811	17478	98612
2013	39199	29163	19874	18348	106584
2014	44676	32216	21515	19589	117996
2015	48140	34526	23098	20879	126643
2016	50561	36455	24395	22088	133499
2017	49844	39073	25050	26697	140664
2018	50824	39652	25351	26641	142468
2019	51507	40772	25958	27189	145426

Note : Data exclude 'Administrative Offices'.

Source :
1. For data up to 2005, Basic Statistical Returns of Scheduled Commercial Banks.
2. For data from 2006 onwards, Central Information System for Banking infrastructure (erstwhile master office file) database as on August 01, 2019.

Also see Notes on Tables.

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