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"The launch is in line with the bank's "Digital at the fore, human at the core" strategy of offering customers more convenience through digital processes."

Ms. Shalini Warrier
Executive Director
Chief Operating Officer and
Business Head - Retail, Federal Bank

"Our objective is to re-define the role we can play in the life of our customers, by elevating digital banking to new domains of customer engagement."

Sameer Shetty
EVP and Head,
Digital Banking, Axis Bank

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From The Desk Of Editor-in-Chief

Reserve Bank of India has extended the timeline for processing recurring online transactions by 6 months to September 30, 2021.

Banks and payment gateways had sought additional time to comply with the RBI directive on automatic recurring payment. Recently RBI had directed all banks including RRBs, NBFCs, and payment gateways that the processing of recurring transactions (domestic or cross-border) using cards or Prepaid Payment Instruments (PPIs) or Unified Payments Interface (UPI) under arrangements/practices not compliant with AFA would not be continued beyond March 31, 2021.

Though technology is making the life easier somewhere the general consumers feel that online banking is becoming complex too. Be it making online payment or online services at times it is quite cumbersome to make online payments. In some banks even to make simple payment involves multiple steps.

According to experts RBI plans to launch a digital rupee which can help curb bank frauds, and increase transparency in the financial system, including the lending process.

Instances of banking frauds in India grew 159% in 2019-20, involving misappropriation of around ₹1.85 trillion, up 2.5 times from the year-earlier, shows data from RBI's annual report released in August.

"The RBI has issued 18-20 trillion notes in India at the moment, which could lead to fake notes being printed, as notes are tough to trace,". "The first thing CBDC does is bring transparency to this because all the money is digitally available on a ledger that's unforgeable,"

As the online transaction grows online frauds would be inevitable, hence RBI must take all necessary steps to stop frauds.

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Banking News

ICICI Bank reduces home loan, lowest in a decade

ICICI Bank Ltd has recently slashes its interest rate on home loans of up to Rs. 75 lakh to 6.7%, its lowest in 10 years. According to the bank, the new interest rate will be applicable till 31 March, 2021. The interest rates begin at 6.75% for loans above Rs. 75 lakh.

Ravi Narayanan, Head (secured assets), ICICI Bank, stated that the bank is seeing a resurgence in demand from consumers, who want to buy homes for their own consumption, in the past few months. "We believe that this is an opportune time for an individual to buy his/her dream home, considering the prevailing low interest rates", he added.

Neobank: UAE launches county's first independent digital banking platform

The first independent digital banking platform in the UAE was recently launched, a neobank hoping to become a leader in the Middle East, South Asia and Africa.

Like any other neobanks, YAP too does not have physical branches and traditional banking services like loans and mortgages, but offers spending and budgeting analytics, remittances services, peer-to-peer payments and bill payments.

The Dubai-based YAP does not have a banking licence itself but has partnered with RAK Bank that provides international bank account numbers for YAP users and secures their funds under its own banking licence.

According to Katral-Nada Hassan, Head of Product, YAP is also in the process of joining hands with banks in other countries, including a bank in Saudi, Pakistan and Ghana. Hassan stressed that there are challenges for fintechs looking to expand to the UAE. "There are a lot of fintechs right now looking at partnering with banks, but that requires a lot of discussion, relationship building... It is not an easy thing to do", she said.

Small Finance Banks have wider presence in well-banked States

Small Finance Banks (SFBs) have greater concentration of branch network in relatively well-banked States, according to an assessment in the Reserve Bank of India's latest monthly bulletin.

While there has been a rapid growth in the branch network of SFBs since their inception, this growth has been markedly concentrated in the southern, western and northern regions, which are known as the relatively wellbanked regions in the country, said RBI officials Richa Saraf and Pallavi Chavan in an article in the bulletin.

SFBs' penetration in the northeastern region, which is known to be the least banked region, remains low, they added. Following the issuance of the licensing guidelines in 2014, 10

SFBs have commenced operations so far. The first two, Capital Small Finance Bank and Equitas Small Finance Bank, started operations in 2016, followed by seven more in 2017 and one more in 2018. SFBs had 4,307 branches as of March-end 2020.

At the State level, while SFBs are making their presence felt in some of the under-served States such as Madhya Pradesh (7 per cent share in total branches) and Rajasthan (8 per cent), they continue to be concentrated in Tamil Nadu (16.6 per cent), Maharashtra (13.1 per cent), Karnataka (7.7 per cent), Kerala (5.5 per cent) and Punjab (4.7 per cent) - States with some of the lowest population per bank branch in the country - as per a preliminary assessment of these banks.

Among these, the States from the southern region have had a high concentration of MFIs (microfinance institutions) since the time micro finance originated in India in the early-1990s, the article said. SFBs, too, many of which are MFIs turned into banks, have largely followed this pattern of branch expansion.

Furthermore, there appears to be some similarity in the branch spread of private sector banks and SFBs, with both showing a greater concentration in the relatively well-banked regions/ States.

The article said the rapid increase of SFB branches has been in semiurban and urban centres; in March 2020, about 39 per cent of the total SFB branches were semiurban in nature, followed by 26 per cent in urban centres.

SBI customers targeted with text phishing scam

According to CyberPeace Foundation, a New Delhi-based cyber security think tank, some of the SBI customers have recently received suspicious messages which shows a link to redeem their SBI credit points worth Rs. 9,870.

The link written in the message is redirecting the customer to a fake website, on which a 'State Bank of India Fill Your Details' form is showing. The user is then asked to submit some personal and financial information - name, date of birth, e-mail ID, registered mobile number, card number, expiry date, CVV and MPIN. As per the report, the domain name of the website can be traced to India, and the registrant state is Tamil Nadu.

"The fake site collects data directly without any verification and is registered by a third party instead of having the registrant organization name of State Bank of India, making it all the more suspicious", according to the report of CyberPeace Foundation along with Autobot Infosec Private Ltd. As per the statement of SBI, they, like any other reputed banking entity, never communicate with their customers via SMS or e-mails containing links about the user's account.

The title name of the website is traced to be 'Home-Earn Redeem Points' using a source code analysis. The user is being redirected to a WordPress website after clicking the tag found in the source code.

SBI reduces interest rates of home loan to 6.70%

State Bank of India has cut down the minimum interest rate at which it will now offer home loans from 6.80% to 6.70%. It is effective for a limited period of time, up to March 31, 2021.

As per the official statement given by SBI, home loan interest rates start at 6.70% for loans up to Rs. 75 lakh and 6.75% for loans in the range of Rs. 75 lakh to Rs. 5 crore. The lender is continuing with 100% waiver on processing fees.

"Overall, it is offering concession of up to 70 basis points based on loan amount and credit score. This also includes a concession of 5 basis points each for women borrowers and digital sourcing through the YONO app", the bank added. The Deputy Managing Director (Retail Business), SBI, Saloni Narayan stated that this reduced interest rates are one of the best rates in home loans.

Loan repayment delays at BoB surge in March - December

Qualified Institutional Placement (QIP) document declared that such stressed loans, which are yet to The repayments of loans, which are delayed up to 90 days, have surged at Bank of Baroda (BoB) between March and December, 2020 keeping in mind the building up of stress. It is stated that if the loans remain unpaid beyond 90 days, they will now be classified as Non-Performing Assets (NPAs).

BoB in a Recent turn non-performing, have risen sharply from 8.01% of its domestic loan book as on 31 March, 2020, to 21.57% as on 31 December. In other words, Special Mention Accounts (SMAs) or loans delayed by 1-90 days have increased by 13.56% points since COVID-19 struck the country.

As per the norms of the RBI, the borrowers must be categorized into special mention accounts based on their repayment delays. Special Mention Account-0 (SMA- 0) loans are where the repayment overdue is between 1 to 30 days, SMA-1 (between 31 to 60 days) and SMA-2 (61-90 days). Among these three categories, the loans under SMA-2 are closely monitored as they are on the edge of turning worse.

BoB to implement lateral hiring for digital banking roles

While banks have been hiring directly from the market focusing primarily for the senior and vertical head posts, Bank of Baroda is all set to accelerate lateral hiring in some fields like digital lending and mobile banking, and areas in which banks typically require specialists outside traditional banking roles. In order to execute the plan to hire laterally, BoB wants to empanel external human resource consultants to support this movement.

The process of recruiting an expert for a specific role from another organization is called lateral hiring. Finance minister Nirmala Sitharaman, in 2019 during the time of announcing the merger of 10 Public Sector Banks (PSBs) into 4, stated that banks will also recruit a chief risk officer at market-linked compensation to attract talent.

"The banking environment has undergone a sea change in the last decade", Bank of Baroda said in an official document. "The advent of technology, creation of new business arena, innovation in the products and service delivery and the competition has brought the banking sector to the brim wherein innovation and being pioneer has become the need of an hour in capturing the new business."

Federal 24/7: Federal bank introduces virtual banking experience

Federal Bank has announced the launch of Federal 24/7, an end-to-end digital platform, focusing to be beneficial in opening and managing savings bank accounts without having to visit the bank.

The new platform also enables instant and completely paperless digital savings account opening sitting anywhere in India with just the PAN and Aadhaar numbers. Using Federal 24/7, the customers can now experience the state-of-the-art Video-KYC-based account opening for seamless and convenient banking experience.

"We are delighted to launch Federal 24/7, a truly innovative and relevant offering designed to address the needs of the times. As the name suggests, this platform is designed to be always available to meet the needs of our customers", Ms. Shalini Warrier, Executive Director, Chief Operating Officer and Business Head - Retail, Federal Bank remarked while speaking on the occasion. "The launch is in line with the bank's "Digital at the fore, human at the core" strategy of offering customers more convenience through digital processes and solutions and is based on the guidelines of the RBI's video KYC norms", she added.

Axis Bank introduces WhatsApp banking

Axis Bank has announced the launch of banking services on WhatsApp for its retail customers. This new launch will allow customers to seek information regarding their account balance, recent transactions, fixed and recurring deposit details, credit card payments, besides getting their queries answered in real-time.

The customers will now be able to chat with Axis Bank for their queries related to banking transactions, information like nearest branch, ATM or loan centre location. It will also feature the option to apply for various banking products. Blocking of credit or debit card can also be done using the secure end-to-end encrypted messaging channel.

This digital initiative is in line with Axis Bank's 'Dil Se Open' philosophy, which focuses to build sharper customer focus and greater convenience through constant innovation.

Sameer Shetty, EVP and Head, Digital Banking, Axis Bank remarked while commenting on the launch, "Our objective is to re-define the role we can play in the life of our customers, by elevating digital banking to new domains of customer engagement. This technology will not only enhance customer experience but also provide a seamless and personalized experience to all our customers, as well as non-customers".

HDFC, along with SBI & Kotak Mahindra Bank, reduces interest rates of home loan

Housing Development Finance Corporation has recently cut down the home loans interest rates by 5 basis points to 6.75%. The company said, "HDFC reduces its Retail Prime Lending Rate (RPLR) on Housing loans, on which its Adjustable Rate Home Loans (ARHL) are benchmarked, by 5 basis points, with effect from March 4, 2021". The change will be beneficial to the existing HDFC retail home loan customers, it stated.

Recently SBI announced an interest concession of up to 70 bps with interest rates starting from 6.7% onwards for a limited period offer till March 31, 2021. Kotak Mahindra Bank also announced a 0.10 percentage point cut in its home loan rates for a limited period where customers will be able to avail home loans for 6.65% till March 31, 2021 as part of a special offer after the rate reduction.

Indian Bank to divest ASREC stake for asset monetisation

The Indian Bank board of directors has recently accorded in-principle approval for the partial or full disinvestment of the bank's stake in ASREC (India) Ltd.

Indian Bank holds a 38.26% stake in ASREC (India) Ltd. and the decision to divest stake is part of monetisation of the bank's non-core assets.

ASREC (India) Ltd. acquires Non Performing Assets (NPAs) from banks and financial institutions at mutually agreed prices with an objective to maximise the returns through innovative resolutions strategies.

HDFC Bank launches 'SmartUp Unnati' programme for women entrepreneurs

HDFC Bank has recently announced the launch of a mentoring programme 'SmartUp Unnati', under which senior women leaders from HDFC Bank with expertise spanning domains will mentor women entrepreneurs in helping them achieve their goals over the next one year. 'SmartUp Unnati', which is available only to the existing customers, targets more than 3,000 women entrepreneurs associated with the bank's SmartUp programme.

Smita Bhagat, country head, government & institutional business, e-commerce and start-up banking, HDFC Bank stated, "We firmly believe in providing equal opportunity and have facilitated women's empowerment over the years."

She added, "In the start-up ecosystem, women entrepreneurs are often faced with challenges unique to them. We believe HDFC Bank's 'SmartUp Unnati' is the perfect platform for them to benefit from the experience of our women leaders. It will provide them access to mentorship, expand their vision, and enable them to scale up their businesses by widening their horizons."

YES Bank launches 'YES Essence' for women from every walk of life

On the occasion of International Women's Day on 8 March, YES Bank has announced the launch of 'YES Essence', which is dubbed as a holistic banking proposition for women across customer segments - homemakers, salaried professionals, entrepreneurs and senior citizens.

This new holistic banking proposition offers a bouquet of solutions including complementary healthcare benefits, earn on an auto sweep to FD, preferential pricing on loans, fee waiver on Demat and trading account, wealth management, offers on upskilling through partnerships, attractive lifestyle and shopping offers, among many more.

Rajan Pental, Global Head, Retail Banking, YES Bank, said, "The holistic proposition has been thoughtfully curated to empower women in the very roles that they have chosen for themselves - extending opportunities for self-enrichment, right from finance to healthcare. This unique proposition with exclusive privileges aims to empower women and support them in the pursuit of their dreams and aspirations while also making their banking experience a rewarding one."

e-Andhra, e-Corporation Bank branches change IFSC codes

The IFSC codes of e-Andhra and e-Corporation Bank branches have been changed recently. The old IFSC codes of both the bank branches will be invalid from April, 2021 since the e-Andhra and e-Corporation Bank have been amalgamated with Union Bank of India.

IT integration of both the banks has been completed without changing the customers' account numbers. IFSC code of e-Andhra Bank will begin with UBIN08 and e-Corporation Bank with UBIN09 and the customers will have to get new cheque books with revised IFSC and MICR codes.

Expect moderately worse banking sector outlook for the next fiscal: Fitch

Fitch Ratings has recently stated that it expects a moderately worse sector outlook of the Indian banks for the next fiscal beginning April 1, 2021 based on muted expectations for new business and revenue generation, and deteriorating asset quality.

The rating agency highlighted that the impact of the COVID-19 pandemic is likely to pose challenges to Indian banks' improving financial performance once asset-quality risks manifest in the financial year ending March, 2022.

Indian banks have reported lower impaired loans and improved profitability for the 9 months ended December, 2020 due to various forbearance measures and continued large write-offs. Indian banks, mainly the state banks, remained more risk-averse than in prior years, which was reflected in their weak credit growth.

As the forbearance measures unwind, Fitch expects the Indian banks to reverse the improvements in asset quality and profitability, with state banks more vulnerable to higher stress than private banks, which have better profitability and higher contingent reserves and capitalisation. ❑

Reserve Bank News

Loans for first-time MSME borrowers exempt from CRR

Reserve Bank of India has exempted banks from keeping the cash reserve ratio (CRR) requirement against loans disbursed to first-time borrowers of micro, small and medium enterprises (MSMEs).

In its statement on development and regulatory policies, RBI said MSMEs that had not availed of any credit facility as of 1 January can be considered for this exemption. This includes exposures of up to Rs.25 lakh per borrower for credit extended up to the fortnight ending 1 October 2021.

"In order to incentivise new credit flow to the MSME borrowers, scheduled commercial banks will be allowed to deduct credit disbursed to 'new MSME borrowers' from their net demand and time liabilities (NDTL) for calculation of CRR," RBI said.

According to State Bank of India chief economist Soumyakanti Ghosh, the exemption should result in disbursements of Rs. 2.33 trillion of fresh loans to MSMEs by the end of September 2021. Banks could save CRR of Rs. 8,000 crore from fresh loans to MSMEs.

"While the credit to MSMEs have improved in FY21, the same is supported by emergency credit line guarantee scheme (ECLGS) to existing borrowers of the banks. The proposal could incentivize banks to consider lending proposals for fresh credit to new MSMEs, however, the actual offtake could be muted given the continued risk aversion of lenders and limited impact on costing from CRR exemption," said ICRA rating agency.

In February 2020, RBI exempted banks from maintaining CRR for loans to all MSMEs for five years, if these loans were disbursed between 31 January and 31 July 2020. CRR is the slice of deposits that banks have to park with RBI. Currently, it is at 3% of banks' deposits. Banks don't earn any interest on CRR.

The announcement comes at a time when the budget did not announce the extension of the Rs. 3 trillion ECLGS for stressed MSME borrowers. The scheme is set to expire in March 2021. Banks and non-banks have sanctioned 76.6% of the funds allocated under the scheme, which offered small businesses loans of up to 20% of their entire credit outstanding as on 29 February. Initially, the Centre said companies with Rs. 100 crore turnover and Rs. 25 crore outstanding will be eligible for the scheme, but the cap on turnover was lifted in November.

RBI withdraws 3 circulars on pension recovery

The Reserve Bank said rules regarding recovery of excess or wrong pensions are being flouted, and withdrew three circulars concerning the same.

The RBI asked banks to seek guidance from respective pension sanctioning authorities regarding the process to be followed for recovery of excess pension paid to the pensioners.

"It has been brought to the notice of RBI that the recovery of excess/wrong pension payments from the pensioners are being made in a manner that is not in keeping with the extant guidelines/ Court orders," a central bank notification said.

After examining the issue, the RBI decided to withdraw three circulars issued by its department of government and bank accounts in 1991 and 2016.

If excess payments are due to be made to the government for excess/wrong pension payout, banks may be guided by the guidelines laid down in circulars released in 2009 and 2015.

"Agency banks are again advised that, where excess pension payment has arisen on account of mistakes committed by the bank, the amount paid in excess should be refunded to the Government in lumpsum immediately after detection of the same and without waiting for recovery of any amount from the pensioners," it said.

RBI drives down 10-year bond yields to 6% level

The Reserve Bank of India (RBI) in a way forced the bond market to accept its will by driving down the 10-year bond yields to the 6 per cent mark once again by giving a strong rate signal at the open market operations (OMO) auction.

Out of the Rs. 20,000 crore the central bank wanted to buy from the market through four securities, the RBI bought Rs. 14,654 crore in the 10-year segment alone. While completely leaving out a bond maturing in 2028, and buying Rs. 2,040 crore and Rs. 3,306 crore in the 2024 maturity and 2034 maturity respectively.

The market offered bonds worth Rs. 89,234 crore for the Rs. 20,000 crore OMO. The RBI will be auctioning Rs. 22,000 crore of bonds in a special auction, and another Rs. 26,000 crore as part of the regular auction.

The cut-off of the 10-year bond was at 6.0034, a result of RBI buying the bonds at more than the prevailing market rate. The central bank bought the 10-year bonds at 50 paise above the prevailing rate, and brought down the yields from 6.08 per cent to 6 per cent mark. The 10-year bond yields closed at 6.0096 per cent.

"Generally, OMOs purchases are equally distributed across securities. By doing disproportionate buying, RBI is giving a strong yield signal that it wants to maintain the 10-year at 6 per cent," said Debendra Dash, head of asset-liability management at AU SFB.

RBI fines StanChart India Rs. 2 crore for delays in reporting fraud

The Reserve Bank imposed a penalty of Rs. 2 crore on Standard Chartered Bankfor delays in reporting of frauds to it.

The monetary penalty has been imposed on the bank for non-compliance with certain directions contained in the 'Reserve Bank of India (Frauds - Classification and Reporting by commercial banks and select FIs) Directions 2016'.

"The penalty has been imposed for delays in reporting of frauds to RBI, revealed during the statutory inspection of the bank with reference to its financial position as on March 31, 2018 and March 31, 2019," the central bank said in a statement.

A notice was issued to the Standard Chartered Bank advising it to show cause as to why penalty should not be imposed on it for such non-compliance with the directions.

"After considering the bank's reply to the notice and oral submissions made in the personal hearing, RBI concluded that the charge of non-compliance with aforesaid RBI directions was substantiated and warranted imposition of monetary penalty," the statement said.

The central bank also noted that its action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

RuPay increases its market share: RBI

RuPay has cornered a significant market share in the domestic card market since its launch. As of November 30, 2020, RuPay's market share has increased to more than 60 per cent of total cards issued, from merely 17-per cent market share in 2017, revealed the data released by the Reserve Bank of India (RBI) in its booklet on Payment Systems in India (2010-20).

As of November 2020, around 603.6-million RuPay cards have been issued by nearly 1,158 banks. But a majority of these are debit cards and only 970,000 are credit cards. However, experts have cautioned that this statistic must not be looked at in isolation.

Experts pointed out that one of the reasons behind gaining such market share could be the fact that a significant portion of RuPay cards are issued to accounts opened under the Pradhan Mantri Jan-Dhan Yojana (PMJDY). As of January 13, 2021, more than 306-million RuPay cards have been issued to 416.5 million accounts opened under PMJDY.

"What needs to be checked are the value and volume of transactions," said experts.

Interestingly, the number of debit cards issued in the country between 2010-11 and 2019-20 increased from 227.8 million to 828.6 million, of which around 300 million were RuPay debit cards issued to basic savings bank deposit (BSBD) account holders.

On the other hand, during the same period, the number of credit cards issued also increased from 18 million to 57.7 million. The increase in cards has facilitated growth in both online and physical point-of-sale (PoS) terminal-based card payments, resulting in an increase in digital transactions.

"The drive for a less-cash economy in the wake of demonetisation in 2016 and the issue of RuPay cards for BSBD accounts has increased user acceptance in the interiors of the country where paying with a card was a novelty five years back. RuPay has its popular debit card and its increasingly accepted credit version as well," the RBI said.

RBI for 'bank-like' regulations for big shadow lenders

The Reserve Bank of India proposed to introduce a scale-based regulatory framework for non-banking financial companies (NBFC) to segregate larger entities and expose them to a stricter set of "bank-like" rules. This is aimed at protecting financial stability while ensuring that smaller NBFCs continue to enjoy light-touch regulations and grow with ease.

In a discussion paper released on its website, the central bank suggested a four-tier pyramid structure for the sector. There will be a base layer (NBFC-BL), which will have NBFCs with an asset size of up to Rs. 1,000 crore, accommodating more than 95 per cent of the non-deposit taking shadow lenders. This layer will continue to enjoy regulatory arbitrage.

Above this base layer will sit a middle layer (NBFC-ML), where regulations will be stricter than now. On top of that, in the upper layer (NBFC-UL), 25-30 NBFCs can be accommodated.

They will have bank-like regulations as they have swelled in their sizes and become the largest set of borrowers from the financial system with deep interconnectedness, which can threaten financial stability. The layer will be populated by NBFCs that have large potential for a systemic spillover of risks and have the ability to impact financial stability.

"There is no parallel for this layer at present, as this will be a new layer for regulation. The regulatory framework for NBFCs falling in this layer will be bank-like, albeit with suitable and appropriate modifications," the discussion paper said.

At the very top, there will be a few NBFCs that will be subjected to the regulations proposed specifically for them. The top layer will essentially be those NBFCs in the upper layer that can pose extreme risks. Thus, they must be put to significantly higher and bespoke regulatory/supervisory requirements.

The base layer will comprise non-deposit taking NBFCs, while the middle layer will be populated by non-deposit taking but systemically important NBFCs, deposit taking NBFCs, housing finance companies, and others. The regulatory regime for this layer shall be stricter compared to the base layer, and adverse regulatory arbitrage vis-à-vis banks can be addressed for NBFCs falling in this layer in order to reduce systemic risk spillovers, where required, the paper said.

RBI launches digital payments index

Amid digital transactions' continuous rise across the country, the Reserve Bank of India has come up with a 'composite Digital Payments Index (DPI)' to measure the extent of digitisation of payments in India. Announcing the development recently, the central bank said that the RBI-DPI consists of five key parameters that would capture "deepening and penetration of digital payments in the country over different time periods," RBI said in a statement.

The digital payments ecosystem is currently dominated by large technology players including Paytm, PhonePe, Google Pay, and recently launched WhatsApp Payments. India's UPI payments had shot up 82 per cent in the current fiscal year's Q2 along with a 99 per cent jump in value from the year-ago period, according to the Worldline India Digital Payments report.

The five parameters based on which RBI would measure the penetration of digital payments included payment enablers, payment infrastructure - demand-side factors, payment infrastructure - supply-side factors, payment performance, and consumer centricity. Each of these parameters also consisted of sub-parameters which, in turn, included various measurable indicators.

The RBI-DPI index was set-up with March 2018 as the base period with the score set at 100. "The DPI for March 2019 and March 2020 work out to 153.47 and 207.84 respectively, indicating appreciable growth. Going forward, RBI-DPI shall be published on RBI's website on a semi-annual basis from March 2021 onwards with a lag of 4 months," RBI said. ❑

Industry News

Axis bank board grants reclassification of united India insurance as public shareholder

Axis Bank stated that its board has approved the proposal to reclassify United India Insurance Company Ltd (UIICL) as a public shareholder category investor in the bank from promoter category. The request to reclassify the insurer to public category from promoter category was made by UIICL, one of the promoters of Axis Bank through a letter.

Axis Bank said, "The said letter was placed for consideration of the board at its meeting held today... The board at the said meeting has considered and approved the said request received from UIICL to reclassify it to public category from promoter category."

Paytm claims top spot in digital payments with 1.2 billion monthly transactions

Paytm officially stated that it has achieved over 1.2 billion monthly transactions led by the massive growth in financial services and offline payments.

With this feat, Paytm, which has over 150 million monthly active users, has consolidated its leadership position as the largest digital enabler promoting all the methods of payment including wallet, cards, UPI and net-banking. The platform goes on to lead with the highest market share in terms of offline merchant payments with 15% month-on-month growth.

"We are humbled by the trust India has shown in us and made Paytm their preferred digital payments and financial service provider", said Narendra Yadav, Vice President of Paytm in a statement. "We have consistently maintained industry-leading market share and growing at an impressive rate", he added.

Centre lifts embargo on private banks for govt. business

Keeping in mind the move that can potentially make bank privatisation plan more attractive for the investors, Centre has lifted an embargo which had previously barred most private players from undertaking lucrative government-related banking transactions. Various taxes and other revenue payment facilities, pension payments and small savings schemes are there in these transactions.

These types of transactions, until now, were mostly a preserve of the Public Sector Banks (PSBs). According to the source, only a few private players like Axis Bank, HDFC Bank and J&K Bank were allowed to conduct them.

According to the Finance Ministry, the government has conveyed its decision to RBI, and now, since the embargo is lifted, there is no bar on RBI to authorise private banks (in addition to the PSBs) for conducting government businesses, including government agency business.

The Finance Ministry said in a release, "This step is expected to further enhance customer convenience, spur competition and higher efficiency in the standards of customer services."

PNB Housing Finance enters into co-lending partnership with Yes Bank for retail loans

PNB Housing Finance and Yes Bank jointly stated that they have entered into a strategic co-lending agreement for offering customised retail loans for homebuyers at competitive interest rates.

Both the organisations will now jointly do due diligence and co-originate the loan at an agreed ratio. PNB Housing Finance will serve the customers through the entire loan lifecycle including sourcing, documentation and collection with an information-sharing arrangement with Yes Bank.

Wipro to acquire Capco for $ 1.45 billion

Wipro Limited has recently signed an agreement to acquire Capco, a global management and technology consultancy providing digital, consulting and technology services to financial institutions in Europe, Americas and the Asia Pacific.

This acquisition is expected to make Wipro one of the largest end-to-end global consulting, technology and transformation service providers to the banking and financial services industry. By combining Wipro's capabilities in strategic design, digital transformation, cloud, cybersecurity, IT and operations services with Capco's domain and consulting strength, clients will gain access to a partner who can deliver integrated solutions to help fuel growth and achieve their transformation objectives.

Truecaller discontinues UPI services in India

Caller ID app Truecaller has recently discontinued all Unified Payments Interface (UPI) payments services in India. The app had begun notifying the users of the decision two weeks ago. "As per guidance from regulators, we gave two weeks' notice to users," quoted a Truecaller spokesperson in the formal notice.

The company had been offering UPI services in India through Truecaller Pay which had nearly two crore registered UPI users at its peak during mid-2020. Its banking partners included ICICI Bank and Bank of Baroda. Now their Truecaller UPI ID will be deregistered after ensuring zero-settlements with partner banks.

The notice read, "All your data including transaction history, account information and other sensitive information related to UPI will be deleted from Truecaller systems after a statutory period of 180 days as directed by regulatory authorities."

New TRAI regulations interrupt banking services like SMS, OTPs

The Telecom Regulatory Authority of India has recently released a guideline under which the contents of every SMS will have to be verified before it is delivered. The process, which is known as scrubbing, has been implemented.

TRAI has suspended the new norms for commercial text messages for a week as institutions dealing with banking, payment saw massive disruption in SMS and OTP deliveries. The new norm aims at filtering out spam messages. But now TRAI has decided to give establishments a week's time to switch to the new system.

What is the new system?

- The new norms, based on blockchain technology, aimed at curbing unsolicited and fraudulent messages.
- Telecom companies, as mandated by TRAI, switched to the new norms.
- According to the new rules, companies are to link themselves so that no fraudulent message, out of the registered format, get sent to customers.
- The SMS and OTPs, when sent by user entities will be checked against the templates pre-registered by them on the blockchain platform. This process is known as scrubbing.

Paytm joins hands with Ola & others to apply for RBI's digital payments umbrella entity

Vijay Shekhar Sharma, Founder & CEO, Paytm, has confirmed that they are applying to constitute a New Umbrella Entity (NUE) in partnership with several players including Ola, aiming to develop innovative digital payments solutions.

The consortium will also include a bank, a fintech company, a payments bank, a small finance bank, a tech startup, and an NBFC to become one of the most diverse NUEs ever seen, Vijay Shekhar Sharma stated.

The RBI, in August, 2020, had put together the idea to create a non-profit umbrella entity to manage and operate new payment systems, especially consumer-facing products. As it was envisioned by the RBI, the consortium will be responsible for developing new methods and technologies of payment, as well as coming up with innovative ways to boost financial inclusion in semi-urban and rural India.

VSS further added, "We've been saying that payments have become mainstream, and it is important for us to create more payment options and opportunities for consumers and businesses alike. RBI took note of it and has given an opportunity to apply for NUE. We are going to apply for sure... the process is on."

UPI transactions rise 19% month-on-month, hits Rs. 5.05 lakh crore in March

The value of transactions through the Unified Payments Interface rose 19% month-on-month to Rs. 5.05 lakh crore. According to data released by National Payments Corporation of India on Twitter, the volumes rose by an equivalent amount to 2.73 billion.

Growth in UPI volumes has been driven over the last year by burgeoning QR-based acceptance points across the country. The value of peer-to-merchant transactions through UPI has exceeded that of transactions made using credit cards or debit cards at points of sale. Such P2M transactions have benefited from the zero-merchant discount rate regime. Innovations in merchant alert systems have also done a lot to boost merchant transactions over the channel.

The next phase of growth in UPI transactions could be driven by innovations that are likely to be ushered in by the New Umbrella Entity (NUE) licensees. NPCI is itself working on developing a platform for feature phones which, too, could have a role in driving growth.

India rolls back decision to cut interest rates on small savings

India has reversed the decision to lower interest rates by up to 1.1% on its state-backed small savings programme, Finance Minister Nirmala Sitharaman said recently, adding that orders to cut rates to a near five-decade low were issued because of an oversight.

Small savings are the lifeblood of India's low and middle-income groups, and cutting interest rates would have dealt a severe blow to hundreds of millions of Indians at a time when many have lost jobs and faced pay cuts amid the pandemic. Ms Sitharaman tweeted, "India shall continue to be at the rates which existed in the last quarter of 2020-2021, i.e., rates that prevailed as of March 2021."

"Orders issued by oversight shall be withdrawn," she added.

A day earlier, on the last day of the 2020/21 financial year, India had cut interest rates on small savings by up to 1.1% for the June quarter. The government reviews interest rates on government-backed schemes every quarter.

NPCI to introduce new digital payments product for feature phones

National Payments Corporation of India has recently stated that it is working on a digital payments product for feature phone users and those who are not too comfortable using mobile apps.

According to Praveena Rai, Chief Operating Officer, NPCI, the product is at the proof of concept stage right now. This new product will help further the NPCI's goal of taking digital payments to every Indian.

"We need to move into the market which is feature phone-based...Moving towards voice-enabled payments will be the trend of digital payments that we should see and India will be a clear innovator there,", Rai added..

While an SMS-based payment solution called Unstructured Supplementary Service Data (USSD) was launched by NPCI in 2016, its use later got discontinued with the launch of the Bharat Interface for Payments (BHIM) app in late 2017.

India's rising COVID-19 cases risk denting economic recovery

A surge in CoronaVirus cases in India could hurt the economy's recovery from a rare recession, as curbs to avoid a new wave creates delays in putting millions who lost their jobs to the pandemic back to work.

Deputy governor Michael Debabrata Patra wrote in the latest RBI monthly bulletin, "There is a restless urgency in the air in India to resume high growth, and incoming data point to even contact-intensive services such as personal care, recreation and hospitality gathering traction." He also added, "But another outbreak, more lockdowns and restraints, will get unbearable in spite of learning from the initial experience of living with the virus."

That is perceived as a cautionary footnote to the RBI's earlier year-on-year growth projection of 26.2% for the April to June quarter. Kaushik Das, chief India economist at Deutsche Bank AG in Mumbai, says if cases continue to rise, it will cost the economy and the impact on growth will be felt in the April to June quarter.

"Anticipating such a possible uptick in COVID-19 cases, we have already taken relatively lower real GDP growth estimate for April-June of 25.5% year-on-year," he stated, compared to the RBI's forecast.

In recent weeks, new COVID-19 cases have shot up across India despite a rollout of a nationwide vaccination drive. Confirmed infections have risen to more than 40,000 daily from a low of about 9,800 in February, pushing the overall tally past the 11.5 million mark. ❑

Mutual Fund News

Banks may face challenge from SEBI's revised debt norms: ICRA

According to ICRA Ratings, banks are likely to face challenges in their incremental bond issuances, following the Securities and Exchange Board of India's revised norms on investment by mutual funds in Basel III debt instruments issued by banks.

In the recently revised norms, the SEBI said that mutual funds across all the schemes would not own more than 10% of the Basel III instruments issued by any bank. The norms also mention that no more than 10% of Net Asset Value of the debt component of the scheme will be issued in Basel III instruments and no more than 5% of the NAV of the debt component of the scheme will be issued in Basel III instruments of a single issuer.

Additionally, the valuation of perpetual debt instruments henceforth will be based on a maturity of 100 years from date of issuance, instead of current practice of valuing them on time left for the next call-option date.

Karthik Srinivasan, ICRA Ratings Group Head of Financial Sector Ratings, remarked that the proposals to limit the composition of the Basel III bonds in overall asset under management could affect incremental investment appetite of AMCs which are closer to 10% of NAV threshold limit for investments in these bonds. "As mutual funds are large investors in additional tier I (AT-I) and tier II bonds issued by banks, it could possibly make it challenging for the banks to raise their desired quantum of debt capital", he further stated in a report.

Mutual funds' exposure to bank certificates of deposits declines by 67%

Mutual funds' investment in bank certificates of deposits declined sharply by 67% last month to Rs. 53,000 crore against Rs. 1.59 lakh crore in same period last year. It caused largely due to fall in interest rate on this debt instrument.

According to Care Rating research report, the overall mutual funds' debt schemes' investment in bank certificates of deposit has fallen to 3.2% in February from 10.4% logged in the same period last month.

The average rate of interest on CDs has fallen by 2 percentage points in last one year to 4.2% last month against 6.2% in February, 2020 with the excess liquidity unleashed by RBI to stimulate economy marred by the COVID-19 pandemic.

G Pradeepkumar, Chief Executive Officer, Union Asset Management Company, has stated that the issuance of certificates of deposit by banks has come down considerably in last one year as they are flush with funds and papers issued by few banks are also coming with lower interest. Debt funds, in general, are investing in the papers issued by corporates and government are the active borrowers in the market.

Mutual funds failed to beat benchmarks in year of lockdown: Study

A recent study by Morningstar has shown that several key categories of mutual funds on average failed to beat their benchmarks in the year of lockdown.

The study looked at the performance from 25 March, 2020 to 22 March, 2021. In another variant, it looked at returns from 19 February, 2020 which was the start of the 2020 COVID correction to 22 March, 2021. In the second variant as well, mutual funds across several categories failed to beat their benchmarks.

As per the report, only 3.45% of large cap funds beat the benchmark in the lockdown year. The proportion was higher for mid caps (24%) and small caps (8.70%). In case of multi caps, just 11.76% of funds beat their benchmarks.

The failure to beat came despite strong performances by various mutual fund categories in the lockdown year. According to the report, large cap funds on average delivered 77.76%, mid cap funds gave 96.53% and small cap funds delivered 117.59%. However, all of these returns fell well short of indices. For instance, large cap funds on average underperformed by 14.11%, mid caps by 10.89% and small caps by 16.39% implying that investors lost out on a large chunk of returns.

SEBI: Mutual funds to treat perpetual bonds as 100-years papers

SEBI has recently issued a circular clarifying the valuation of bonds issued under the Basel III framework. SEBI has amended the valuation rule attached to perpetual bonds. The deemed residual maturity of Basel III Additional Tier-1 (AT-1) bonds will be 10 years, mentioned in the circular.

As per the revised circular, for valuation, the deemed residual maturity for Basel III AT-1 bonds are as follows:

- ❖ 10 years: Time period up to 2022.
- ❖ 20 years: Time period falling between Apr. 1- Sep. 30, 2022 30 years
- ❖ 30 years: Time period falling between Oct. 01, 2022 to Mar
- ❖ 100 years: Time period Apr. 01, 2023 onwards (100 years from the issuance of bonds)

The deemed residual maturity for Basel III Tier-2 bonds will have a period of 10 years, till March 31, 2022 or will be based on the contractual maturity period, whichever is earlier. The periods for such bonds thereafter will be bound through the contractually agreed maturity periods.

HSBC Mutual Fund introduces Global Equity Climate Change FOF

HSBC Asset Management India has recently announced the launch of HSBC Global Equity Climate Change Fund of Fund. It is an open-ended scheme investing in HSBC Global Investment Funds - Global Equity Climate Change. The scheme will be managed by Priyankar Sarkar and will be benchmarked against MSCI AC World TRI.

According to the press release, it is the first-of-its-kind, fund of fund investing in an underlying fund which has a thematic focus on climate change. The scheme will invest predominantly in the units of the HSBC Global Investment Funds - Global Equity Climate Change. The scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to meet liquidity requirements from time to time.

The underlying fund has identified 9 sub-themes to address the challenges ranging from renewable energy and energy efficiency to clean transportation and natural capital. The potential investments are selected for alignment with the theme, including their carbon footprint and ESG score are checked. In addition, the holdings are diversified geographically with investments in both developed and emerging markets and all nine sub-themes.

The underlying fund undertakes detailed ESG assessment and once it is satisfied that the company has an enduring business model and a sustainable growth path the company's stock is available for inclusion in the portfolio.

Aditya Birla Sun Life Mutual Fund asks for rollover of 6 fixed maturity plans

Aditya Birla Sun Life Mutual Fund has recently asked for rollover (extension) of 6 fixed maturity plans (FMPs).

The six FMPs are Aditya Birla Sun Life Fixed Term Plan Series OZ, PA, PC, PF, PK, PI and PJ. These were launched in January-March, 2018 and set to mature in April, 2021. The fund house has asked for extension to different dates ranging from November, 2022 to April, 2023. The schemes have delivered CAGR returns of 7.3-7.8% since launch.

The notice said, "Owing to low yields on offer to investors it will be prudent for existing investors to make maximum use of indexation benefit and opt for extending the investments. Further the massive bond rally in the previous year fuelled by aggressive rate cuts and accommodative stance of the RBI has pushed rates lower. Therefore, re-setting of maturity will offer an opportunity for investors of the respective schemes to get extended long term capital gain benefit for their existing investments." ❑

Co-Operative Bank News

Rupee Co-operative Bank depositors demand their money back

A group of Rupee Co-operative Bank depositors have decided to press ahead with a case in the Bombay high court demanding most of their deposits back. They have also alleged mismanagement and misbehaviour by the present bank administrators appointed by RBI.

Dhananjay Khanzode, leader of a group of bank depositors, stated before any plans of merging or reviving the bank, the depositors' interest should be secured first. "The depositors want their money back with interest. We are also prepared to accept part of the money, up to 70% now. We will let the bank give the rest later after they recover more by attaching property and recovering debts. Before any merger or revival plans are approved, the depositors' interest should be secured first, as many of us have suffered greatly due to the pandemic, with our money stuck in the bank," Khanzode remarked at a press conference.

Khanzode alleged that the current administrators of the bank, including the chairman Sudhir Pandit, have "mismanaged" the proposed merger of the bank with the Maharashtra State Cooperative Bank (MSCB), with Pandit "pushing" for the merger with MSCB despite it having no retail banking experience. He also alleged that depositors have been harassed and manhandled by people linked to the current bank administrators, for raising questions about financial "impropriety".

Uni-State UCBs can convert to multi-State UCBs via amalgamation: New RBI norm

RBI has recently said that it will consider the proposals for merger and amalgamation of two or more Urban Cooperative Banks (UCBs). This comes even as RBI is evaluating proposals by three investors for acquiring the scam-hit Punjab & Maharashtra Co-operative (PMC) Bank.

A uni-State Urban Co-operative Bank (UCB) can metamorphose into a multi-State UCB through amalgamation with a uni-State bank registered in another State, going by RBI's guidelines on amalgamation of two or more UCBs.

As per the 'Amalgamation of Urban Cooperative Banks, Directions, 2020', issued recently by RBI, it may consider the proposals for merger and amalgamation among UCBs under three circumstances:

- When the net worth of the amalgamated bank is positive, and the amalgamating bank assures to protect entire deposits of all depositors of the amalgamated bank.
- When the net worth of amalgamated bank is negative, and the amalgamating bank on its own assures to protect deposits of the depositors of the amalgamated bank.
- When the net worth of the amalgamated bank is negative and the amalgamating bank assures to protect the deposits of all depositors of the amalgamated bank, with the financial support from the State government extended upfront as part of the process of merger.

The guidelines come in the backdrop of 52 UCBs being placed under All Inclusive Directions (since April 1, 2015 till December 11, 2020) by RBI, according to the RBI's latest 'Report on Trend and Progress of Banking in India'.

The RBI said the decision of amalgamation will be approved by two-third majority of the total number of board members of both amalgamating and amalgamated UCBs, and not just of those present and voting.

The draft scheme of amalgamation will be approved by the shareholders of each UCB by a resolution passed by a majority representing two-thirds of the shareholders, both in number and value, present in person at a meeting called for the purpose.

SVC Co-operative Bank clinches 'Best Co-operative Bank 2020' award

SVC Co-operative Bank Ltd. has been conferred with the 'Best Co-operative Bank 2020' award at the 19th Global Edition and 4th India Edition of World Leadership Congress & Awards. The award was received by Mr. Dilip J. Pendse (CFO), Mr. Vasant Srivastava (Head-Retail Banking) and Mr. Ravinder Singh (Head-Corporate Banking).

SVC Co-operative Bank has previously bagged several prestigious awards. In 2019-20, it had won five other prestigious awards including 'Best Co-operative Bank & Future Ready Bank' awards at World BFSI Congress & Awards, 'Best Bank - Co-operative Segment' award at the ABP News BFSI Excellence Awards, 'Best E-Payments Initiative' and 'Best Debit Card Initiative' awards (Large UCB Category) at Frontiers of Co-operative Banking Awards (FCBA) 2019.

Commenting on the occasion, Ajit Venugopalan, MD, SVC Bank, stated, "This award is a prestigious recognition of our efforts to offer the best banking experience to our customers. We believe that SVC is amongst the few cooperative banks to invest in technology and become a one-stop-shop for our customers' financial requirements. Today, SVC is well digitised to offer relevant banking solutions like the entire digital suite, including UPI, Debit Cards, Internet Banking, Mobile Banking, NEFT/RTGS and IMPS. Kudos to the entire team at SVC for achieving these heights."

RBI imposes Rs. 1 lakh fine on United India Co-operative Bank

RBI has recently imposed a monetary penalty of Rs. 1 lakh on the United India Co-operative Bank for violation of rules. RBI, in a release, said that the penalty is on account of deficiencies in regulatory compliance.

This penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) and Section 56 of the Banking Regulation Act, 1949, taking into account the failure of the bank to adhere to the aforesaid directions issued by RBI.

Explaining the action, RBI stated that it advised the bank to submit various returns. However, the bank failed to submit these returns to the RBI within the stipulated time.Subsequently, a show cause notice was issued to the bank advising it to show cause as to why penalty should not be imposed for non-compliance with the directions.

RBI also added, "After considering the bank's reply, RBI came to the conclusion that the aforesaid charge of non-compliance with RBI directions was substantiated and warranted imposition of monetary penalty."

Rupee Cooperative Bank hopes for early merger or revival

The board of administrators of the Rupee Cooperative Bank reported a total recovery and profit of Rs. 258.11 crore and Rs. 53.19 crore in the past four years. The bank is under the banking restrictions since 2013. It is yet to get the green signal from RBI for its merger with the Maharashtra State Cooperative Bank (MSC). The apex bank has, however, granted extension for the Rupee Bank's licence till May 31, 2021.

As of January 31, 2021, the total deposit of the bank is Rs. 1,292.84 crore and the advances are Rs. 295.01 crore. According to a press statement, "During the year up to January-2021, the bank has made operating profit of Rs. 19.93 crore. Till January 2021, the bank had paid Rs. 366.54 crore to 92,602 needy depositors under the Hardship Scheme."

Steps like attachment of properties of defaulter borrowers, public auction of the same and filing criminal suits have been initiated by the bank. Sudhir Pandit, Chairman of the board of administrators, said, "The bank has also informed the names of its defaulter borrowers/guarantors to other banks for effective recovery."

A joint merger proposal was submitted to the RBI in January, 2020. The press statement read, "However, the RBI advised MSC Bank/RCS to re-submit the proposal in adherence with the RBI Circular on Transfer of Assets and Liabilities and specifying other compliances and conditions. Accordingly, revised proposal has been submitted through the Co-operative Department on 24.11.2020." ❑

Legal Cases

Rules for online media lacks teeth, don't have provisions for action: SC

The Supreme Court has recently stated that the Centre's guidelines on regulating social media lacks teeth and do not have any provision for taking appropriate action for prosecution or punishment against digital platforms which show inappropriate content or violate the norms.

The SC also granted interim protection from arrest to Amazon Prime Video's India head Aparna Purohit in FIRs lodged over web series 'Tandav'. It asked her to co-operate with the investigation and appear before the Investigating Officer as and when required. A bench comprising justices Ashok Bhushan and R S Reddy also issued notice to the Uttar Pradesh government on Purohit's plea for anticipatory bail in FIRs on 'Tandav' webseries.

The SC remarked that there is nothing in the rules to control the inappropriate content on these platforms and without legislation it may not be possible to control it. The bench, in its order, stated that a perusal of the rules indicate that the rules are more and more in the form of guidelines and have no effective mechanism for either screening or taking appropriate action for those who violate the guidelines.

Solicitor General Tushar Mehta, appearing for Centre, told the bench that the Government shall consider and take appropriate steps for regulation or legislation as may be found fit and it shall be placed before the court.

Senior advocate Mukul Rohatgi, appearing for Purohit said that the government has notified the rules on February 25. These rules lack teeth, these are mere guidelines. They don't have any provision for prosecution or punishment. It is mostly a guideline thing, the bench told Mehta. The Solicitor General then urged the court to give some time and the government will come up with some draft regulation and legislation and place it before the court.

More courts won't reduce cheque bounce cases: Supreme Court

The Supreme Court has recently disagreed with the view of Finance Ministry that creation of additional trial courts to deal with over 35 lakh pending cheque bouncing cases would not serve the purpose as most of the cases are stuck because of non-appearance of accused persons.

The Department of Financial Services (DFS), under the Finance Ministry, through additional solicitor general Vikramjit Banerjee told a bench of Chief Justice S.A. Bobde, and Justices L.N. Rao and S.R. Bhat, "one of the major factors for the high pendency is the delay in ensuring the presence of the accused before the court for trial. It is understood that most cases are pending due to absence of the accused. Under such circumstances, it is not clear how additional specific courts would provide a solution to the problem of the large number of pending cases."

Amicus curiae Sidharth Luthra flagged the DFS view to the bench, which read out the text of Article 247 of the Constitution, which allowed establishment of additional courts for better administration of laws. "At the hearing of this matter, we have suggested that the Union of India may provide for establishment of additional courts for the better administration of laws i.e. the Negotiable Instruments Act, under Article 247," it read.

Parental-side kin can inherit property of Hindu widow: Supreme Court

The Supreme Court has recently declared that family members on the parental side of a Hindu widow can't be held to be 'strangers' and her property can devolve upon them under the Hindu Succession Act.

Referring to Section 15(1)(d) of the Act, a bench of Justices Ashok Bhushan and R. Subhash Reddy stated the heirs of the father of a Hindu woman are covered under persons entitled to succession of property.

The bench said, "A perusal of the Section indicates that heirs of the father are covered in the heirs (of the property), who could succeed. When heirs of father of a female are included as person who can possibly succeed, it can't be held that they are strangers and not the members of the family qua the female."

Section 15 states that the property of a female Hindu dying intestate (not having made a will) shall devolve according to the rules set out in Section 16 -

a) firstly, upon the sons and daughters (including the kids of any predeceased son or daughter) and the husband;

b) upon the heirs of the husband;

c) upon the mother and father;

d) upon the heirs of the father; and

e) lastly, upon the heirs of the mother."

The court upheld the order of HC and trial court which allowed a childless widow to enter into a family settlement in favour of her brothers' son.

Husband liable for woman's injuries in matrimonial home: SC

Denying pre-arrest bail of a man accused of assaulting his spouse, the Supreme Court has recently declared that a husband would be primarily liable for injuries inflicted on a wife in the matrimonial home even if these were caused by his relatives.

It was the man's third marriage and the woman's second. A year after the marriage, a child was born to them in 2018. In June 2020, she lodged a complaint with Ludhiana police against her husband and in-laws after an alleged brutal assault on her by the husband, father-in-law and mother-in-law, accusing her of not meeting their growing dowry demands.

When the husband's counsel Kushagra Mahajan persisted with the request for anticipatory bail, a bench headed by CJI S.A. Bobde stated, "What kind of a man are you? She alleges that you were about to kill her by strangulation. She alleges that you forced a miscarriage. What kind of man are you to use a cricket bat to beat up your wife?"

The Punjab and Haryana high court, while refusing to grant anticipatory bail to the husband, had extracted the woman's complaint, which read, "On June 12, 2020, at about 9 pm, the petitioner (husband) and his father, armed with a cricket bat, gave the complainant merciless beatings in which the petitioner's mother also participated; the petitioner attempted to strangulate the complainant and his father put a pillow on her face with an intention to kill her; after giving her merciless beatings, she was thrown on the road; on being informed, the complainant's father and brother came there and got the complainant treated as also medico legally examined." The woman had also alleged that she had miscarried twice earlier because of assault in her matrimonial home.

NCLT can rule only on insolvency of corporate debtors: Supreme Court

The Supreme Court has recently held that the National Company Law Tribunaal has jurisdiction to adjudicate disputes, which arises solely or relates to the insolvency of a corporate debtor.

The SC, however, cautioned NCLT and its appellate tribunal (NCLAT) to ensure that they do not usurp the legitimate jurisdiction of other courts, tribunals and forum, when the dispute is not related to the insolvency of the Corporate Debtor.

A bench of Justices D.Y. Chandrachud and M.R. Shah said that considering the text of Section 60(5)(c) (of IBC) and the interpretation of similar provisions in other insolvency related statutes, NCLT has jurisdiction to adjudicate disputes, which arise solely from or which relate to the insolvency of the Corporate Debtor.

The SC verdict came on an appeal filed by Gujarat Urja Vikas Nigam Ltd against a NCLAT order by which it had upheld the decision of NCLT staying the termination of Power Purchase Agreement (PPA) entered with a firm Astonfield Solar (Gujarat) Private Limited, which later went into insolvency.

Dismissing the appeal, the SC said that the institutional framework under the Insolvency and Bankruptcy Code (IBC) contemplated the establishment of a single forum to deal with matters of insolvency, which were distributed earlier across multiple fora. ❑

Bank of Maharashtra organizes Official Language Conference at Hyderabad

The Annual Conference of Official Language Officers' of Bank of Maharashtra (BoM) was held on 09th & 10th March 2021 at Hyderabad. The conference was inaugurated by Shri A. S. Rajeev, Managing Director & CEO, BoM. Shri Radhey Shyam Bansal, General Manager (HRM and Rajbhasha), Shri Divesh Dinkar, Zonal Manager, Hyderabad Zone and Official Language Officers of all the zones were present on this occasion. The program was compered by Dr. Rajendra Shrivastava, Assistant General Manager (Rajbhasha).

Shri A. S. Rajeev opined that Hindi and regional languages are the best languages to communicate with the customers & improve customer services. He also said that Hindi is a useful tool for the business growth.

Shri Rajeev launched "Mahakosh Mobile App" and "Mahabank Pragati Mobile App" during the inaugural session of Conference. During conference latest issue of Bank's In-house magazine "Mahabank Pragati" was also released at the hands of MD&CEO. Now, employees of BoM can access "Mahakosh Mobile App" and "Mahabank Pragati Mobile App" through Mobiles and can use Mahakosh App for English to Hindi translation and able to read bank's in-house Magazine through 'Mahabank Pragati Mobile App'.

Shri Radhey Shyam Bansal, General Manager, HRM & Rajbhasha said that it would be our endeavor to learn something new during conference. We can also undertake effective review of official language work and a strategy can be devised for progressive use of Rajbhasha.

During the conference many eminent speakers addressed the Official Language Officers. A session on technology was also conducted by the Deputy Director, Ministry of Home Affairs, New Delhi.
Vote of thanks was proposed by Shri D. P. Gupta, Senior Manager (Rajbhasha), Hyderabad Zone. Mr. J. D. Deshmukh, Deputy Zonal Manager, Hyderabad Zone and Mr. Mahendra Singh, Chief Manager were also present in the conference.

Axis Bank launches WhatsApp Banking – Bank Anywhere, Anytime on your favorite chatting app

India's third-largest private sector bank, Axis Bank is embarking on a partnership with the popular chatting app – WhatsApp – to offer basic banking services to its customers. This will allow customers to seek information regarding their account balance, recent transactions, credit card payments, fixed and recurring deposit details, besides getting their queries answered in real-time.

By using WhatsApp Banking, customers can now chat with Axis Bank for their queries related to their banking transactions, information like nearest branch, ATM or loan centre location, and can apply for various banking products as well. They can also block their credit or debit card using the secure end-to-end encrypted messaging channel.

This initiative is in line with the Bank's 'Dil Se Open' philosophy, to build sharper customer focus and greater convenience through constant innovation. Axis Bank WhatsApp Banking is available 24x7, including holidays, and the service will be available for both customers and non-customers of the bank. It is completely safe, as it works on a secure end-to-end encrypted messaging channel.

Commenting on the launch, Mr. Sameer Shetty, EVP and Head – Digital Banking, Axis Bank, said, said: "Our objective is to re-define the role we can play in the life of our customers, by elevating digital banking to new domains of customer engagement. This technology will not only enhance customer experience, but also provide a seamless and personalized experience to all our customers, as well as non-customers.''

Mr. A.B. Vijayakumar joins as Executive Director, Bank of Maharashtra

Mr. A. B. Vijayakumar joined as Executive Director, Bank of Maharashtra (BoM) on 10th March, 2021. Before joining BoM, Mr. Vijayakumar was Chief Vigilance Officer at Indian Overseas Bank from 01st April 2020. Prior to joining Indian Overseas Bank he worked as Chief Vigilance Officer in erstwhile Corporation Bank and prior to that he worked as Chairman of Madhya Pradesh Gramin Bank also.

Mr. Vijayakumar started his banking career from joining Bank of India in the year 1984 and has wealth of over 34 years of rich banking experience. He rose to the level of General Manager in the year 2018 handling multifarious activities both at the field level and at administrative office handling key functional areas including working at Staff Training College of the Bank. He has served across the length and breadth of the country and also worked as a Compliance Officer at Hong Kong centre.

Mr. Vijayakumar has multifaceted experience of more than three decades covering multiple spectrum of banking operations including Large Corporate, Retail Banking, Priority Sector, Forex Operations, Compliance, Board Secretariat, HR and Vigilance mechanism. Mr. Vijayakumar holds graduate degree in Commerce & Law and a Certified Associate of Indian Institute of Bankers (CAIIB). He has done his diploma and certification Corporate Communications & Investor Relations courses from IIBF on Trade Finance, Foreign Exchange, KYC & AML, Retail banking, Customer Service & BCS.

ICICI Bank reduces home loan interest rate to 6.70%

ICICI Bank announced that it has reduced home loan interest rate to 6.70%. The revised interest rate-- the lowest in 10 years by the Bank—is effected from March 5, 2021. Customers can avail of this interest rate for home loans upto Rs 75 lakh. For loans above Rs 75 lakh, interest rates are pegged at 6.75% onwards. These revised rates will be available till March 31, 2021. Home buyers, including those who are not customers of the Bank, can apply for home loan digitally, in a hassle-free manner through the Bank's website and mobile banking platform, 'iMobile Pay'. They can also experience a convenient digitised experience at their nearest ICICI Bank branch. They can also receive instant sanction of their loan digitally.

Mr. Ravi Narayanan, Head- Secured Assets, ICICI Bank said, "We see resurgence in demand from consumers, who want to buy homes for their own consumption, in the past few months. We believe that this is an opportune time for an individual to buy his/her dream home, considering the prevailing low interest rates. We believe that with our completely digitised home loan process including instant sanction for customers of any bank, everybody will find it immensely convenient to avail a home loan with us."

In November 2020, ICICI Bank became the first private sector bank in the country to cross Rs. 2 trillion (Rs 2 lakh crore) mark in mortgage loan portfolio. Further, the Bank informed during its Q3 results that its mortgage disbursements increased in Q3-2021 over Q2-2021 and reached an all-time monthly high in December 2020.

These achievements can be attributed to the Bank's focus on offering a hassle free and frictionless experience to customers by digitizing the entire mortgage process. It has also leveraged Big Data analytics to offer instant loans—fresh loans, top ups and balance transfer-- to millions of pre-approved customers, along-with offering instant loan approvals. Additionally, the Bank's completely digital process allows anyone including customers of other banks to get a sanction letter immediately, via online.

During the pandemic, the Bank launched the video KYC facility for customers so that they can onboard from their home, without visiting a branch. Thanks to all these initiatives, ICICI Bank now sources nearly one-third of new home loans digitally. The growth in the mortgage portfolio was also aided by the Bank's expansion of footprint across the country including tier 2, 3 and 4 cities.

DEBT SECURITIZATION: THE PROCESS TO UNDERSTAND

Introduction:

Securitization is the process of liquidating the long term assets like loans and receivables of financial institutions by issuing marketable securities against them.

It can be further defined as "a carefully structured process whereby loans and other receivables are packaged, underwritten and sold in the form of asset backed securities".

Securitization is basically a structured financial transaction. Securities evolved out of Securitization process is different from the Conventional Securities like bonds, debentures etc. on points like Source of repayment/Structure/Nature of securities.

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Securitization is liquidating long term assets in to marketable securities like pass through certificates/ preferred stock certificates/asset based commercial paper. the success of securitization depends upon asset's quality, amount of amortization, default experience of original borrower, financial reputation and soundness etc.

The advantages associated with securitization can be narrated as under:

- Innovative and Low Cost Source of Fund
- Better Capital Adequacy Norms
- Creation of More Credit
- Increased Profitability
- Tool for Asset- Liability Management
- Higher Rate of Return
- Spreading of Credit Risk
- Better than Traditional Instrument

Background of Securitization:

The securitization process was first started in U.S.A, where the first structured asset securitized financing came into being in 1970. Firstly it was backed by mortgage loans, the securities issued by it were called "Mortgage pass through securities". In 1985, non-mortgage collaterals started getting securitized in U.S.A. Securitization then gained popularity in UK, like America the concept firstly backed by mortgage. Securitization of debt and the consequent debt instruments were then became popular in countries like Italy, Australia, Canada, Japan, France etc.

Securitization in India:

In India the concept of securitization was pioneered by Citibank. The first attempt was securitization of ICICI's receivables by Citibank in February, 1991. The hire purchase portfolio of TELCO was securitized by Citibank & a sum of Rs. 15 crores was raised. HDFC followed the path & securitized its housing loan portfolio through Citibank. Other commercial banks entered into Securitization to remove their non-performing assets from their balance sheet. But in India it was not firmly rooted because of following points:

- ❖ New Concept
- ❖ Heavy Stamp Duty
- ❖ Cumbersome Transfer Procedure
- ❖ Difficulty in Assignment of Debt
- ❖ Absence of Standardized loan Documentation
- ❖ Inadequate Credit Rating System
- ❖ Absence of Proper Accounting Systems
- ❖ Absence of Guidelines

How the Bank or Other FIs Securitize an Asset?

There are five stages/process involved in the working of Securitization which can be explained as under:

- ✓ Identification stage
- ✓ Transfer stage
- ✓ Issue stage
- ✓ Credit Rating stage
- ✓ Redemption stage

- ❖ First, a bank or financial institution collects thousands of mortgages into a "pool." Then, it divides those pools into small parts and sells them as securities. Buyers of these securities, get the right to the interest or mortgage payments by the home owners/borrowers. Since mortgages back these securities, they are also called "mortgage-backed securities."
- ❖ Sale of the loan by the lender to the Issuer/SPV who then sells securities to Investors.
- ❖ Servicing Agent collects the payments from borrowers & distributes them to the Issuer/SPV for payment to investors.
- ❖ After sale of assets to the Issuer/SPV, the lender has no power to restructure the loan or make other accommodations for its borrower.
- ❖ That becomes the responsibility of Servicing Agent, if the borrower defaults, action is taken by the Servicing Agent to recover cash for payment to investors. It is done as per the conditions mentioned in securitization documents
- ❖ Securities issued by SPV in securitization transaction are mostly Mortgage Backed (MBS), wherein the lender has the right to sell the property, if the borrower defaults. The most common example of MBS is "securities backed by mortgage/housing loans".
- ❖ True sale of financial assets (or a pool of such assets) in return for immediate cash payment.
- ❖ Under the true sale mechanism, the assets move from the balance sheet of the originator to the balance sheet of a Special Purpose Vehicle (SPV) or ARC.
- ❖ The assets are pooled, sub-divided, repackaged as tradable securities backed by such pooled assets.
- ❖ Tradable securities are sold to investors either as Pass Through Certificates (PTCs) Or Security Receipts (SRs),

which represent claims on incoming cash flows from such pooled assets.

Parties Involved in Securitization Process:

- The originator/lender
- The original borrowers
- A Special Purpose Vehicle (SPV) or trust
- A merchant or investment banker
- A credit rating agency
- A servicing agent- Receiving & Paying Agent (RPA)
- The prospective investors i.e. the buyer of securities.

Roles and Responsibilities of Parties to Securitization:

- **Lender:** Lenders can be banks or non-banks.
- **Borrower:** An Individual or organization which obtains loan.
- **Mortgage Broker:** Facilitator between a borrower and the lender.
- **Issuer/Special Purpose Vehicle:** Facilitating securitization and issuing securities to investors.
- **Servicing Agents:** Collecting loan payments from borrowers and remitting to the ISSUER/SPV for distribution to the investors.
- **Trustee:** A third party appointed to represent the investors' interests & ensures that the securitization operates as per the securitization documents.
- **Underwriter:** Administers the issuance of the securities to investors.
- **Credit Enhancement Provider:** An independent third party who provides credit enhancement (decrease the credit risk of the structure) by providing letters of credit or guarantees.

Securitization Documents:

The documents create the securitization and specify how it operates.

- Pooling and Servicing Agreement (PSA), which is a contract that defines:
  - ✓ How loans are combined in a securitization
  - ✓ The administration and servicing of the loans

  - ✓ Representations and warranties
  - ✓ Loss mitigation strategies in event of loan default
- Underwriting: Administers the issuance of the securities to investors
- Credit Enhancement: Designed to decrease the credit risk of the structure provided by an independent third party in the form of letters of credit or guarantees.

How Does Securitization Help?

Banks/FIs use securitization to raise more funds so that they can give more loans. Investors, who invest in these securities can diversify their portfolio and earn quality returns as well. However it has no effect on the borrower, whose mortgage has been pooled. All the terms agreed between the lender and the borrower at the time of taking the loan remains intact. A possible change could be that the borrower may be asked to repay their loan installments/EMI to a different address.

Regulation of Securitization in India:

- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) regulates securitization of stressed financial assets (NPA).
- "RBI Guidelines" of 2006 regulate securitization of standard assets by Banks, NBFCs and other FIs.
- Indian Stamp Act regulates stamp duty applicable to various securitization and assignment transactions. A 2016 amendment to the SARFAESI Act exempted stamp duty for securitizing or assigning non-performing assets (NPA) in favour of ARCs.
- 2012 Revisions of RBI Guidelines, Mandating MRR & MHP Banks, NBFCs and other FIs securitizing their

standard assets to retain "skin in the game" and have a continuing stake in the performance of the securitized assets, referred to as minimum retention requirement (MRR). The loan or financial asset must stay on the books of an originator for a minimum length of time, being the minimum holding period (MHP) before it can become a part of the pool to be securitized. The MRR and MHP provided for a more effective screening of loans by the Banks, NBFCs and other FIs prior to the securitization of such assets.

- In September 2018, the Indian NBFC sector suffered a setback due to Infrastructure Leasing & Financial Services Limited (IL&FS) crises.
- The financial sector faced another roadblock in mid-2019, when housing finance company, Dewan Housing Finance Limited (DHFL) failed to make interest payments to its bond holders, leading to its credit rating being downgraded to "D".
- The resulting panic in the market saw traditional sources of funding disappear for other NBFCs, and raised concerns on debt servicing. With such a sudden drop in willing lenders, NBFCs looked to securitize their standard assets to finance their funding requirements, and the Indian market witnessed a growth in the volume of securitization.
- In the first quarter of the financial year 2019-2020, the Indian securitization market seen the highest issuance volumes as compared to the first quarter of any financial year (with 56% y-o-y growth over the same period in the previous fiscal year).
- The RBI has constituted a special committee to review the state of mortgage-backed securitization in India. The committee released its report on dated 5 September, 2019. Specific measures were recommended to facilitate second market trading in securitized instruments. They recommended various measures to improve the securitization market in India.
- To boost securitization market in India, RBI temporarily relaxed the MHP requirements for NBFC originators up to 31 December, 2019. RBI has further extended the relaxation of MHP till 30 June 2020. By this relaxation of MHP a larger asset pool were eligible for securitization by NBFCs. This led to a surge in securitization and assignment of auto loans/vehicle loans/finance lease receivables/microfinance/consumer durable loans & education loans.

Conclusion:

The success of securitization depends upon the ability of original borrower to repay their debt against which securitization has been done. It is also fully dependent upon the Scientific Credit Rating System, Standardized Loan Documentation System & Proper Accounting System. To add to its success the SPV should be separate organisation, instruments arising out of securitization should be listed in stock exchange & adequate guidelines should be given by regulators.

The securitization market will see an increased spread across asset classes and products. Securitization is likely to remain on the upward curve in the near future due to various developments on the regulatory front, continuing need for liquidity by Banks/NBFCs/FIs, growing appetite of investors, innovation of new and varied products and portfolios by NBFCs and finally the regulator's willingness to further develop the market. ❑

NITI Aayog submits first list of 12 PSUs for privatisation

Kicking off the privatisation drive, NITI Aayog has recently submitted its first list of 12 Public Sector Undertakings for privatisation. The list will be reviewed by the Department of Investment and Public Asset Management (DIPAM), and the Core Group of Secretaries on Divestment (CGD).

The list comprises public sector banks and insurance companies and will be its first following the government's ambitious drive to privatise PSUs, as announced by Finance Minister Nirmala Sitharaman in Budget 2021. This would clear the way for Centre to go ahead with its Rs. 1.75 lakh crore disinvestment target for the next financial year.

Finance Minister, in her Budget speech, had announced privatising two PSBs and a general insurance company in 2021-22. As per the new PSE policy for Aatmanirbhar Bharat, NITI Aayog is entrusted with the task to suggest the names of PSUs in strategic sectors to be merged, privatised, or made subsidiaries of other PSUs.

Meanwhile, PSEs functioning as autonomous organisations, regulatory authorities, trusts, and development financing institutions such as Food Corporation of India and Airports Authority of India have been kept out of the policy.

RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS FOR PERSONAL LOANS

Introduction:

The Corona Virus pandemic has shattered the dreams of millions of Indians. India's economy, which was growing rapidly, has fallen flat. Tens of millions of people were coming out of poverty, megacities were being erected, India's strength was increasing and it was poised to become an economic superpower. Due to slowdown in the economy which was triggered by the impact of COVID-19 pandemic, some employees had either lost their job or working on reduced salaries thereby triggering a problem of serving of their EMIs.

The RBI in starting of lockdown period due to COVID-19 pandemic had permitted banks to grant a moratorium cum forbearance of 6 months in deferment of EMIs which ended on 31 August, 2020. This forbearance of 6 months is being made available indiscriminately to all the borrowers, but the matter of fact was that it cannot last to all borrowers for an indefinite period thereby creating an environment of uncertainty amongst the said segment.

As the process for normalization of economic activity gathers pace, the need to address the deeper cash flow/balance sheet stress that many of the viable entities may have been exposed to on account of the pandemic and the consequent impact on the financial institutions is also required. Though the phased unlockdown has started, the severity and continuity of COVID-19 impact is visible in business and economy and normalcy will take some time.

Keeping in consideration of the genuine difficulties facing by individual borrowers while servicing their EMIs due to reducing earning capacity of the salaried as well as self-employed class, the RBI has advised all the lenders to formulate a Resolution Policy for the borrowers impacted by the ongoing precarious COVID-19 pandemic vide its Circular dated 06 August, 2020.

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Who are eligible under this scheme?

- In the said circular issued by RBI, clarity had been made on the terminology of 'Personal Loan' which was explained with a deeper meaning that prior to the issuance of circular is in the state of ambiguity.
- Personal Loan covers loans disposed to individuals and consists of
  a) Consumer credit
  b) Education loan
  c) Loans given for creation/enhancement of immovable properties
  d) Loans given for investment in financial assets like shares, debentures etc. thereby covering almost all types of loans given in the individual capacity.

Are there any stipulations which are needed to be checked while prior availing Resolution Plan under the said relief?

First and foremost thing is that of pegging the position of Loan on the date of 1 March, 2020, borrower can avail this facility, only if,

- Overdue component in loan as of 1 March, 2020 should not be of more than 30 days.
- Second is the viability in terms of serving the deferred/ restructured EMIs post or simply ascertaining the fact from Lender side that after the implementation of the Resolution Plan, whether in the future course the servicing of EMIs may happen by the borrower in his/ her financial capacity.
- The USP under the said relief is not only of granting a moratorium of 2 years but also a borrower is being allowed to avail the facility of rescheduling of loan or conversion of outstanding interest in separate credit facility (according to the nomenclature of an account).

What are options available in Resolution Plan under said relief package?

Resolution Plan in terms of addressing the said difficulties in serving of the EMIs may be resolved by:

- Rescheduling of repayments
- Conversion of interest accrued or to be accrued into another cash credit facility or
- Granting of moratorium (subject to maximum of two years) based on an assessment of income streams of the borrower. Correspondingly, the overall tenor of the loan may be got modified proportionately. The moratorium period, if granted, shall come into force immediately upon implementation of Resolution Plan.
- Relief relating to FITL (Funded Interest Term Loan) shall be only be extended in case of running borrowal accounts.

How it gets started i.e. the starting point in Resolution Process ?

- After getting the inputs from the Borrower backed with documentary evidences in writing, the Lenders had to sketch the options available in terms of Resolution Plan. As per case to case basis, keeping in consideration of the impact of COVID-19 pandemic along with future financial scenarios, a consensus had to be made in between lender and borrower on availing the type of relief under Resolution Plan.
- The date on which this consensus happens, will be marked as 'Date of Invocation' with a rider that the corresponding Resolution Plan must to be implemented within 90 days from the 'Date of Invocation'. Under this relief this 'Date of Invocation' has to attain not later than 31 December, 2020.

How to avail the Relief under the said Resolution Framework?

- Prior to availing the available sort of relief under the said framework, in case the borrower is of segment:
  - ✓ **Salaried Class:**
    They had to submit documentary evidence in

support of the contention that due to COVID-19 pandemic like letter issued by company terminating their services or a copy of the letter / email correspondence stating the salary cut.

✓ **Self Employed :**
They had to furnish the evidence of financial position impacted with bank statements / GST Returns or any other similar document which is acceptable to lenders for ascertaining the impact due to COVID-19 pandemic.

Perspective view about the relief offered:

- The exercise of Restructuring always comes with a cost which generally are in terms of - elevated interest cost; reflection of 'Restructured' term in credit reports which hampers credit scores thereby lessening the borrowers chance of availing another credit facility in future.
- There is always an underlying possibility of extended implication on the future of financials. Therefore, only those who are genuinely facing the bout while serving of their EMIs due to financial instability arisen by current COVID-19 situation should opt for loan resolution plan offered by lender.
- Rescheduling of loan repayments which is one of the solutions under Resolution in the said scheme is to be opted by those, if the there is considerable impact on income generation and to those individual borrowers who at present are having minimal or no source in order to make repayments right now, may opt for the moratorium with longer spread.
- According to one's own factual situation, one has to opt for the remedial measures which are offered as relief in the form of Resolution that may be in terms of availing of extended moratorium or rescheduling or conversion as permitted under the said Framework of Relief to personal loan segment. ❑

DBS Bank India partners with TRRAIN to facilitate youth employment

DBS Bank India has entered into a strategic alliance with Trust for Retailers & Retail Associates of India (TRRAIN) to create better employment and livelihoods. The partnership will help support the youth from low-income households in getting long-term employment opportunities.

DBS, as a part of this partnership, will be facilitating the skills training and employment of individuals affected by the pandemic and persons with disabilities via a one-year-long pan-India program, a combination of classroom and online training sessions. The training will be conducted at TRRAIN centres across major cities like Mumbai, Chennai, Delhi, Bengaluru, Kolkata, Ahmedabad.

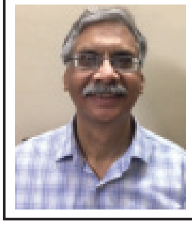
After the completion of the training, candidates will get recruited by leading industry partners in the retail and e-commerce sector across Tier-1 and Tier-2 cities, and the program focuses to train and secure jobs for over 800 individuals by the end of 2021.

Shoma Narayanan, Executive Director, Group Strategic Marketing & Communications, DBS Bank India, stated, "DBS is committed to making meaningful contributions to society and creating a lasting impact beyond banking. We are actively engaging with initiatives to build back better in the aftermath of the pandemic. Our partnership with TRRAIN is one such initiative as it will help upskill youth as well as the differently-abled and facilitate access to job opportunities."

B.S. Nagesh, Founder & Settlor, TRRAIN and Ameesha Prabhu, CEO, TRRAIN, said "Trust for Retailers and Retail Associates of India is happy to join hands with DBS Bank in our efforts to create sustainable livelihoods for persons with disabilities and underprivileged individuals. With DBS Bank's support, we will be impacting the lives of 400 persons with disabilities and 425 underprivileged young individuals by providing them with employment opportunities in retail. We look forward to an impactful and continued CSR collaboration with DBS Bank."

WRITE-OFFS REVISITED

Write-offs by banks is a sensitive issue in the public eye. There is always a brouhaha when these figures are revealed by the banks or some enthusiastic researcher obtains the information under RTI and tells all. Whenever quarterly and annual results of banks are announced, the figures of write-offs and NPAs invariably invite close scrutiny. The analyst community, shareholders and investors minutely probe the levels and more importantly the trends and expected future of these balance sheet/off balance sheet items and their impact on the profitability of the bank and its financial health. Most bank chairmen know that they have to be well prepared for the glare of search-light on this subject. This could be one reason that bank chairmen often take refuge under the oft quoted refrain that "the worst is behind us..". That this hope rarely comes true is another matter.



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Though the concept of write offs has been in place for quite some time, it gained prominence after the implementation of the Narasimham Committee Report (1991) recommendations regarding, inter alia, the 4 fold assets classification according to quality (Standard, Sub-Standard, Doubtful and Loss) and income recognition norms.

The concept gained further traction with RBI's Master Circular dated 30/08/2001 on Prudential Norms on Income recognition, Asset Classification and Provisioning pertaining to the Advances Portfolio wherein under provisioning norms for Loss Assets. It clearly states, "The entire asset should be written off. If the assets are permitted to remain in the books for any reason, 100 percent of the outstanding should be provided for." In the same circular, a reporting format for NPAs too seeks data on Gross NPAs and Total Provisions held with a separate below the line reporting requirement of "Technical write off of Rs. ………. crore" and "amount of technical write off (Rs…….. …crores) and provision on standard assets (Rs………..crore)".

Further in response to a news item in the Indian Express of 09/02/2016, under the heading "Rs. 1.14 lakh crore of bad debts: The great government bank write-off", RBI reiterated and clarified, "Writing off of non-performing assets is a regular exercise conducted by banks to clean up their balance sheets. Substantial portion of this write-off is, however, technical in nature. It is primarily intended at cleansing the balance sheet and achieving taxation efficiency. In 'Technically Written Off' accounts, loans are written off from the books at the Head Office, without foregoing the right to recovery. Further, write offs are generally carried out against accumulated provisions made for such loans. Once recovered, the provisions made for those loans flow back into the profit and loss account of banks." (rbi.org.in - "Bank Write-offs Clarification" dated 09/02/2016)

In this context, RBIs use of the words Head Office seem inapt as no separate balance sheet is published for branches and head offices do not maintain accounts. The balance sheet is drawn up and published for the bank as a whole and, insofar as the loans and deposits are concerned, is just an aggregation of branch level positions. Suffice to say that the loss asset is written off from the bank's books. Nonetheless, the clarification sufficiently confirms that the write off exercise by banks is a standard and acceptable practice.

It is therefore quite surprising that as late as 2017 the former Reserve Bank Deputy Governor KC Chakrabarty had questioned the practice of "technical write-offs" stating such write-offs are scandals that create non-transparency, destroy the credit risk management system and bring all types of wrong-doings into the system. "Technical write-offs by Indian banks are inequitable and should be stopped. It is a big scam. Small loans are rarely written off, most of them are big loans," he told the Indian Express. (Quoted from Indian Express February 07, 2017).

The former finance minister Chidambaram is reported to have recently said that one cannot deny the rule that banks can write off loans technically and recoveries can continue against willful defaulters, but why has the rule applied to fugitives, who fled the country, after committing frauds. "One is not denying such a rule that can be applied to a willful defaulter. But, we are asking these are fugitives and they have left the country and are absconding. Why are you applying this rule to Nirav Modi, Mehul Choksi, Vijay Mallya," he said at a press conference conducted through video conferencing. The former finance minister said, "When they are fugitives, the technical rule in the book should not be applied to them. This is my view." (The Economic Times, PTI April 29, 2020).

When a former FM and an ex-regulator and former chairman of two banks make such statements they throw up serious questions regarding conceptual clarity about write offs and their consequences. Admittedly, the former FM's statement is politically loaded and possibly meant for creating and sowing ripples of doubt amongst domestic constituents regarding intent and bonafides of the decision makers, banks and the government. Similarly, attributing overtones of "scandal" to write-offs is also quite perverse since the process has sanction of the banking regulator. Bank boards and management work within approved framework and regulatory guidelines. They are highly unlikely to deviate on account of compliance issues.

Of course, it is not an intention to dissect and impute meanings to the two views quoted above but just to make the point that if very learned and erudite persons hold such a view we cannot fault the man on the street from looking at write-offs with a jaundiced eye. In actuality, write offs have little to do with the status of the defaulter - whether he is a fraudster and absconding, gone into hiding, or even dead - the physicality is not material to the aspect of recovery. It is relevant only to the extent of apprehending and putting behind bars a fraudster against whom criminal proceedings have been initiated. An FIR in such matters may be at the behest of the bank but the catching of culprits, bringing them to book and determining criminal culpability, breach of trust, cheating, diversion and defalcation of funds via a credible and legally acceptable investigation is the sole domain of the law enforcement agencies, most certainly not under the purview of banks.

Banks are focused upon recovery of public money and physical absence in no way impairs banks rights and legal remedies at proceeding against the estate of and encashing known/unknown assets and collaterals of the defaulters towards recovery of their dues. This is the crux of the matter and is the core issue underlying the concept of technical write-offs.

The reason for the discomfort with write-offs is that it is widely held that banks are wasting public money and taking advantage of technicalities to hide their indiscretions. It is felt that large corporates and their promoters are allowed to go scot free at the cost of public money. The public perception is one of lost resources, money down the drain and no accountability of either the bank or the corporate for such acts. This is very agonising and difficult for the public to digest and they invariably make a comparison of the differing treatment given by banks in recovery of loans in the retail segment (personal loans, farmers loans and MSMEs) against that in the corporate and large business segment.

It is felt that while in the retail segment loan recovery is brutal and banks hound the borrower for repayment, in the large business segment such stringency is not visible and write-offs are indicative of this laxity. This is their basic gripe - that even though their deposits fund corporate loans, the playing field is not level and weighted against them - which has not been addressed by the banks. Banks very rarely make efforts to clarify the distinction between technical write-off, complete waiver (for example, the Agriculture Debt Waiver and Debt Relief Scheme, 2008 and other such loan waiver schemes from time to time), an actual crystallised loss called a 'hair-cut' or how the loans in the two segments merit differential treatment.

In fact, troubled by the stigma associated with write-offs and to stress upon the pure accounting practice of the transaction, SBI has changed the nomenclature of such entries preferring not to call them by the hitherto traditional write-offs. Since FY17, the bank's presentation to analysts has started calling it "transfer to AUCA" instead of write-off. The transfer to AUCA (Advance Under Collection Account) clearly implies that the debt is under recovery and

the process of collection is under close watch of the concerned stressed asset recovery vertical of the bank with focused intensity and rigour.

Nonetheless the question of transparency in respect of write offs and NPAs continues to be bothersome. Should the write off amounts form an inseparable component of the NPAs of banks? In a recent article in The Economic Times, Ghosh and Jha (ET "The Technical 'Write-Off' Passage" dated 13/08/2020) have held that "..it is foolhardy to add AUCA numbers that are fully provided for in off-balance sheets to GNPA, as it amounts to double counting and significantly distorts the GNPA-plus-AUCA number for no apparent benefit." This appears to be a fallacy as in the interest of complete transparency and to present a fair and true picture of a bank's impaired assets, the actual NPAs do comprise both the Gross NPAs, as revealed in the audited balance sheet, and the Write offs/AUCA, off balance sheet. There is no gainsaying that the write off is carved out of the gross NPAs and in a supposed situation of there being no write offs, the true GNPAs position will necessarily be all inclusive. While the Net NPA to total assets ratio will not be affected, since the write off/AUCA amount is fully provided for, the gross NPA (including AUCA) to total assets will show an upward bias and be a truer representation of the non-performing asset book.

It would therefore appear that write offs do camouflage and hide the NPA burden in a bank's balance sheet and this aspect needs to be recognised. In fact taking cognizance of this, SBI in their latest quarterly presentation Q1 FY 1920-21 have courageously done just this. In a marked departure from the past, they have captured the movement of NPAs by showing the opening and closing GNPAs with AUCA (SBI Quarterly Results Q1FY 21 Analyst Presentation 31/07/2020

: Slide on Movement of NPAs and AUCA = page 24, https://sbi.co.in). This instills a greater transparency in the results and data. The figures for SBI for GNPAs without AUCA and with AUCA are as under:

Closing Levels of Gross NPAs + AUCA (Rs. crores)

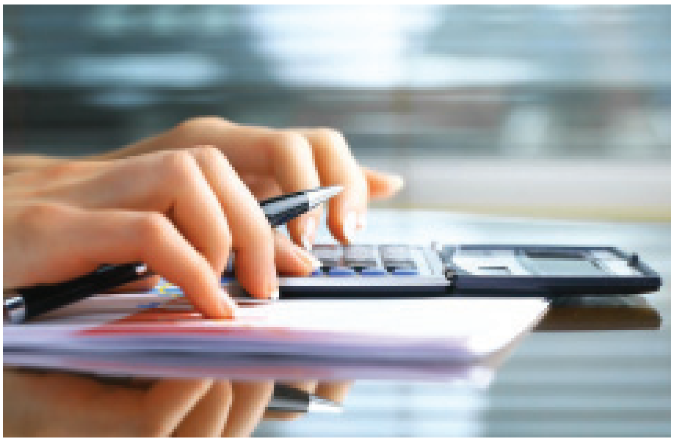
Mar 18	Mar 19	Mar 20	Jun 20
3,27,653	3,09,755	3,16,684	3,12,175

Closing levels of Gross NPAs (Rs. crores)

Mar 18	Mar 19	Mar 20	Jun 20
2,23,427	1,72,750	1,49,092	1,29,661

The difference is stark and self explanatory. The first table gives a truer representation of the immensity of NPAs and how technical write-offs disguise the problem. It is therefore high time that other banks too, if not currently doing, emulate this example and declare the GNPA with AUCA figures in their books. This should be made a standard practice as AUCA is after all only a subset of the GNPAs.

While improving the data points as mentioned above, another associated issue that has as yet not been emphasised enough is the aspect of recovery. Recently Moneylife, a weekly online personal finance magazine, published a write up under the heading "SBI Writes Off Rs. 1.23 lakh crore of bad debt, recovers paltry Rs. 8,969 crore in 8 years!" (Moneylife -Yogesh Sapkale, 14 July, 2020). The exclamation mark and the sensational title speaks for itself and underscores the point that recoveries at 7% over the eight year period are insignificant to the magnitude of write off. The article further avers, "This makes a mockery of the aggressive claims by a string of high profile government spokesperson and economic advisors that a 'technical' write-off does not stop the recovery process." They infer this on basis of the following data, reproduced below from the article:



Details of Accounts Parked in AUCA and Recovery Made

(Rs. in Crs.)

Financial Year	Amount technically/ prudentially Written Off	Amount Recovered
FY 12-13	1345	4
FY 13-14	3248	12
FY 14-15	5630	18
FY 15-16	8461	261
FY 16-17	13587	308
FY 17-18	17548	815
FY 18-19	27225	2215
FY 19-20	46348	5366
Grand Total	**123432**	**8969**

(Source: SBI)

The conclusion drawn from this table suffers on two grounds - (i) not recognising the fact that recovery takes time and may take over 3-5 years; (ii) recoveries are usually not in lump-sum and partial recoveries may be spread across many years.

In view of this, a year wise one-on-one comparison misrepresents the position. Thus the possibility that the figure of recoveries of Rs. 8,935 crores (excluding recoveries shown against FY 12-15, assuming them to be recoveries of previous years write-offs) as depicted in the table could represent recoveries against the write-offs in FY 12-17, aggregating Rs. 32,271 crores, cannot be ruled out. Considering the time lag, there may yet have been no or only paltry recoveries under the write offs for the later years FY 18-20. Based on this hypothesis, the recovery percentage improves dramatically to a healthier 28% and affirms the continued pursuance of recovery efforts despite the write offs.

The above inferences are, however, mere conjectures based on inadequate and insufficient data and precise clarity will be available only when we have access to year wise and account wise recovery status. Since technical write off/

transfer to AUCA is a mechanism for interim parking of NPAs till such time as recoveries are in process, it is important to monitor recovery against each account under the AUCA head. Recoveries are a long drawn out process and never easy. It may take well over 3-5 years for any recovery which even thereafter, may be, at best, partial. Most recoveries shown in the books are clubbed figures for the year and present no clarity on account wise recovery.

While banks would internally be monitoring account wise recovery on an ongoing basis, no information is readily available in the public domain. Banks usually take the plea that on account of customer confidentiality they cannot discuss individual accounts. However there is a RBI reporting system in place and under RTI or otherwise too the data about write offs can be gleaned/procured. Since the names of the corporate and accounts are in public knowledge, it is incumbent upon the banks, in the interest of transparency, to declare information about recovery against each account.

A system of mapping each account, at least say, exposures of Rs.100 crores and above, needs to be developed so that the oft spoken raison d'etre of technical write off is justified. This will also serve as a confidence building measure in the public eye and confirm that recoveries are actually being effected and the technical write off is not a sham. Hence the need for mapping, collating and presenting an account wise, year wise write off and recovery there against for say a 5 year period is a felt necessity.

Once the recoveries are crystallised and there exist no other means, resource or prospects of any further recovery, the residual amount, if any , will be the true write-off/ haircut incurred by the bank and enable the account to be then removed from the AUCA head and further monitoring. RBIs recent advice to banks to implement the revised LFAR (Long Format Audit Report) from FY21 onwards wherein Statutory Central Auditors (SCAs) will be required to examine and comment upon recovery from all the written-off accounts during the financial year is a right step in this direction and aligns public expectations and best practices. This, coupled with the accounting standards under Ind-AS (Indian Accounting Standards)/IFRS(International Financial Reporting Standards), when implemented in banks, is expected to bring about a much better grasp of and a greater degree of transparency about such transactions.

In sum, the system of technical write offs is a well established management tool to achieve tax efficiency and balance sheet cleansing without impacting the recovery effort. However it could surely do with improving transparency through publicly available granular recovery data. This will not only help in clearing some of the opacity surrounding write offs but also aid in fine-tuning NPA and AUCA policy prescriptions. ❑

'Wear N Pay': Axis Bank launches India's first wearable contactless payment devices at Rs. 750

Axis Bank has become the first Indian bank to launch its own range of wearable contactless payment devices, dubbed as 'Wear N Pay'. The bank has joined hands with Thales and Tappy Technologies to design these affordable wearable products, exclusively available on the Mastercard platform. These wearable devices, which are directly linked to the customers' bank account, function like a regular debit card. India's third largest private.

'Wear N Pay' devices, which are available in a variety of accessories like watch loop, band and key chain, can be purchased at a price of Rs. 750. Customers can use these devices at any merchant who accepts contactless transactions. Users only need to wave the device at a POS machine for transactions up to Rs. 5,000. For transactions of more than Rs. 5,000, a PIN is required.

Sanjeev Moghe, EVP & Head, Cards & Payments, Axis Bank, stated, "Contactless payments are the future of payments industry in India. To tap into this market, our Wear 'N' Pay program brings in convenience in contactless payments at a budget friendly price point, offering a safe and secure mode of payments on the go."

"Not only are these devices contemporary looking, but are also designed in a way that it becomes a part of our daily lives, thus increasing adoption of cashless transactions for everyday requirements. We are confident that the 'Wear 'N' Pay' program would be an attractive value proposition for our customers," he added.

GREEN FINANCING: THE SUSTAINABLE WAY OF DEVELOPMENT

As the world was witnessing environmental degradation due to rapid industrialization and infrastructure growth, global leaders met on a global platform for evolving innovative ways for environment protection, without compromising on the economy. At this point, Green Finance was brought into existence.

Green Finance is an integration of finance and innovation towards those products that lead to an environmentally sustainable growth. In other words, it combines opportunities for economic growth as well as reaping environmental benefits, simultaneously. Green Finance had gained popularity after the Paris Climate Agreement, when countries had committed towards fighting climate change but faced a parallel challenge to achieve a sustained economic growth. Green Finance includes various financial products and services (viz. green bonds, green loans, green insurance, etc.) focused towards creating a positive befalling impact on the environment.

According to the United Nations Environment Programme, Green Financing can be promoted inter alia through changes in countries' regulatory frameworks, harmonizing public financial incentives, increase in investment in clean and green technologies, etc.

With an aim to reduce the carbon footprint, and keeping in consonance with the Paris Climate Agreement, countries are now developing strategies and policies for encouraging Green Finance. This is being achieved by redirecting capital flows to environmentally responsible projects and technologies.

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The World Is Going Green

With increased awareness in relation to environmental protection, banks have now introduced green finance products within their existing product portfolios. These include green home loans, green construction loans, green car loans, green project loans, green securitization products, etc.

Additionally, financial intermediaries, government and central banks of various countries are also playing a pivotal role in promoting green loans by introducing incentive schemes or mandatory regulations. Some such schemes that have been introduced globally are as follows:

- In April 2019, Doconomy, a Swedish fintech startup had launched a credit card wherein the credit limit was based on the amount spent but instead, on the aggregate of carbon footprint associated with the purchases made using the card.
- In 2018, the Government of Malaysia launched the "Green Technology Financing Scheme 2.0" for encouraging the financing towards production of green products. The scheme offers green projects with a 2% per annum subsidy on interest rate for the first 7 years and 60% government guarantee on green component cost. As of today, around 52 banks in Malaysia are participating under this scheme.
- In April 2014, the Bangladesh Bank had directed all banks and financial institutions to disburse a minimum of 5% of the total loan disbursal towards direct Green Finance.
- In 2007, the China Banking Regulatory Commission had issued mandatory "Green Credit Guidelines". Under the said guidelines, banks in China were mandated to promote green credit as a part of their strategy and business policy. Under these guidelines, the combined green credit loan portfolio of China Development Bank and Industrial and Commercial Bank of China in 2011 was approximately USD 200 billion.

However, the first global industry-wide practice framework was introduced in 2018 jointly by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndications & Trading Association, in form of "Green Loan Principles".

The Green Loan Principles: The First Step Towards a Consolidated Framework

The Green Loan Principles (GLP) were introduced to promote the green loan market. The GLP, inter alia provides a non-exhaustive category of projects that can be classified as "Green Projects". Further, the GLP lays down 4 important components of Green Loans:

1) **Use of Proceeds:** Proceeds of a "Green Loan" shall be utilized towards Green Projects. This, along with the environmental benefits of the Green Projects shall be documented.

2) **Process for Project Evaluation and Selection:** The borrowers shall disclose all relevant information (such as the objectives, strategies and/or environmental risks associated) as regards the environmental sustainability of the project to the lenders.

3) **Management of Proceeds:** The loan proceeds of the Green Loan shall be credited to a dedicated account which can be easily tracked by the lender. Further, the borrowers shall put in place a mechanism to track the proceeds utilized towards the Green Project.

4) **Reporting:** The borrowers shall maintain relevant information for the Green Project, which shall be shared with all the lenders on an ongoing basis. If required, the borrower shall seek advice from external consultants and obtain certifications from rating agencies.

The GLP also advises for certain covenants, representations and penalties (in cases of default and "Greenwashing", i.e. false or misleading claims of the project being a Green Project) to be provided in the Green Loan documentation.

India: Putting Greener Footprints

Though there is no dedicated regulatory framework for Green Finance in India, there are statues and guidelines issued for promoting Green Finance. To name a few, (i) the Companies Act, 2013 requires companies to be engaged in corporate social responsibility (CSR) activities, which inter alia includes "ensuring environmental sustainability", (ii) the Securities and Exchange Board of India had also, in 2018, issued guidelines in relation to issuance of green bonds, and (iii) the Reserve Bank of India has notified renewable energy as one of the priority sectors for lending.

In view of the above, several Indian entities such as the Indian Renewable Energy Development Agency, Yes Bank Limited, NTPC Limited, Greenko Group etc. have issued green bonds. Further, Indian banks are also offering green loan products, such as the green home loan scheme by State Bank of India12, solar energy loan scheme by Union Bank of India13 and biogas plant loan scheme by Punjab National Bank.

In 2012, the BSE SENSEX had also launched BSE-GREENEX, an index of top 25 (previously top 20) companies in terms of greenhouse gas emissions, market cap and liquidity. Further, the Confederation of Indian Industry has also established the Indian Green Building Council (IGBC), which certifies whether construction of building involves green initiatives. Accordingly, green building certifications namely Certified, Silver, Gold and Platinum are provided to all such buildings which meet the criteria laid down by IGBC.

With the above developments, lenders are now putting certain green covenants in their term sheets as well. For instance, lenders are asking commercial real estate borrowers to obtain green building rating from IGBC. For industrial borrowers, lenders are putting covenants as regards pollution control and greenhouse gases emission control.

Green Finance: Present Hurdles

Despite various innovative products being offered in the Green Finance space and the urgent need for same, Green Finance still faces some major challenges.

The biggest such hurdle being lack of a regulatory definition on Green Finance and international standards for determining the same. Due to this, some borrowers often indulge in greenwashing. Save for a few countries, major economies do not have any effective legal framework or initiative to promote and regulate Green Financing. Recently, the Reserve Bank of India has also recognised that a policy action is needed to boost Green Financing, and address certain challenges such as greenwashing, non-standard definitions and imbalance between long-term and short-term interests of investors. Further, high cost of funds and lack of technological advancement also acts as a barrier to the promotion of Green Finance.

Lastly, existence of sector specific regulatory barriers, such as procuring licenses and governmental approvals in some jurisdictions also restricts the growth of green projects.

Collaboration: The Key for a Greener Tomorrow

Though, there is a need to give our future generations a developed world to live in, it is also imperative to provide them with a healthy and green environment. Our responsible actions today shall determine the future of our coming generations.

Against the backdrop of the current situation, it is important to cultivate an ecosystem which enables economic growth and environmental protection simultaneously. While Green Financing seems to be the way of putting in place such an ecosystem, collaborative efforts between the public and private sector is the need of the hour!

While GLP can be the cornerstone for having such a debt based Green Finance framework in place, it can be further reassessed keeping in mind the needs of the Indian economy at present.

The ultimate goals and benefits, that can be reaped through Green Financing, will boil down to the unified approach to be adopted by the governments, central banks, financial institutions, private enterprises and public at large.

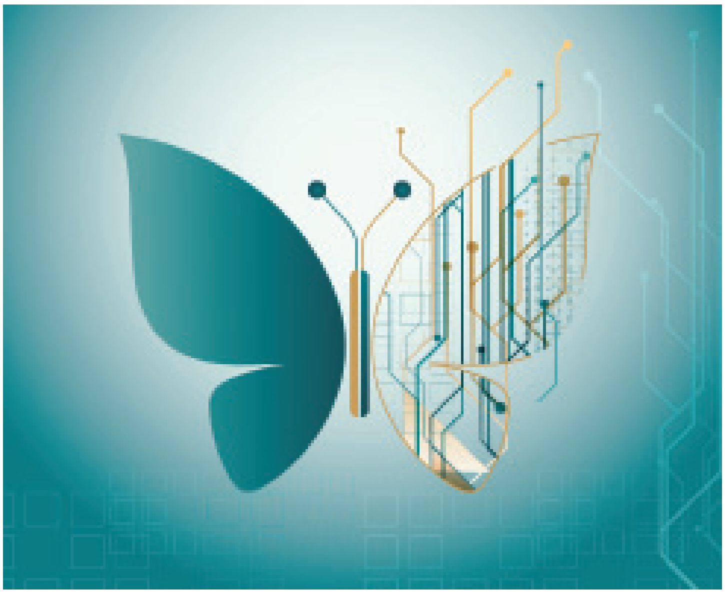
Sources:

Various Sources

Disclaimer:

This article is intended for informational purposes and does not constitute a legal opinion or advice. ❑

BANKING METAMORPHOSIS



It was that last classroom credit training program, just prior to this COVID-19 pandemic crisis, I was taking a class for Branch Heads of Semi-urban and rural branches. As usual, I started my class with an exclamation by asking the question what was banking. I got various answers including the one I was expecting i.e. "accepting deposits for the purpose of lending". Meanwhile, I heard a mild whispering from one of the participants, "Sir, we are doing everything other than what you defined".

It made everyone in class laugh including me. It really opened up the class which made my job easy. I continued class asking him with a smile what all you did then, so everyone opened up, lot of things came out such as cross-selling, technological issues, multiple software handling issues, lead generation, downward market trend, banking apps, recovery, disruptions from the payment banks, competition from private & NBFCs, low-cost QR (quick response) technologies, need of AI (artificial intelligence)and so on and so forth. Before the class get hi-jacked I smartly made an exit to the discussion saying thanks for such responses.

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Well, somewhere consciously I agreed in mind that of course the banking was no more the same traditional accepting deposit for lending but there was a complete metamorphosis in the banking sector. Let us see how the banks look like with this facelift.

1. What banking will look like in the coming decade?

If we just look back a few years ago, the business in banking meant the sum total of advances and deposit because the higher your total business higher would be the profit due to the substantial spread of interest. But, as of now, it is all about the bottom-line of what matters in the banking business irrespective of the size of the business. If I just put the same in my lighter sense it is all about being slim and productive rather than being hefty and docile.

The increasing pressure from a low-yield environment and the potential economic slowdown could negatively impact earnings, especially for smaller, less diversified and consumer lending-focused banks. Now the banks should continue to increase their fee-based income and increased focus on cost management and at the same time not to lose focus on their digitization efforts and regulatory obligation which may cost heavily in the days to come.

To enable insights-driven offerings to clients, attain a leaner cost structure and ultimately unlock future success, core modernization of the digital ecosystem is the key. Banks should digitize and transform across the entire value chain for all horizons of their products.

Redesigning customer experience by removing friction, enhancing value through rewards, access to other financial products and bolstering security is expected to remain top priorities.

While large payment providers could continue to offer an enhanced integrated experience, we are also likely to see an acceleration in unbundling the payments value proposition. This will comprise payment, credit, rewards, and security components but should also include the flexibility to interact with different experience providers.

2. What will retail banking look like in the next decade?

By this decade end, fewer retail banks may exist although the degree of shrinkage could vary by region/country and will likely depend on the current level of banking capacity, competition, and market demand. As a result, the nature and degree of competition will likely change; the surviving fintechs should become mainstream players and traditional incumbents will have to recalibrate their strategies. Nevertheless, scale and efficiencies will be the dominant factors.

Also, in the next few years, banks could partner with others in the ecosystem to become defacto platforms, offering countless services that will extend beyond banking. Banks should still be best positioned to own the customer relationship, which would enable them to rethink their value proposition and serve client needs holistically, supported by data and analytics. Product innovations are expected to focus on clients' financial well-being and closely connect lending, payments, and wealth management services. And, of course, maintaining superior customer experience and seamless connectivity to an ecosystem of other apps/ application program interfaces (APIs) could be the norm. Offering advice should be a differentiating factor for banks as it becomes contextual and real-time. Banks should rethink and innovate pricing models accordingly. In an open data environment, privacy concerns will also be a big factor to be looked into.

3. How is the payments business changing?

Payments remain one of the most dynamic and exciting businesses in banking. The breakneck pace of change and the unprecedented scale of innovation are inspiring and testing established orthodoxies of traditional payment mechanisms.

The proliferation of digital payment options and innovative platforms especially after the note ban are encroaching on traditional payment systems and forcing many to reassess banks business models which is the need of the hour in the angle of profitability as well.

The foremost challenge is to remain relevant and quickly adapt to the new competitive environment. While fintechs are driving much of the disruption, incumbents are not far behind. Take, for instance, the threat of foray of the IPPB through QR (quick response) technology can't be ignored, as they are also having a provision of cash delivery through their robust base of postmen spread across every nook and corner of the country.

Payments will be invisible, seamless, and real-time but will likely be about more than just transactions. A whole slew of new value-added services, such as identity protection, real-time cash management and new purchasing insights that customers and merchants alike would value should be the norm. Increasingly, differentiation and premium pricing will be driven by "payments+" services. Digital currencies will likely become the norm, most likely with regulators' support. New platforms would necessitate new payment mechanisms-all digital, of course. Meanwhile, abundant customer data should enrich personalized experiences while increasing payment providers' responsibilities in the areas of privacy and security. The net result is an industry that may become more competitive, with interoperability still a challenge in the near term.

4. How the profitability with technology looks like?

It is predicted that the cost savings from banks' chatbot usage alone will reach $7.30 billion worldwide by 2023, up from an estimated $0.21 billion in 2019, according to a February 2019 report from Juniper Research which clearly gives an idea that ignoring any small innovations that are happening in the industry can not only bleed the profitability but also can ruin the complete existence of the existing model also.

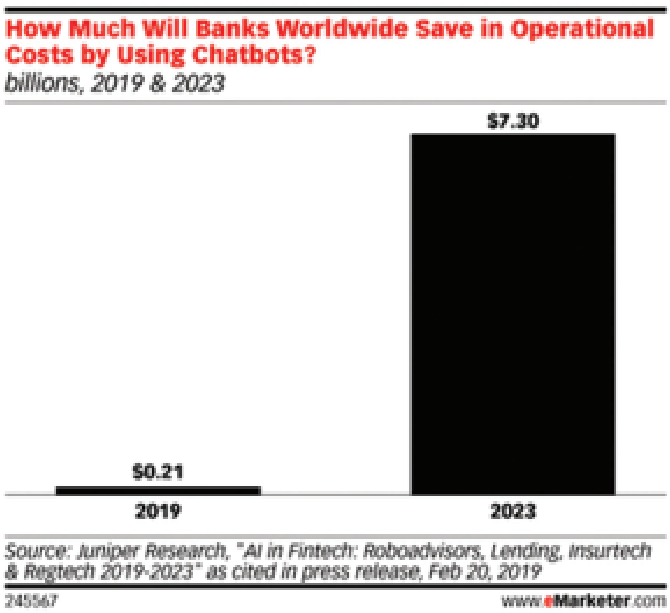

Figure 1

5. How risk management will look like in the next decade?

When we started the banking carrier, risk means it was only credit risk and all other risks were not looked at very seriously though the other risks do exist. If you lend then only you are associated with risk were the viewpoints. Over a period we can see risk in every action for that matter technological risk especially risk in relation to technological obsolescence has in fact overtaken any risk as the same may have an impact on the very existence of the current model of banking which is having a larger presence.

Regulatory divergence, geopolitical instability, and the possibility of a downturn have created a host of impending risks, requiring financial institutions to rethink traditional approaches to risk management.

Additionally, non-financial risks remain top of mind for regulators and banks alike and many have begun to sharpen their focus on this emerging subset of risks. While banks have made notable strides in assessing and mitigating risk across the enterprise in recent years, the next decade will likely test their ability to continue to modernize the risk function.

The top leaders of the banking industry can start by contemplating what might be an optimal risk management model. They should first re-evaluate their lines of defence to determine where duplicative efforts likely exist between the first line (where risk is owned and managed) and the second (where risk is overseen. Eliminating these redundant risk management practices could allow them to overcome cost and process inefficiencies and enable the first line to take on more ownership of risk.

Banks should then consider how best to leverage the power of new technologies which has yet to be fully realized. Technology has played a significant role in risk management for a long time. But thanks to recent advances, it can now help banks reshape their risk management program in more meaningful ways. Very few banks, however, report that they have applied emerging technologies to the risk management function which could be a missed opportunity. Technology can increase efficiency by automating manual processes, assist in identifying emerging threats and provide insights into risks and their causal factors. Robotic process automation (RPA), for instance, can be used to reduce human error by flagging exceptions in large data sets. And machine learning, coupled with natural language processing, could convert unstructured data such as emails into structured data that can then be analyzed to predict where risks might occur.

At the same time, banks should be mindful of the additional risks these new technologies might create. Third-party relationships with external technology vendors, suppliers or service providers could expose banks to information misuse and theft (insider risk), system failures, business disruptions (operational risk) or regulatory noncompliance. On the other hand, biases, automation errors and rogue programs could result in algorithmic risk.

Additionally, deploying these technologies to manage risk will require banks to access and use high-quality and timely data. Without robust data, technology implementation will likely not be as effective. For some time, financial institutions have had difficulty providing quality data from the source through the system. This is due to a historic proliferation of disparate legacy systems which has limited their ability to capture, measure and report data. By enhancing their data architecture, banks could create new data tools and models that could readily sense and combat emerging risks. Having better data, for instance, could help banks boost their monitoring and surveillance tools to detect and predict instances of employee misconduct (conduct risk). New tools could also help eliminate silos and empower the business line to make better risk decisions and allowing them to go from hindsight to foresight.

As the financial industry continues to innovate in various technological initiatives, there is a slow but steady upsurge in blockchain technology adoption and investment because blockchain allows for the decentralization of data storage. That means there will be safer transactions and greater asset transparency.

The World Economic Forum predicts that the financial sector will increasingly experiment with hybrid blockchain models, while the public sector will increase its use of smart contracts. Financial firms are currently in various stages of blockchain implementation. According to PwC data from June 2019, when global financial institutions were asked about the implementation of emerging technology like blockchain and AI, 37% of them said they had fintech-based products or services available to their customers. More than a fifth (22%) of these companies said they had products or services in the pilot stage.

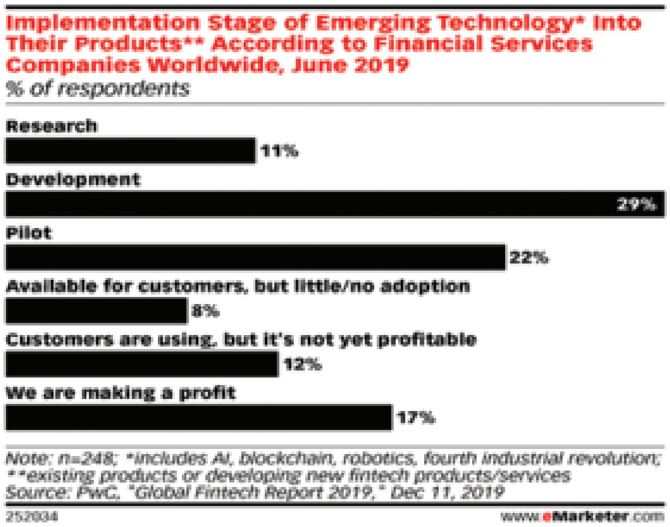

Figure 2.

Conclusion and way forward:

We have seen the banking business model moved from manual to ALPM (Automated ledger posting machines), from ALPM to IBS and from IBS to CBS. A new wave of disruption more forceful and more pervasive than what we have seen in recent years will likely unfold in the next decade. While the roots of this disruption viz. technological, economic, geopolitical, demographic may remain the same, the unique convergence of these factors should unleash unprecedented change in the broader society, economy consequently, in the banking industry as well.

The above threat really gives lots of opportunities to enhance the bottom line with technological initiatives in every parlance of banking say it payment, lending, mobilization of leads, card distribution with a necessary tie with fintechs, which should necessarily aim at two important aspects i.e. customer satisfaction and profit enhancement.

Hence, there is an urgent need for banks to excel at data management, modernize core infrastructure, embrace artificial intelligence (AI) and migrate to the cloud. However, most banks are far from where they'd like to be in their digital transformation. Despite an increase in new technology investment in recent years, this trend is expected to continue in the foreseeable future. For instance, in 2022, North American banks are expected to spend nearly one-half of their total information technology (IT) budget on new technology while European banks would spend about one-third, a figure higher than the current level (27 per cent), the question arises what is the volume of Indian banks spending on technology.

So being prepared for handling threats at any time is a must for all the bankers in advance. Let's not allow the butterfly after the entire metamorphosis to escape from the brick and mortar structure or be prepared to follow wherever it goes by adding intelligence to digitals through AI (artificial intelligence), investment in blockchain, and ML (machine learning).

Finally, digital transformation is not limited to technology and data. To realize long-term success, the human side should also be addressed. As technology gets cheaper and is readily adopted by the industry, the initial advantages may decrease in the long term. This is why it's important for banks to learn how to use technology to develop new customer insights and deliver contextual offerings. Another equally important aspect to consider will be culture. More often than not, the success or failure of a digital transformation effort may depend on cultural issues rather than technical ones. To make transformation happen, leaders may need to focus on developing a new mindset for how best to use technology, people and processes.

The role of banks will definitely see a paradigm shift from mere being acceptor of deposit and delivery channels to being facilitators of financial services through the technological arms/channel and banking no longer will be confined to the existing "brick and mortar" model. Banks also have to operate on the predictive model basis, take a look at figure 1 above, we can see it has already been predicted the volume of the cost-saving that can be done by using just chatbox from 2019 to 2023 is expected to grow to $7.30 billion. We can imagine the revenue generations from multiple ideas of this nature.

Only those financial institutions that build a collaborative and innovative culture to drive change can achieve real returns on their technology investments in the next decade.

Being a banker of the current generation the words of bill gates always haunts me "Banking is necessary not the banks". So I would like to conclude with a view that, in past one or two decade many banks and financial institutes collapsed due to poor bottom-line which was attributed on account of poor assets quality, in the coming decade the fall can happen majorly with attributes on account of adopting the technologies, lower budget outlay for technological up-gradation and poor use of technology to enhance the profitability.

References:

- ❖ Website : Emarketer.com : Juniper research.
- ❖ Global PWC retail banking 2020 study.
- ❖ Book : Future of India - BimalJalan.
- ❖ Google.
- ❖ PWC Data June 2019.
- ❖ RBI site. ❑

IDBI Bank taken out of PCA, subject to conditions

RBI has recently declared that IDBI Bank has been taken out of the Prompt Corrective Action (PCA) framework, subject to specific conditions. The bank has given the regulator a written commitment that it will comply with the norms of minimum regulatory capital, bad assets and leverage ratio on an ongoing basis. The exit of IDBI Bank from PCA is a crucial step towards carrying out the government's bank privatisation programme, as it is one of the lenders identified for sale.

The RBI stated that the performance of IDBI Bank was reviewed by the Board for Financial Supervision (BFS). "It was noted that as per published results for the quarter ending December 31, 2020, the bank is not in breach of the PCA parameters on regulatory capital, Net NPA and Leverage ratio. The bank has provided a written commitment that it would comply with the norms of minimum regulatory capital, Net NPA and Leverage ratio on an ongoing basis and has apprised the RBI of the structural and systemic improvements that it has put in place which would help the bank in continuing to meet these commitments," the central bank added.

Taking all the above into consideration, it was decided that the bank be taken out of the PCA framework, subject to certain conditions and continuous monitoring.

WHAT NEXT FOR MSMES POST-COVID-19

MSME Background

India is having the largest base of Micro, Small, and Medium Enterprises (MSMEs) in the world after China. The sector is engaged in the manufacturing of varied products - ranging from traditional to hi-tech items and provides a wide range of services.

According to the latest available Annual Report (2018-19) of the Department of MSMEs, there are 6.34 crore MSMEs in the country. Out of these, 51% of MSMEs are situated in rural India. Together, they employ a little over 11 crore people but 55% of the employment happens in the urban MSMEs.

About the author

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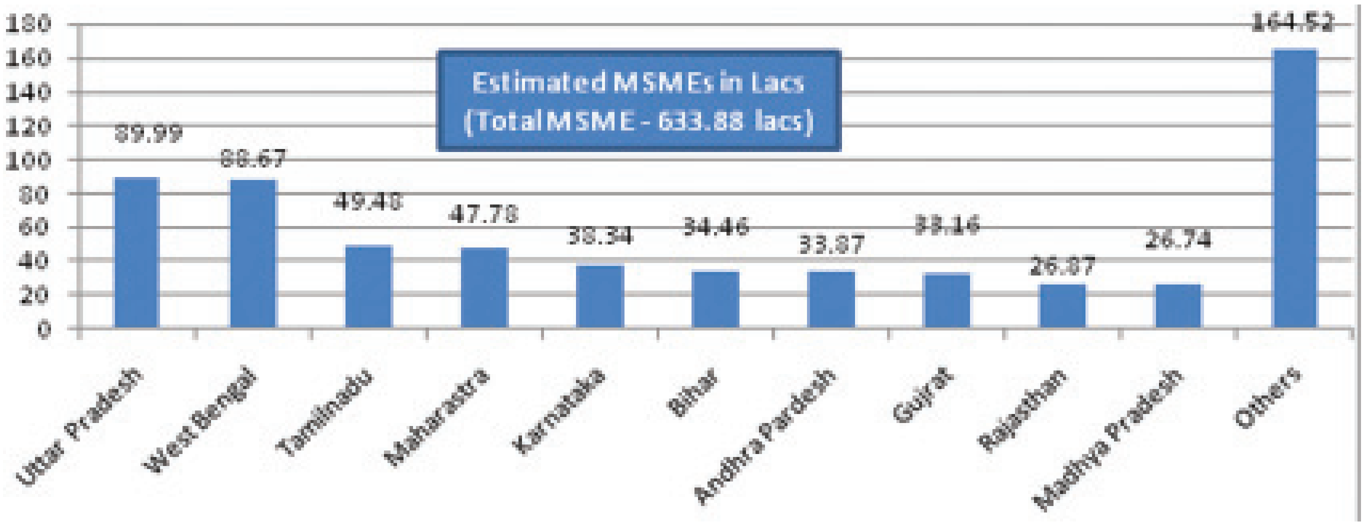
The MSMEs in India play a crucial role by providing huge employment opportunities at comparatively lower capital cost as compared to large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

MSME forms the backbone of the Indian economy and is one of the most important segments that let the economy grow by leap and bounds. The sector which provides employment to over 114 million people and contributes to more than 30 per cent of the GDP.

In terms of geographical distribution, the top 10 states together accounted for 74.05% of the total estimated number of MSMEs in the country. These are Uttar Pradesh (14.20%), West Bengal (14%), Tamil Nadu (8%), Maharashtra (7.60%), Karnataka (6%), Bihar (5.40%), Andhra Pradesh (5.30%), Gujarat (5.20%), Rajasthan (4.20%) & Madhya Pradesh (4.20%).



(Source: Annual Report 2018-19, MSME, GOI)

With the government 'Make in India' push, along with a push to attract greater FDI, MSMEs sector is set for rapid growth and integration with major global value chains.

But one major problem is very low registration of MSME, as maximum units are operating as an unorganized sector. As per the National Sample Survey Office, Ministry of Statistics & Programme Implementation, there are 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services). As per data only 137.62 lacs unit have registered themselves in the portal.

Registering as MSME will help these units to avail various benefits/scheme of the government from time to time. To encourage MSME registration in India, the ministry of MSME has notified a simple one-page registration form called 'Udyog Aadhaar Memorandum'.

The entrepreneurs in the MSME sector can file the form online, and instantly get a unique Udyog Aadhaar Number (UAN). The information sought includes personal Aadhaar number, industry name, address of the business, bank account details, and other general information. Applicants can provide this information on a self-certification basis and do not need any supporting documents.

Benefits of Udyog Aadhaar/ MSME/ SSI Registration

- Collateral Free Loans from Bank
- Protection against delay in payment
- Reservation policies to manufacturing/production sector
- Reduction in rate of Interest from banks
- Easy to get Licenses, approvals and registrations
- 15% CLCSS subsidy. Octroi Benefits
- Special consideration on international trade fairs.
- Waiver in Security Deposit in Government- Exemption from payment of Earnest Money, Issue of tender sets free of cost, Waiver of Security Deposit up to the Monetary Limit for which at the unit is registered.
- Concession in electricity bills
- Waiver of Stamp Duty and Registration Fees
- Reimbursement of ISO Certification
- Exemption under Direct Tax Laws
- 1% exemption on the interest rate on OD
- Bar Code registration subsidy
- Excise Exemption Scheme
- Subsidy on NSIC Performance and Credit ratings
- 50% subsidy for patent registration
- Enterprises having MSME Registration are eligible for Industrial Promotion Subsidy (IPS)

- Enterprises having MSME registration are eligible for Counter Guarantee from the Government of India through CGSTI

Present scenario

MSMEs are the most affected by this economic downturn, both sparked and accelerated by the Corona Virus pandemic, as they don't have the buffers of the bigger firms or access to low-cost capital to help them tide over this period. With demand collapsing, and unlikely to rebound strongly in the near term, it will be increasingly difficult for these businesses to meet their obligations such as repayment of loans or wages to their employees.

The current Corona Virus pandemic (COVID-19) lockdown substantially disrupt the operations of these MSMEs due to their dependence on the cash-economy that is severely hit by the lockdown, the physical non-availability of workers, and restrictions in the availability of raw materials and transport infrastructure.

What next for MSME during COVID situation

In such a situation of crisis, where diseases like COVID-19 have stopped the working of the world and have affected the lives of people in various ways. MSME are the most affected due to series of Lockdown and lack of demand in the market. There are various schemes introduced by the government to support the businessmen so that they can continue with the work. These schemes will help them not only to improve business but also to provide them with support during the situation of such a crisis. The government of India has worked since the lockdown commenced on various issues. The government has taken initiative for small scale industries as well as for various firms and businesses.

Various benefits/schemes for MSME during COVID-19: MSME relief package

[As per Self-Reliant India Movement (Atmanirbhar Bharath Abhiyan) dated 13.05.2020]

Rs. 3.00 lac crores Collateral-free Guaranteed pre-approved Loans for MSMEs

Businesses/MSMEs have been badly hit due to COVID-19. They need additional funding to meet operational requirements, buy raw material and restart business. Accordingly, the Union Cabinet has approved additional funding of up to Rs. 3 lacs crore at a concessional rate of 9.25% through the Guaranteed Emergency Credit Line (GECL) for the MSME sector severely hit by the Corona Virus crisis. Details of the scheme are given below:

- Under the scheme, National Credit Guarantee Trustee Company (NCGTC) will provide 100% guarantee coverage of the additional credit up to Rs. 3 lac crore funded to eligible MSMEs and interested PMMY (Mudra) borrowers, in the form of a guaranteed emergency credit line (GECL) facility.
- The scheme would be applicable to all loans sanctioned under GECL facility during the period from the date of announcement i.e. 13.05.2020, of the scheme to October 31 or till an amount of Rs. 3 lac crore is sanctioned under the scheme, whichever is earlier.
- The scheme aims at mitigating the economic distress being faced by about 45 lakh MSMEs by providing them additional funding of up to Rs. 3 lakh crore in the form of a fully guaranteed emergency credit line

Eligibility & other details:

- Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020, which were less than or equal to 60 days past due as on that date, i.e., regular, SMA- 0(Principal or interest payment not overdue for more than 30 days) and SMA-1(Principal or interest payment overdue between 31-60 days) accounts.
- Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible
- Additional Loans will have a tenor of 4 years with a moratorium of 12 months on Principal repayment
- 100% credit guarantee cover from NCGTC.
- No Guarantee Fee & no fresh Collaterals.
- The scheme is aimed to benefit over 45 lakh MSME Units.
- Maximum Banks/NBFCs are giving this additional loan to existing customers as a pre-approved loan based on certain criteria as advised by RBI.
- Interest rates under the scheme will be capped at 9.25 per cent for banks and FIs, and at 14 per cent for NBFCs.

Rs. 20,000 crore subordinate debt for stressed MSMEs.

- Equity support to stressed MSMEs- Government will support Stressed MSMEs with infusion of Rs. 20,000 crore equity support through Subordinate Debt.
- Functioning MSMEs which are NPA or are stressed will be eligible.
- Government to infuse Rs. 4000 crore in Credit Guarantee Trust Fund for MSEs (CGTMSE), which will provide partial Credit Guarantee support to Banks.
- Promoters of the MSME will be given debt by banks, which will then be infused by them as equity in the Unit.
- More than 2 lakh MSMEs are likely to be benefitted.

Rs. 50,000 cr. equity infusion for MSMEs through Fund of Funds (FoF)

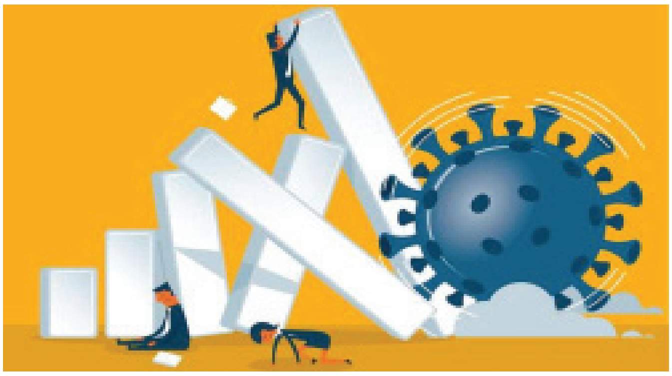
- For MSMEs facing a severe shortage of Equity.
- Fund of Funds with Corpus of Rs. 10,000 crore will be set up.
- It will provide equity funding for MSMEs with growth potential and viability.
- FoF will be operated through a Mother Fund and few daughter funds.
- Fund structure will help leverage Rs. 50,000 cr. of funds at daughter funds level.
- It will help MSME to expand its size as well as capacity.
- It will also encourage MSMEs to get listed on of Stock Exchanges.

New definition of MSMEs

Low threshold in MSME definition has created a fear among MSMEs of graduating out of the benefits and hence killing the urge to grow. Further, there has been a long-pending demand for revisions. Keeping in view the above factor and for the growth of MSME sector, GOI has revised the definition of MSME sector. Distinction between manufacturing and services MSMEs has been removed and Investment limits revised upwardly. Additional criteria for turnover have been also introduced.

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			
Criteria: Investment in Plant & Machinery or Equipment And Annual Turnover			
Classification	Micro	Small	Medium
Mfg. & Services Enterprises	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 50 cr. and Turnover < Rs.250 cr.

This notification shall come into effect from 01.07.2020.



Global tenders shall be disallowed upto Rs. 200 crores. (As per MoF notification dated 15.05.2020)

- MSMEs and other companies in India often faced unfair competition from foreign companies.
- Therefore, in a major initiative, the union cabinet has disallowed Global tenders for Government tenders upto Rs. 200 crore to enable MSMEs to participate in the Government procurement process.

- This will be a crucial step towards Self-Reliant India and support Make in India.
- This will also help MSMEs to increase their business.

Launch of 'CHAMPIONS' portal for MSME (champions.gov.in)

(Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength)

In a major relief to address the grievances of MSMEs and to handhold them in growing larger, PM Narendra Modi on June 1st 2020 launched a technology platform 'CHAMPIONS', which will help in making the smaller units big by solving their grievances, encouraging, supporting, helping and handholding.

CHAMPIONS will help to grow MSME under this difficult situation with these objectives:-

i) Grievance Redressal: To resolve the issues of MSMEs including problems of raw materials, labour, finance, regulatory permissions etc particularly in the COVID created a difficult situation.

ii) To help the MSMEs capture new opportunities including manufacturing of medical equipments and accessories like masks, PPEs etc and supply them in National and International markets.

iii) To identify and encourage the sparks: i.e. the potential MSMEs who are ready to withstand the present situation and may become national and international champions.

CHAMPIONS (champions.gov.in) - A single window solution for MSME

Other initiatives to help MSMEs

- MSMEs currently facing problems of marketing and liquidity due to COVID.
- e-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions. To compensate for cancelled trade fairs, the government has planned set up online market linkages.
- Fintech will be used to enhance transaction-based lending using the data generated by the e-marketplace.
- Government has been continuously monitoring the settlement of dues to MSME vendors from Government and Central Public Sector Undertakings. Making it mandatory for the Departments of Government of India and the CPSEs to pay the receivables to MSMEs within next 45 days. This will greatly help easing the situation of working capital of the MSMEs.
- The announcements that TDS and TCS will be reduced by 25% and that all refunds to entities including Proprietorship, Partnership firms and LLP etc. would be issued immediately, will also help the liquidity situation of MSMEs
- Employee Provident Fund(EPF) support to the tune of Rs. 2500 crore for Business & Workers for 3 more months. Under 'Pradhan Mantri Garib Kalyan Package' (PMGKP), payment of 12% of employer &employee contributions was made into EPF accounts of eligible businesses. Earlier this facility was provided for the months of March, April & May 2020. Now it has been extended for a further period of 3 months, i.e June, July & August 2020.
- Further, in order to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues, statutory PF contribution of both employer and employee has been reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months till Aug'20.
- Due date of all income-tax return for FY2019-20 has been extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and Tax audit from 30th September, 2020 to 31st October, 2020.
- SIDBI has also declared a concessional interest rate of 5% for MSME loans. This support is only given to those units who are delivering the products which are related to COVID-19.
- RBI has launched Rs. 1,00,000 Crore Long Term Repo Operations, this will help banks increase the lending capacity at a low rate.
- COVID-19 Start-up Assistance Scheme (CSS) - This scheme will provide finance for innovative business start-ups that will help to improve the role of this scheme to provide financial stability and finance for the business firms. The primary object of this scheme is to provide quick working capital for the next 45 to 90 days for a start-up.
- The Vivaad se Vishwas scheme, addressing disputes on indirect tax payments, has been extended till December 31, 2020.

Declaration:

"Views and opinions expressed in the article are mine and not of the Bank".

References:

i) msme.gov.in

ii) champions.gov.in

iii) https://udyogaadhaar.gov.in/UA/UAM_Registration.aspx# ❏

BoB cuts lending rate by 10 bps to 6.75%

Bank of Baroda has recently announced a reduction in Baroda Repo Linked Lending Rate (BRLLR) from 6.85% to 6.75%, effective from 15 March, 2021. With this reduction in BRLLR, all retail loans of the bank would get automatically adjusted.

The customers availing home loan, car loan, mortgage loan, personal loan, education loan and all other retail loan products could avail of this benefit. With this revision, home loan rates start at 6.75%, mortgage loan rates start at 7.95%, car loan rates start at 7% and education loan rates start at 6.75%.

In this regard, Harshadkumar T. Solanki, GM, Mortgages and Other Retail Assets remarked, "This reduction in BRLLR makes our loans more affordable for the customers. We hope that our efforts towards the digital processes help customers avail quick and smooth loans at the most competitive interest rates."

EVENTS

Media Partner: Banking Finance

8th Customer Experience Management for Banking 2021

Date: April 27-29, 2021

Overview: The continuously evolving banking landscape, cutting edge competition, rising consumer expectations coupled with digital transformation has led to banks pouring tremendous resources into transforming its customer experience. This is fully understandable.

Developing seamless customer experiences builds customer loyalty, promotes greater customer spend, makes employees happier and over time will drive revenues and profitability for the bank. Marketplace differentiation is no longer determined merely by location, price or product. This is especially true for banks, as banks often offer similar products with many consumers perceiving little difference between them. The real differentiation comes with the quality of a bank's customer experience offering - reaching a diverse clientele that includes people who prefer face-to-face with bank staff, to those who are reluctant to adopt branch banking and are more inclined towards a digital experience.

How then can banks capture the hearts and minds of existing and new customers? What proven strategies can banks adopt to elevate its customer experience? How can banks evaluate customer journeys effectively to provide personalized yet profitable customer experiences? What should banks do to ensure they provide superior digital banking experiences?

Through case studies and global expert insights, all of the above and more will be presented and discussed at the 8th Annual Customer Experience Management for Banking Summit taking place 27-29 April 2021. This is the must-attend summit if you are serious about driving superior customer experience that generates ROI in your bank for your bank! Don't Miss it!

Product Development in Business Banking 2021

Date: May 17-19, 2021

Overview: This 3-day masterclass program considers both the "how to" but also the strategic dimensions of product development for business & commercial banking in the light of the increasingly disruptive forces that are reshaping the banking landscape and also internal pressure to identify new streams of both margin and fee-based revenue, rising customer expectations and fintech industry competition.

It has been designed to provide you with a complete guide to innovating, developing, managing, and executing products in the business banking and financial services sector. The comprehensive agenda will cover all the necessary knowledge, principles and lessons learned on how to develop effective business banking and financial services products that provide your organization with a competitive advantage with your customers in today's very competitive market landscape. It will go in-detail on key topic areas including product development strategy, product development and marketing success roadmaps, product innovation best practices, turning creative products into profit centres, evaluating & validating product ideas, compliance and approval issues, launching & marketing products, product success monitoring amongst others.

As with all Equip Global Courses, the emphasis is very much on the practical and interactive exercises and real-life case studies. In addition to presentations of the subjects, participants will be challenged in actual project case studies to apply the principles discussed. It will also encourage the attendees to develop the tools to implement change upon returning to their workplace.

5th Back Office Operational Efficiency in Banking Summit 2021

Date: May 31 - June 3, 2021

Overview: The 5th Back Office Operational Efficiency in Banking Summit is back with focus on Digitization and upskilling your workforce to stay ahead of the pandemic environment, featuring banks across South East Asia that had made the digital transformation and optimized their back-office operations to navigate these challenging times.

Speakers across retail and corporate banks will share about the unavoidable shift towards automation and digitization which serves not only as a cost saving investment, but more importantly to streamline processes and provide flexibility with convenience, ultimately improving customer experience and retention rates.

The back office is now the center of innovation and Digitization is no longer only the IT department job but everyone's responsibility to stay relevant with evolving innovation and intelligent automation including robotic process automation, data analytics and artificial intelligence. Redefining work roles and upskilling workforce should be the priority to safeguard and rise above this pandemic-stricken environment.

Start your Back Office Transformation today with the return of the 5th Back Office Operational Efficiency in Banking Summit, an exceptional opportunity to rethink and build a more resilience and operationally efficient back-office framework through extensive sharing sessions and industry intelligence from industry counterparts.

4th Future Branches Asia Summit 2021

Date: June 15-18, 2021

Overview: Established as the world's foremost and leading event of its kind, Equip Global is pleased to announce the dates for the leading 4th Future Branches Asia Summit 2021 that is set to happen Live Online, so that you can access to the great case studies wherever you are based in! Backed by demand, this annual summit is the best platform for global experts across the all Retail and Consumer Banks, to gather and have countless networking and learning opportunities about how you can develop effective strategies for solutions around how Branch Banking/Physical Branches Should Transform amidst digital technologies and overcome other challenges such as COVID 19 which possibly could transform the way how bank branches operate and are redesigned, in order to stay relevant and ensure ROI.

Renowned industry experts will share insightful knowledge about leading industry practices such as discovering the latest trends on how banks can drive customer-centric branch transformations for increased customer engagement & retention, devising effective strategies to future proof and build purposeful branch networks to increase value-add for customers, why banks should start embracing digital transformation and how to integrate innovative technology into their systems, discussing new physical and digital channels that can be used for distribution, discover new ways to merge employees, technology and branch networks for best operational excellence, designing branch networks and flagship concepts that can captivate customers and increase brand marketing and their presence in the competitive market today.

This is where you need to be at if you oversee or are involved in branch banking strategies and projects! A conference truly worth experiencing and cannot be overlooked by banking professionals!

Interview with

Mr. Ashutosh Khajuria

Executive Director & CFO, Federal Bank Ltd.

View at our

Official YouTube Channel: youtube.com/bimabazaar

Watch the complete interview at:

https://www.youtube.com/watch?v=L1AZ7LOIK8g

RMAI Certificate Course on Risk Management

Join Today

Introduction

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

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

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

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

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

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

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

Course Modules

Module -1- Introduction to Risk Management

Module -2- Understanding Environment and Stakeholders

Module -3- Risk Strategies and Corporate Governance

Module -4- Risk Management Framework

Module -5- Risk Management Process

Module -6- Emerging Risk

Module -7- Types of risks

Module -8- Models for Estimation of Risk

Module -9- Project and Assessment

Course Details

Course Duration/ Time	30 Hours / 8 Week
Final Exam	After 2 Months
Mode of Delivery	Online. E learning Modules
EARN A CERTIFICATE	Post successful completion of the course, Project and Assessment, you shall EARN A CERTIFICATE in RISK MANAGEMENT jointly awarded by Risk Management Association of India and AICP, London. You can use this Certificate across your Professional network and share with current/ prospective employers

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

Course Methodology

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

ii) 8 Modules of three hours each Plus Project

iii) Quiz during each module to check understanding

iv) Query Management Sessions by Experts

v) Individual Project and Guidelines

vi) Course Completion Assessment

vii) Final Exam by Remote Invigilation

More about AICP London

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

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

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

Value-added Benefits

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

Payment Options:

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

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

EMail: info@rmaindia.org
Phone: 9073791022/8232083010
Post: Risk Management Association of India,
25/1, Baranashi Ghosh Street,
Kolkata – 700007. India

RBI CIRCULAR

Data Format for Furnishing of Credit Information to Credit Information Companies and other Regulatory Measures

RBI/2020-21/106

March 12, 2021

1. Please refer to our circular DBOD.No.CID.BC.127/20.16.056/2013-14 dated June 27, 2014 inter alia setting out a Uniform Credit Reporting Format for the purpose of reporting credit information to the Credit Information Companies (CICs).
2. The Uniform Credit Reporting Format has two Annexes. The Annex-I contains two formats for credit reporting, viz., Consumer Bureau and Commercial Bureau, whereas Annex-II contains credit reporting format for Micro Finance Institution (MFI) segment.
3. It has now been decided to modify the aforesaid three formats as under:
   (i) Consumer Bureau: The label of the field 'Written off and Settled status' is modified as 'Credit Facility Status' and it will also have a new catalogue value, viz., 'Restructured due to COVID-19'.
   (ii) Commercial Bureau: The existing field 'Major reasons for restructuring' will have a new catalogue value, viz., 'Restructured due to COVID-19'.
   (iii) MFI Bureau: The existing field 'Account status' will have a new catalogue value, viz., 'Restructured due to COVID-19'.
4. The modifications are being made to enable banks/AIFIs/NBFCs to report the information relating to restructured loans to CICs as envisaged in circular DOR.No.BP.BC.3/21.04.048/2020-21 dated August 6, 2020, on the Resolution Framework for COVID-19 related stress.
5. Banks/AIFIs/NBFCs should make necessary modification to their systems and commence reporting the above information to CICs within two months from the date of this circular. CICs shall make necessary modifications to their system to reflect the above changes.

(Sunil T. S. Nair)
Chief General Manager

Extension of Cheque Truncation System (CTS) across all bank branches in the country

RBI/2020-21/107

March 15, 2021

1. Please refer to the Statement on Developmental and Regulatory Policies dated February 5, 2021 wherein Reserve Bank of India (RBI) had announced pan-India coverage of CTS by bringing all branches of banks in the country under image-based CTS clearing mechanism.
2. The CTS is in use since 2010 and presently covers around 1,50,000 branches. All the erstwhile 1219 non-CTS clearing houses (ECCS centres) have been migrated to CTS effective September 2020. It is, however, seen

that there are branches of banks that are outside any formal clearing arrangement and their customers face hardships due to longer time taken and cost involved in collection of cheques presented by them.

3. To leverage the availability of CTS and provide uniform customer experience irrespective of location of her/his bank branch, it has been decided to extend CTS across all bank branches in the country. To facilitate this, banks shall have to ensure that all their branches participate in image-based CTS under respective grids by September 30, 2021. They are free to adopt a model of their choice, like deploying suitable infrastructure in every branch or following a hub & spoke model, etc. and concerned banks shall coordinate with the respective Regional Offices of RBI to operationalise this.

4. Banks are advised to inform us (helpdpss@rbi.org.in) the roadmap to achieve pan-India coverage of CTS and submit a status report before April 30, 2021.

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

(P Vasudevan)
Chief General Manager

Reporting and Accounting of Central Government transactions of March 2021

RBI/2020-21/108

March 18, 2021

1. Please refer to Circular DGBA.GBD.No.1744/42.01.029/2019-20 dated March 17, 2020 advising the procedure to be followed for reporting and accounting of Central Government transactions (including CBDT, CBIC, Departmentalized Ministries and Non-Civil Ministries) at the Receiving/Nodal/Focal Point branches of your bank for the Financial Year 2019-20.

2. The Government of India has decided that the date of closure of residual transactions for the month of March 2021 be fixed as April 10, 2021. In view of the ensuing closing of government accounts for the financial year 2020-21, receiving branches including those not situated locally, should adopt special arrangements such as courier service etc., for passing on challans/scrolls etc., to the Nodal/Focal Point branches so that all payments and collections made on behalf of government towards the end of March are accounted for in the same financial year. These instructions regarding special messenger arrangements may please be informed to all branches concerned.

3. As regards reporting of March 2021 transactions by Nodal/Focal Point branches in April 2021, the branches may be advised to follow the procedure as outlined in the Annex. To sum up, the nodal/Focal Point branches will be required to prepare separate set of scrolls, one pertaining to March 2021 residual transactions and another for April transactions during the first 10 days of April 2021. The Nodal/Focal Point branches should also ensure that the accounts for all transactions (revenues/tax collections/payments) are effected at the receiving branches up to March 31, 2021 in the accounts for the current financial year itself and are not mixed up with the transactions of April 2021. Also, while reporting transactions pertaining to March 2021 up to April 10, 2021, the transactions of April 2021 should not be mixed up with the residual transactions relating to March 2021.

4. Kindly issue necessary instructions in the matter to your branches concerned immediately.

(R. Kamalakannan)
Chief General Manager

NPCI to introduce new digital payments product for feature phones

National Payments Corporation of India has recently stated that it is working on a digital payments product for feature phone users and those who are not too comfortable using mobile apps. According to Praveena Rai, Chief Operating Officer, NPCI, the product is at the proof of concept stage right now. This new product will help further the NPCI's goal of taking digital payments to every Indian. "We need to move into the market which is feature phone-based... Moving towards voice-enabled payments will be the trend of digital payments that we should see and India will be a clear innovator there,", Rai added. While an SMS-based payment solution called Unstructured Supplementary Service Data (USSD) was launched by NPCI in 2016, its use later got discontinued with the launch of the Bharat Interface for Payments (BHIM) app in late 2017.

DIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES - TOTAL (Short-term and Long-term)

(Rs. Crores)

Year	Loans Issued					Loans Outstanding			
	Co-operatives	State Govern-ments	SCBs	RRBs	Total (2 to 5)	Co-operatives	SCBs	RRBs	Total (7 to 9)
1	2	3	4	5	6	7	8	9	10
1991-92	5797	339	4806	596	11538	12176	16981	1984	31142
1992-93	6484	389	4960	698	12530	13769	18288	2206	34263
1993-94	8484	377	5400	752	15013	15316	19113	2560	36988
1994-95	9876	407	7408	1083	18773	16810	20920	3009	40738
1995-96	12483	554	9274	1381	23692	19126	23427	3467	46020
1996-97	13254	668	10675	1748	26345	20556	26327	4038	50921
1997-98	14159	858	11537	2103	28656	21390	28445	4683	54518
1998-99	15099	420	14663	2515	32697	22199	29819	5389	57408
1999-00	25678	520	16350	2985	45534	41950	33442	5991	81383
2000-01	27295	487	16440	3966	48187	46135	38270	7249	91654
2001-02	30569	443	18638	4546	54195	52110	45106	8286	105502
2002-03	34040	---	25256	5879	65175	59064	53804	10261	123129
2003-04	40049	---	36203	7175	83427	71403	68103	11721	151228
2004-05	45009	---	48367	11927	105303	78822	95519	16709	191050
2005-06	48123	---	80599	15300	144021	82327	135603	21510	239439
2006-07	54019	---	115266	20228	189513	89443	169018	27452	285913
2007-08	57643	---	113472	23838	194953	65666	202796	33216	301678
2008-09	58787	---	160690	26499	245976	64045	256119	37367	357531
2009-10	63497	---	188253	34640	286390	59791	315436	46282	421509
2010-11	78121	---	222792	43965	344878	76674	357584	55067	489325
2011-12	87963	---	312877	54450	455290	92458	443298	70385	606140
2012-13	111203	---	484499	63681	659383	119775	522478	79500	721752
2013-14	119964	---	---	82653	---	135245	503532	98207	736984
2014-15	138470	---	---	102483	---	154287	683969	112604	950860
2015-16	153294	---	---	119261	---	156121	814841	133401	1104363
2016-17	142758	---	---	123216	---	226698	668109	153416	1048223
2017-18	150321	---	---	141216	---	184396	924084	171301	1279781
2018-19	152340	---	---	149667	---	178820	995114	197432	44579
2019-20	149694	---	---	162857	---	151176	---	508985	---

SCBs : Scheduled Commercial Banks. ***RRBs :*** Regional Rural Banks.

Notes : 1. Data for 2019-20 are provisional

2. Data up to 1990-91 pertain to the period July-June and April-March thereafter. In case of SCBs, data for all the years pertain to July-June period.
3. RRBs came into existence in 1975-76.
4. The data since 1999-2000 are strictly not comparable with the earlier years as it covers not only PACS but also SCARDBs and PCARDBs, while the earlier period covers PACS only.

Also see Notes on Tables.

Sources : 1. Reserve Bank of India. 2. National Bank for Agriculture and Rural Development.

SCHEDULED COMMERCIAL BANKS' ADVANCES TO AGRICULTURE - OUTSTANDING

(Rs. Billion)

Year (end-March)	Total Direct Finance	Indirect Finance					Total Direct & Indirect Finance (2+7)
		Distribution of Fertilisers and other Inputs	Loans to Electricity Boards	Loans to Farmers through PACS/FSS/ LAMPS	Other type of Indirect Finance	Total Indirect Finance (3+4+5+6)	
1	2	3	4	5	6	7	8
1991-92	17397	241	655	177	360	1433	18830
1992-93	18949	268	708	183	392	1552	20501
1993-94	19465	364	896	205	635	2099	21564
1994-95	21334	536	1165	224	940	2865	24199
1995-96	23814	756	1058	285	1575	3674	27488
1996-97	27448	968	1233	285	2500	4986	32434
1997-98	29443	1200	1417	363	3355	6335	35778
1998-99	33094	1491	1627	407	4592	8117	41211
1999-00	36466	1675	1723	449	9121	12968	49434
2000-01	40485	2304	1697	377	14447	18825	59310
2001-02	46581	3303	1841	928	12166	18238	64819
2002-03	56857	3241	2966	949	16534	23690	80547
2003-04	70781	4118	3533	723	20146	28520	99301
2004-05	95565	5134	4174	861	25902	36071	131636
2005-06	134798	6440	6464	769	43501	57175	191973
2006-07	172128	8516	11319	1360	61369	82564	254692
2007-08	214644	---	---	1542	91901	93443	308087
2008-09	264893	---	---	599	110103	110702	375595
2009-10	317767	---	---	1294	78504	145554	463321
2010-11	360253	---	---	880	62159	146923	507176
2011-12	440758	---	---	797	63771	142585	583343
2012-13	534331	---	---	---	---	111102	645433
2013-14	---	---	---	---	---	---	892067
2014-15	---	---	---	---	---	---	970575
2015-16	---	---	---	---	---	---	1173098
2016-17	---	---	---	---	---	---	1265250
2017-18	---	---	---	---	---	---	1369456
2018-19	---	---	---	---	---	---	1580568
2019-20	---	---	---	---	---	---	160375

PACS : Primary Agricultural Credit Societies, FSS : Farmers' Service Societies
LAMPS : Large-sized Adivasi Multipurpose Societies
Notes : On account of revised guidelines on PSA lending w.e.f. September 2007 and revised reporting system w.e.f. April 1, 2013 break- up of indirect finances is not available.
Also see Notes on Tables. Source : Reserve Bank of India.

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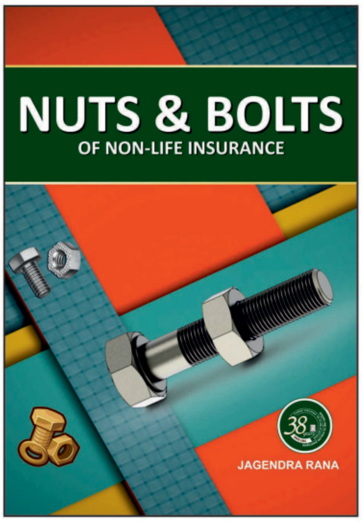

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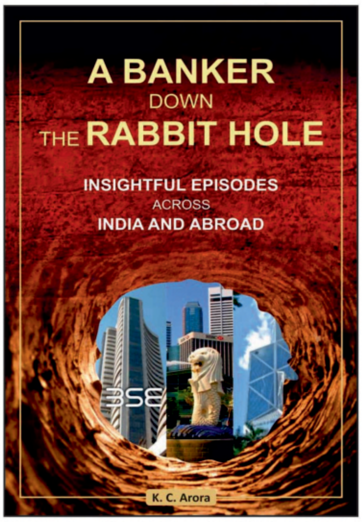

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