A leading monthly journal on Banking & Finance

Banking Finance

₹85/-

VOL.XXXIV - NO.6 - June 2021 - ISSN-0917-4498

In this issue

CELEBRATING 34 YEARS OF PUBLICATION SINCE 1988

"We have churned our portfolio with improvement in the share of lending to better-rated corporates. This will minimise the delinquencies and attract lower capital requirement."

A S Rajeev
Managing Director and CEO
Bank of Maharashtra

"We firmly believe that a customer-centric business is much better suited to sail through disruptions and continue to deliver meaningful value to its customers."

Nanda Kumar
Founder & CEO
SunTec Business Solutions

The Insurance Times Education Series

Self Learning Kit for Licentiate, Associateship & Fellowship Exam of Insurance Institute of India

Guide books for Licentiate

Guide to Principles of Insurance Paper No. 1 of III
Price ₹ 750

Guide to Practice of General Insurance Paper No. 11 of III
Price ₹ 750

Guide to Regulations on Insurance Business Paper No. 14 of III
Price ₹ 750

Guide to Practice of Life Insurance Paper No. 2 of III
Price ₹ 750

Combo offer : Buy Licentiate's 3 Books + Online Mock Test for 3 papers worth ₹900/- Total Value ₹2850/- Pay only ₹1800

Guide books for Associateship

Guide for Life Insurance Underwriting (IC 22)
Price ₹ 1024

Guide for Applications of Life Insurance (IC 23)
Price ₹ 1020

Guide for Legal Aspects of Life Assurance (IC 24)
Price ₹ 1087

Guide for Life Insurance Finance (IC 26)
Price ₹ 1105

Guide for Health Insurance (IC 27)
Price ₹ 1060

Guide for General Insurance Underwriting (IC 45)
Price ₹ 1042

Guide for General Insurance Accounts Preparation & Regulation of Investment (IC 46)
Price ₹ 1141

Guide for Fire Insurance (IC 57)
Price ₹ 1065

Guide for Marine Insurance (IC 67)
Price ₹ 1095

Guide for Motor Insurance (IC 72)
Price ₹ 1110

Guide for Liability Insurance (IC 74)
Price ₹ 1080

Guide for Engineering Insurance (IC 77)
Price ₹ 1090

Guide for Miscellaneous Insurance (IC 78)
Price ₹ 1075

Combo offer : Buy any 6 Associateship's Books + Online Mock Test Pay only ₹ 6000/-

Guide books for Fellowship

Guide for Reinsurance Management (IC 85)
Price ₹ 1210

Guide for Risk Management (IC 86)
Price ₹ 1170

Guide for Marketing & Public Relations (IC 88)
Price ₹ 1074

Guide for Human Resource Management (IC 90)
Price ₹ 1114

Guide for Actuarial Aspects of Product Development (IC 92)
Price ₹ 1240

Combo offer
Buy 4 Fellowship Books + Online Mock Test Pay only ₹ 4300/-

Mock Test

Mock Test For
Associate and Fellowship Exams Any paper @Rs 500 only

Practice online mock test in exam condition to assess your preparation.
Be confident for the exam
www.insurancetrainingcentre.com

Others Books

General Insurance MCQ Guide for IC 38
Price ₹ 210

Life Insurance MCQ Guide For IC 38 (Hindi Edition) Only MCQ
Price ₹ 200

Life Insurance MCQ Guide For IC 38
Price ₹ 175

Life Insurance MCQ Guide For IC 38 (Bengali Edition) Only MCQ
Price ₹ 200

General Insurance MCQ Guide For IC 38 (Hindi Edition) Only MCQ
Price ₹ 200

Hints on Insurance Salesmanship
Price ₹ 190

Guide for Insurance Broker's Exam
Price ₹ 500

Guide for Principles and Practice of Insurance and Survey and Loss (IC-S01)
Price ₹ 1033

Guide For Direct Recruit Exam in Govt. Insurance Companies (2 books + Mocktest) Combo offer
Price ₹ 990

Para 13.2 Promotional Exam Combo offer
Price ₹ 1570

Model Question Bank for Para 13.2 Promotional Exam
Price ₹ 500

Text Guide for Para 13.2 Promotional Exam
Price ₹ 500

English & G.K for Para 13.2 Promotional Exam
Price ₹ 500

Guide for PSU- NON Life Officer's Exam Scale 1-5 Combo offer
Price ₹ 1300

Model Question Bank for PSU- NON Life Officer's Exam Scale 1-5
Price ₹ 500

Text Guide for PSU-NON Life Officer's Exam Scale 1-5
Price ₹ 575

Sashi Publications Pvt. Ltd. Ph. 033-2269-6035 / 4007-8428 / 429 | Mobile : 09883398055
Email : insurance.kolkata@gmail.com | www.sashipublications.com

BANKING FINANCE

A LEADING MONTHLY JOURNAL ON BANKING & FINANCE

VOL. XXXIV NO. 06
June 2021, ISSN - 0971-4498

Correspondence Address
25/1, Baranashi Ghosh Street,
Kolkata- 700007, India
Phone : 033-4007 8378/3553 4434/4007 8428
E-mail : insurance.kolkata@gmail.com
Website : www.sashipublications.com
Portal: www.bankingfinance.in

Registered Office
31/1, Sadananda Road, P.S. Kalighat,
Kolkata -700 026, India

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

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

Please do not make any cash payment for journal/books to any person representing **BANKING FINANCE** and we shall not be responsible for the cash payments.

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

From The Desk Of Editor-in-Chief

While we recovered from First wave of Covid-19 and got bit relaxed in first quarter of 2021, the second wave hit the country hard. The intensity of second wave was quite severe and got everyone off-guard. The lockdown around the country derailed the economy and its impact was felt in all sectors. Though banking sector was also hit but still banking operations continued even though in truncated manner. But still the growth of sector was severely affected due to lockdown.

The continuing impact of Covid has impacted the economy as a whole and it will directly affect the banking sector. The NPA stress may rise. The balance sheet of the banks will also be adversely affected.

Commercial bank credit in India contracted 0.8 per cent (Rs 89,087 crore) in April, reflecting a lean period at the start of the new financial year (FY22) and the adverse effect of the second wave of Covid-19. The outstanding credit as of April 23, 2021, was Rs 108.60 trillion, according to the Reserve Bank of India data. Bank credit expanded 5.7 per cent in the 12 months till April 23, against 6.8 per cent a year ago.

RBI Deputy Governor M K Jain said both the central bank and the government have taken steps to mitigate its impact. He also said the domestic banking system is strong, as per the preliminary data for the quarter ended March 2021. He asserted that the banking sector was in strong position when COVID-19 hit and the preliminary data suggest that in terms of CRAR that has been improved upon, the profitability has been improved upon, provision coverage ratio that has also been improved over the previous year, and the gross NPA as well as net NPA has come down," he said.

The central bank has announced a slew of measures in the last two months to help flow of credit to the desired sectors and maintain adequate level of liquidity in the system. Earlier this month, RBI kept its benchmark interest rate unchanged in view of elevated level of retail inflation.

Hopefully if the third wave impact is not high then the sector is expected to rebound soon.

Contents

Banking News

IDFC FIRST Bank offers compensation to families of employees who died of Covid

IDFC FIRST Bank has decided to offer compensation equivalent to four times of the CTC as well as the continuation of salary for two years to the families of the employees who lost their lives due to the coronavirus.

Besides, the bank has also announced a loan waiver of such employees to alleviate economic pressure on the families.

"If an employee has taken a personal loan, car loan, two-wheeler loan or education loan, etc, that is 100% waived by the bank. Housing loan waiver is up to Rs. 25 lakh (before June 30, 2021)," V Vaidyanathan, Managing Director, and CEO, IDFC FIRST Bank said.

Suppose, if an employee had taken a Rs. 30 lakh loan, IDFC FIRST will waive Rs. 25 lakh and the residual loan will become 5 lakh, Vaidyanathan explained.

"The family can pay the reduced EMI from the salary credits we will make to them for 2 years. We are asking employees to insure their loans going forward (after June)," he said. According to the IDFC First CEO, around 20 employees of the bank have lost their lives to Covid.

Further, the bank has also made provision of scholarship of Rs. 10,000 monthly to two children up to graduation, funeral expenses up to Rs. 30,000, relocation assistance of Rs. 50,000, as well as pro-rata bonus payout for the period, served this year by the deceased employee under its 'Employee Covid Care Scheme 2021'.

Recently, the bank also announced the launch of the "GharGhar Ration" programme for its low-income customers whose livelihoods are affected by the Covid-19 pandemic.

Overdraft facility extended against fixed deposit by Jana Small Finance Bank

To offer financial support to many affected by Covid-19, Jana Small Finance Bank Ltd has extended its Overdraft (OD) facility against fixed deposit (FD) at a nominal interest rate to all its customers across India. The interest rate on this facility is 0.25 percentage points over and above the FD rate with a utilisation of 50% or more. Under this facility, up to 90 per cent of the FD value can be availed as OD. The special pricing will be available to its existing customers till 31st December 2021 and the customers are requested to apply before 30th June 2021 for the same.

Customers can avail this facility instead of liquidating the FD to meet their liquidity requirements. The Bank emphasized that customers will continue to earn applicable rates of interest on their FDs. Customers can make the payment for the OD facility according to their choice, i.e., either in a lump sum or in instalments. Jana Small Finance Bank will not be charging any processing fee for the same.

To avail of this facility, the minimum OD FD facility amount with the bank should be Rs. 10,000 and FD tenure of 180 days or more. The customer can withdraw the money through any available channel of Jana Small Finance Bank Ltd i.e., online, cheque, etc.

Bank of Maharashtra looks into raising Rs 2,000 crore through QIP

BOM is looking to raise up to Rs 2,000 crore through qualified institutional placement (QIP) route before July-end, its Managing Director and CEO A S Rajeev said. In April this year, the Pune-based lender had received board approval to raise Rs 5,000 crore by way of QIP/rights issue/ preferential issue or by issuing Basel III bonds. "We are planning to raise around Rs 2,000 crore equity through QIP immediately. The process has already started and we will raise it before Julyend," Rajeev told in an interaction.

The base size of the issue is Rs 1,000 crore and it has a greenshoe option of another Rs 1,000 crore, he said. Following this equity raise, the government's holding in the bank will reduce to below 85 per cent from 94 per cent currently, and the capital adequacy ratio will improve to 17-18 per cent from around 14.49 per cent as of March 31, 2021, Rajeev said.

This fund will be deployed for expansion of the loan book, which the bank is looking to grow by 16-18 per cent to around Rs 1.25 lakh crore in this fiscal from Rs 1.08 lakh crore as of March 31, 2021, he said. Of the total loan book of the bank at present, the share of corporate loans is 37 per cent and of retail, agriculture and MSME (RAM) segment is 63 per cent, he said adding, "We want the ratio of RAM to the corporate segment to be 65:35 during the current fiscal." The bank is envisaging a 20-25 per cent growth in the retail, agriculture and MSME (RAM) segment this year.

The lender's corporate loan size is close to Rs 40,000 crore and it is targeting to grow it by another Rs 10,000 crore in this financial year. It has a sanction pipeline of Rs 25,000 crore in the corporate and MSME segments for the current fiscal, he said. "We have churned our portfolio with improvement in the share of lending to better-rated corporates. This will minimise the delinquencies and attract lower capital requirement," Rajeev added.

Ujjivan Small Finance Bank collaborated with MoEngage

Ujjivan Small Finance Bank said it has collaborated with customer engagement platform MoEngage to drive digital banking experiences in the unserved and underserved regions of the country.

The engagement aims to build a vast presence of the bank for connecting with customers in these regions through multiple digital touchpoints, a statement said. The partnership, it added, will foster holistic customer experience across all organic channels, like the website, app, email, text message, social media and branches to drive business growth.

Ujjivan Small Finance Bank will target SMS campaigns to encourage digital repayments. SMS campaigns, the statement said, will offer options to customers to make payments either digitally or through cash deposit.

Dheemant Thacker, head of digital banking at Ujjivan Small Finance Bank said this partnership is an effort to enhance the digital knowledge and experience in the unserved and underserved markets, thereby strengthening its presence.

As door-to-door EMI collection became a challenge during the pandemic, Ujjivan Small Finance Bank created a comprehensive digital infrastructure through payment integrations with Bharat Bill Payment System aggregators and partnership with a leading telecom operator to provide digital payment options, it said.

HDFC Bank expects SME to be the fastest growing segment

HDFC Bank plans to leverage its distribution in non-urban markets and digital strengths to expand its small and medium enterprise (SME) banking platform.

The management said that recent changes in the management structure were aimed to facilitate a far more focused approach towards execution in this vertical and Rahul Shukla will drive growth in the business. The bank expects the SME business to be the fastest-growing segment over the next three-five years.

"(The) bank is cognizant of the asset quality risks associated with this segment and hence will keep underwriting and collection teams tighter," it said.

In April, HDFC Bank announced an internal reorganization that would see it form three distinct focus areas, namely, business verticals, delivery channels, and technology. It has named this exercise, Project Future-Ready. As part of the reorganization, Shukla is now responsible to drive the commercial banking and rural vertical.

Bank of India conducts vaccination drive for employees and their family members

Bank of India said it has concluded a massive three-day covid-19 vaccination drive at its head office in Mumbai, inoculating 1,330 employees and their family members.

This was done through an arrangement made with Kokilaben Dhirubhai Ambani Hospital.

A.K. Pathak, head of HR at Bank of India, said that the staff has been instrumental in ensuring uninterrupted banking experiences for its customers and the bank is delighted to be able to offer protection to them and their family against the pandemic.

'GharGhar Ration' program launched by IDFC First Bank

IDFC First Bank has announced the launch of the "GharGhar Ration" Program, an Employee-funded program for its low-income customers whose livelihoods are affected by the Covid-19 pandemic.

"GharGhar Ration is a unique employee-led initiative by IDFC FIRST Bank where employees have contributed their personal income to help those in need in these testing times. We are proud to be a customer-FIRST bank and be of assistance to them in every way possible," the bank tweeted.

The program involves the supply of ration kits to 50,000 low-income customers whose livelihood have been impacted by the novel coronavirus pandemic.

Employees are procuring ration kits comprising 10 kg rice/flour, 2 kg dal (lentils), 1 kg sugar and salt, 1 kg cooking oil, 5 packets of assorted spices, tea and biscuits and other essentials needed to support a small family for about a month.

In rural locations, the ration kits are delivered physically by employees and in urban locations, employees provide pre-paid cards worth Rs. 1800 to affected customers, which can be used to buy such essential supplies.

Under the pilot program, employees have already distributed 1000 ration kits in Maharashtra, Rajasthan and Haryana successfully. Employees of the Bank contributed one day to one month's salary for the purpose.

The Bank has also launched a comprehensive Employee COVID Care Scheme 2021 to support the families of employees who have lost their lives due to COVID-19, with retrospective effect from the start of the pandemic.

Only 20 free cheque leaves per year for IDBI Bank account holders

IDBI Bank customers will have to pay Rs 5 per cheque leaf beyond 20 free leaves per year, under the revised charges from next month. Currently, customers can access as many as 60 cheque leaves without any charges in a year in the first year of account opening and 50 leaves in all the subsequent years. Beyond these, one has to pay Rs 5 per leaf.

Introducing the revision of services in savings bank accounts, the lender in a notice said the free transaction limits (for select facilities) and lock discounts offered to individual savings bank customers are being revised from July 1, 2021.

Customers holding the 'Sabka Saving Account' will not come under this and will be able to get unlimited free cheque leaves in a year. This is an elementary zero balance account aimed to further inclusive banking in the country.

For depositing cash (home and non home), it has downsized the number for free facilities per month for semi-urban and rural branches to 5 each from the existing 7 and 10, respectively for various savings accounts.

For super savings plus accounts, the free transactions in semi-urban and rural areas will be 8 each as against 10 and 12, respectively as of now.

Among others, the JubileePlus senior citizen account holders will get no discount on locker rent if the monthly average balance (MAB) is less than Rs 10,000.

Customers will get 10 per cent discount on Rs 10,000-24,999 balance for all 12 months and 15 per cent for Rs 25,000 and above MAB.

Currently, the bank offers 25 per cent discount on locker rent if Rs 5,000 is maintained as AQB (average quarterly balance) in all four quarters.

The same revised charges will be applicable on Supershakti women's account for locker rent. The discount will be offered only on A and B size lockers, the bank said.

Besides, the lender has also cut down the number of free transactions from other bank ATM per month (both financial and non financial) for JubileePlus and Supershakti accounts by half to 5 transactions.

YES Bank board approves fundraising via debt securitiesup to Rs 10000 crore

The board of directors of private sector lender YES Bank have approved seeking shareholders' approval for raising up to Rs 10,000 crore in Indian or foreign currency by issuing debt securities, including but not limited to non-convertible debentures, bonds and medium-term notes.

At the end of March quarter, the lender had a capital adequacy ratio of 17.5 per cent compared to 19.6 per cent as of December 31, with common equity tier-1 ratio of 11.2 per cent at the end of the last fiscal (FY21), as compared with 13.1 per cent Q3FY21.

Bank of Maharashtra the top performer among PSU banks

Bank of Maharashtra (BoM) has emerged as the top performer among public sector lenders in terms of loan and deposit growth during financial year 2020-21.

The lender recorded 13.45 per cent increase in gross advances at Rs 1.07 lakh crore in 2020-21, as per the published data of BoM.

It was followed by Punjab & Sind Bank which posted 8.39 per cent growth in advances with aggregate loans at Rs 67,811 crore at the end of March 2021. When it came to deposit mobilisation, BoM with nearly 16 per cent growth was ahead of even the country's largest lender State Bank of India, which recorded 13.56 per cent rise.

However, in absolute terms SBI's deposit base was 21 times higher at Rs 36.81 lakh crore as against Rs 1.74 lakh crore of BoM.

Current Account Savings Account (CASA) for BoM saw 24.47 per cent rise, the highest among the public sector lenders, during the year.

As a result, CASA was 54 per cent or Rs 93,945 crore of the total liability of the bank.

Equitas Bank Goes Beyond Banking, launches inspiring web series

Equitas Small Finance Bank has launched a new web series on their social media platforms, called 'Circle of Life' that features real life transformation stories of bravery, sacrifice and compassion, the bank aims to reach a wider audience with the series to inspire and give hope to Indians in times of uncertainty.

'Circle of Life' series signifies a way of taking and giving back to the society and showcases the lives of people who have gone through a transformative journey.

Equitas invests the money that people save with the bank back in communities thus making money a force for good in contributing for a sustainable social change. While you choose to bank with Equitas, you just don't earn rewarding interest, you also contribute to build a better society. Each story reflects positive impact beyond banking and how Equitas Small Finance Bank helps in changing lives of people through micro lending and social initiatives.

Equitas through its Bird's Nest - Pavement Dweller Rehabilitation program, provided housing, food security, healthcare, livelihood skill development, and supplemental education to ultra-poor families over an 18-month period - ultimately placing them on the path to self-sufficiency. The bank has transformed lives of over 2000+ pavement dwellers in Chennai.

The small finance bank is known for its ideology and belief in giving back to the community they serve and uplift them in a sustainable manner. Through the video, the bank shows a glimpse of the successful transformation of a one such community member, Shanthi.

HDFC Mutual Fund launches HDFC Banking & Financial Services Fund

HDFC Mutual Fund has announced the launch of HDFC Banking and Financial Services Fund, a new fund offer (NFO) for retail investors.

The new fund aims to invest in banking and financial services sector across segments and market capitalization including, banking, broking, asset management, wealth management, insurance, non-banking financial companies (NBFC), and other companies that may be engaged in providing financial services. The fund will invest in companies which are leaders and/or are gaining market shares due to superior execution, scale, and better adoption of technology.

The fund will also focus on opportunities in new listings including pre-IPO participation in lending, insurance, capital market businesses and fintechs.

The NFO will run from June 11, 2021 to June 25, 2021. Being an open ended fund, one can also invest thereafter.

Tanla Platforms to enable WhatsApp Banking solution for Axis bank

Karix Mobile, which is a wholly-owned subsidiary of Tanla Platforms announced the deployment of a conversational banking solution namely, WhatsApp Business for India's third-largest private sector bank i.e. Axis Bank.

With the deployment of this service, the customers of Axis Bank can now start a WhatsApp chat with the bank to conduct frequent banking activities on the go. A number of financial services such as checking account balance, checking of credit card bill amount, knowing nearest branch or ATM location, etc can now be availed using this service.

Customers can get started with WhatsApp Banking either by giving a missed call, sending an SMS, or subscribing to receive WhatsApp messages via the numbers provided on the website. Even from the security aspects, all communication on WhatsApp account is encrypted end-to-end while all sensitive information is safe & secure.

The bank is one of the firsts to capitalise on this opportunity. The deployment of such solutions is meant to not only provide easy access to digital banking but also, ensure that its customer experience is seamless & intuitive, leading to increased customer satisfaction score and higher net promoter scores for banks.

India offers huge potential for digital banks

India offers a huge potential for Digital Challenger Banks (DCBs) but currency depreciation and local regulations are concerns for foreign investors, according to a report.

Leading consultancy BCG said that the revenue opportunity in India, which has a population of 130 crore people, was pegged at being up to ten times higher than that of rest of South East Asia.

"Indian regulators place significant emphasis on financial inclusion and priority sectors, which can limit the potential model and opportunity," the report said, flagging the policies as among the "strategic hurdles" faced by foreign entities.

However, the report said that not all licenses carry the constraint and operating as a Non-Bank Finance Company (NBFC) gives one a significant flexibility. Once a NBFC gets formed, partnering with a traditional bank is the "best of both worlds", it added.

In the case of currency depreciation, which supports the large number of Indian exporters, the report said considerations are true for multiple other developing economies as well, and an investor needs to look at India's attractive demographics and high growth potential.

IFSC codes to be changed for syndicate bank customers

The IFSC codes for erstwhile Syndicate Bank customers will be changed from this year. The bank was merged with Canara Bank in April 2020 as part of a slew of bank mergers undertaken by the central government.

The move means that Syndicate Bank customers will have to use their new IFSC codes for online transactions through NEFT, RTGS or IMPS routes.

"This is to inform that after merger of Syndicate Bank with Canara Bank, all eSyndicate IFSC codes starting with SYNB have been changed. All the IFSC starting with SYNB will be disabled with effect from July 1, 2021," Canara Bank said on its website. "We request you to inform the remitters (senders) to use only your new IFSC code starting with "CNRB" while sending NEFT/RTGS/IMPS, from now itself."

Canara Bank has released a list of the new IFSC codes on its official website that Syndicate Bank customers will need to use from now, as per their corresponding old codes. They can also use the dedicated tool on Canara Bank's website to check their new IFSC codes.

Customers of Syndicate Bank will also have to get fresh cheque books with their new IFSC and MICR codes too. Moreover, the Swift code of erstwhile Syndicate Bank (SYNBINBBXXX) will also be discontinued. SWIFT codes are used for sending or receiving SWIFT messages for the purpose of Foreign Exchange transactions. Canara Bank has asked customers to use the swift code (CNRBINBBFD) for any of their Foreign Exchange transactions.

IFSC or Indian Financial System Code is an unique, eleven-character alpha-numeric code used to identify bank branches for NEFT, RTGS or IMPS transactions.

Covid-19 leads to increase in digital banking

The ongoing pandemic in India has led to a sharp increase in digital banking, and consequently, raised the expectations of consumers who want instant and personalised services. A large number of people staying at home are turning to digital channels, both online and mobile, to fulfil most of their banking requirements. As a result, traditional visits to branches and face-to-face interactions with bank staff have reduced.

Since March 2020, however, banks have expanded their digital footprints across the banking space.

Banks are using digital channels to offer a range of services, including onboarding new customers through video KYC, deposits and withdrawals, outward remittances, payment collections etc. Late last year, the National Payments Corporation of India approved a WhatsApp proposal to allow users to transfer and receive money through the messaging app.

As the pandemic disrupted economic activity, including banking and financial operations, RBL Bank saw a significant opportunity to accelerate its digital banking initiatives to help customers during the health crisis and gear up for the post-Covid-19 era.

Citigroup creates clean energy transition group

Citigroup Inc has created a unit within its energy investment bank dedicated to the clean energy transition, aiming to capture more business from the shift towards a lower carbon economy, according to an internal memo seen by Reuters.

The entity will be headed by Serge Tismen and Shail Mehta, and will focus on companies including those involved in hydrogen, charging infrastructure, carbon capture and sequestration and biofuels, said the memo, the contents of which were confirmed by a bank spokeswoman. The move comes after Citigroup said in March it would consolidate three of its investment banking units - energy, power, and chemicals - into a single entity that would be more responsive to clients' focus on sustainability.

Basel panel on banking proposes to put crypto assets in highest risk category

Banks will face the toughest capital requirements for holdings in Bitcoin and other cryptoassets under global regulators' plans to ward off threats to financial stability from the volatile market.

The Basel Committee on Banking Supervision said that the banking industry faces increased risks from cryptoassets because of the potential for money laundering, reputational challenges and wild swings in prices that could lead to defaults.

The panel proposed that a 1,250% risk weight be applied to a bank's exposure to Bitcoin and certain other cryptocurrencies. In practice, that means a bank may need to hold a dollar in capital for each dollar worth of Bitcoin, based on an 8% minimum capital requirement. Other assets with this highest-possible risk weighting include securitized products where banks have insufficient information about underlying exposures.

"The growth of cryptoassets and related services has the potential to raise financial stability concerns and increase risks faced by banks," the Basel Committee, which includes the Federal Reserve and European Central Bank, said in the report. "The capital will be sufficient to absorb a full write-off of the cryptoasset exposures without exposing depositors and other senior creditors of the banks to a loss."

DBS named in Forbes 'World's Best Banks' list in India

DBS has been named by Forbes in their list of World's Best Banks 2021. DBS was ranked #1 out of 30 domestic and international banks in India for the second consecutive year.

This is the third edition of the 'World's Best Banks' list by Forbes, conducted in partnership with market research firm Statista. Over 43,000 banking customers across the globe were surveyed on their current and former banking relationships.

The customer survey rated banks on general satisfaction and key attributes like trust, digital services, financial advice, and fees.

"This year's list includes a record number of award winners, reflecting consumers' increasing confidence in their banks," revealed Forbes in its official announcement.

Commenting on the recognition, Surojit Shome, Managing Director and CEO, DBS Bank India, said, "We are humbled and proud to be featured on the 'World's Best Banks' list for the second consecutive year. Over the years, we have built a strong customer-centric franchise, and this recognition shines the light on the resilience and a strong sense of purpose demonstrated by our employees to support customers amid the global crisis. We will continue to deepen customer relationships and build journeys that proactively address their needs."

State-owned banks likely to come up with VRS

Two state-owned banks being picked up for privatisation by the government are likely to come out with an attractive voluntary retirement scheme (VRS) to get rid of the extra flab.

Finance Minister Nirmala Sitharaman while unveiling Budget 2021-22 on February 1 had announced that the government proposed to take up the privatisation of two public sector banks (PSBs) and one general insurance company.

An attractive VRS will make them lean and fit for takeover by the private sector entities that are keen to enter the banking space, the sources said.

VRS is not forced exit but option for those who would like to take early retirement with good financial package, the sources said adding that it has been done in the past before the consolidation of some of the PSBs.

The NITI Aayog, which has been entrusted with the job of identifyng suitable candidates for the privatisation, has recommended names to a high-level panel headed by Cabinet Secretary Rajiv Gauba. ❑

Reserve Bank News

RBI proposes removing regulatory caps on interest for microlenders

Microfinance institutions (MFIs) may get freedom to set interest rates guided by a board-approved policy, under a Reserve Bank of India (RBI) proposal to review the regulatory framework governing them. The proposal, if implemented, will end the existing regulatory cap on MFI interest rates.

"Non-banking financial company (NBFC)-MFIs, like any other NBFC, shall be guided by a board-approved policy and the fair practices code, whereby disclosure and transparency would be ensured. There would be no ceiling prescribed for the interest rate. However, while doing so, they should ensure usurious interest rates are not charged," RBI said in its Consultative Document on Regulation of Microfinance. The idea is to harmonize regulations across categories of microlenders.

RBI had on 5 February signalled the need for a framework that is uniformly applicable to all regulated lenders in the microfinance space. While the microlending space has scheduled commercial banks, small finance banks and NBFCs, investment and credit companies, the regulatory focus has largely been on those registered as NBFC-MFIs.

RBI asks banksto preserve CCTV footage from demonetisation period

The Reserve Bank of India directed banks to preserve the CCTV recordings of operations at bank branches and currency chests for the period from 8 November to 30 December.

The government had demonetised high value currency notes of ?500 and ?1000 on 8 November, 2016, with an aim to check black money. In the process, the government had asked people to exchange or deposit the old notes with banks. Instead new note of Rs. 500 and Rs. 2000 were issued after the withdrawal of the old notes.

On the basis of various inputs, the investigative agencies started probing matters relating to illegal accumulation of new currency notes. In order to facilitate such investigations, the RBI has asked the banks not to destroy the CCTV recordings of the period of demonetisation till further orders. "...keeping in view the investigations pending with law enforcement agencies, proceedings pending at various courts, you are advised to preserve the CCTV recordings of operations at bank branches and currency chests for the period from November 08, 2016 to December 30, 2016 in a proper way, till further orders," the RBI said in a notification to banks.

Govt can consider Covid bonds for borrowings

The central bank can directly print money and finance the government, but it should avoid doing so unless there is absolutely no alternative, former RBI governor D Subbarao said while pointing out that India is 'nowhere' near such a scenario. In an interview , Subbarao suggested that to deal with the second wave of COVID-19 induced slowdown in the economy, the government can consider Covid bonds as an option to raise borrowing, not in addition to budgeted borrowing, but as a part of that.

"It (RBI) can (print money) but, it should avoid doing so unless there is absolutely no alternative. For sure, there are times when monetisation - despite its costs - becomes inevitable such as when the government cannot finance its deficit at reasonable rates.

"We are nowhere near such a scenario," he said. India's economy contracted by less-than-expected 7.3 per cent in the fiscal ended March 2021. For 2021-22, the deficit has been put at 6.8 per cent of the GDP, which will be further lowered to 4.5 per cent by 2025-26. The Reserve Bank has lowered the country's growth projection for the current financial year to 9.5 per cent from 10.5 per cent estimated earlier, amid the uncertainties created by the second wave of the coronavirus pandemic, while the World Bank projected India's economy to grow at 8.3 per cent in 2021.

According to Subbarao, when people say the RBI should print money to finance the government's deficit, they don't realise that the central bank is printing money even now to finance the deficit, but it is doing so indirectly. For example, he said, when the Reserve Bank of India buys bonds under its open market operations (OMOs) or buys dollars under its forex operations, it is printing money to pay for those purchases, and that money indirectly goes to finance the government's borrowing.

RBI to maintain status quo in August meet

With retail inflation witnessing an uptick in May, the Reserve Bank will most likely maintain status quo in its August monetary policy review. According to the Ecowrap report, inflation may remain on the higher side for a few months because of several global and domestic factors. "We expect a status-quo in August. We believe RBI would still try to find a marriage of convenience of regulatory and developmental measures and monetary policy in August policy," the research report said.

It also noted that "the die has been cast, but the RBI can still hold out with a firm message of ratcheting up inflationary pressures in the August policy statement." In May, the CPI-based inflation hit a six-month high of 6.3%, from April's 4.3%, breaching RBI's comfort band of 2-6%. In the second bi-monthly monetary policy announced on June 4, the central bank left the repo rate unchanged at 4%

RBI to focus on growth even as inflation breaches tolerance band

The Reserve Bank ofIndia is unlikely to react yet to multi-month high retail prices as economic recovery remains its prime focus amid the deadly second wave of the pandemic, according to two senior sources aware of the central bank's thinking. The annual retail inflation rate rose 6.30% year-on-year in May, up from 4.29% in April and sharply above analysts' estimate of 5.30%. The wholesale price inflation rate rose 12.94%, its highest in at least two decades. "There is a broad-based increase in CPI inflation but it still is not driven by demand and that gives the RBI some leeway. They will continue to wait and watch as a rate hike is out of question for now," the first source said.

India's economy grew 1.6% in the March quarter compared with the same period a year earlier, but that was before a massive second wave of infections hit the country which prompted fairly stringent lockdowns across most states causing another round of job losses and a significant dent to demand. Asia's third-largest economy has now reported 29.57 million COVID-19 cases and 377,031 deaths, though some experts believe the actual numbers are far higher. The central bank earlier this month reiterated its commitment to keeping monetary policy accommodative as long as necessary to revive and sustain growth on a durable basis.

RBI retains benchmark rates

RBI chose to stick to the script at the monetary policy meeting, retaining benchmark rates where they were through last several policy calls. The repo rate was kept at 4 per cent, indicating that the central bank's dovish stance will continue in order to help an economy battling for revival. The reverse repo rate (RBI's borrowing rate) was retained at 3.35 per cent. The MPC voted unanimously to keep the repo, the reverse repo and all other rates unchanged, Governor Shaktikanta Das said.

The growth projection for FY22 was scaled down to 9.5 per cent in view of the pain inflicted by Covid's second wave. The stance will continue to be accommodative, Das said. Earlier, RBI had pegged its growth forecasts for this financial year at 10.5 per cent. There were expectations that the forecast could be lowered, given the recent hit of the second-wave lockdowns on economic activity. Some economists, however, had said that there might not be any change to the forecast, given a recent series of positive news such as a normal monsoon, rising vaccinations and a comeback of pent-up demand.

The governor said that while the latest inflation scenario provides some elbow room to policymakers, support will be needed from all sides for the economy to regain momentum. The MPC now sees CPI inflation at 5.1 per cent in 2021-22; 5.2 per cent in Q1, 5.4 per cent in Q2, 4.7 per cent in Q3 and 5.3 per cent in Q4. It had earlier pegged it at 5.2 per cent for Q1 and Q2, 4.4

per cent for Q3 and 5.1 per cent for Q4.

RBI imposes Rs 11 lakh penalty on banks

The Reserve Bank of India (RBI) imposed a penalty of Rs 11 lakh on Bijnor Urban Co-operative Bank Limited, Bijnor and National Urban Co-operative Bank Limited, New Delhi for contravention of certain norms.

The RBI said the penalties have been imposed based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered by the two lenders with their customers.

While, a penalty of Rs 6 lakh has been imposed on the Bijnor Urban Co-operative Bank Limited, and Rs 5 lakh fine has been imposed on the National Urban Co-operative Bank Limited.

The inspection report of the Bijnor Urban Co-operative Bank based on its financial position as on March 31, 2019, revealed, inter alia, that the bank failed to adhere to the provisions related to prohibition on director related loans and issue of performance guarantee, the RBI said.

Retail inflation spike might cause RBI to revisit focus on growth risks

Retail inflation spike in May might cause the RBI to "revisit its focus on growth risks", global forecasting firm Oxford Economics said adding that a rate hike is still unlikely this year. It added that the underlying dynamics of the May inflation print augur caution and the recovery remains on uncertain ground and with fiscal support in retreat, the RBI will likely be hesitant to remove policy accommodation anytime soon.

"Consumer inflation spiked in May... This may cause the RBI to revisit its focus on growth risks. Still, we think a rate hike is unlikely this year," Oxford Economics said.

The forecasting firm said that given the evidence from last year, when supply side disruptions had led to an unanticipated spike in inflation, such developments may partly be attributed for the inflation pick-up in May.

"However, as we have highlighted, the 2021 lockdowns are not as stringent; and have allowed for greater movement of people, goods and vehicles. "This suggests that other factors, such as the passthrough from WPI (Wholesale Price Index) to CPI (Consumer Price Index) and demand-side pressures, are at play as well," it said.

RBI's growth supporting measures crucial for recovery from 2nd COVID wave

The measures announced by RBI to maintain liquidity and support economic growth through lower interest rates will be crucial for recovery from the second wave of the COVID-19 pandemic, experts said. The RBI in its monetary policy kept interest rates unchanged at record lows and committed to maintaining an accommodative policy stance to support growth. It, however, slashed its growth projection for current fiscal year to 9.5 per cent from 10.5 per cent earlier.

It pegged retail inflation at 5.1 per cent in 2021-22, with upside risks from higher commodity prices and re-emergence of higher supply constraints amidst the current phase of lockdowns. ICRIER RBI Chair Professor in Macroeconomics Alok Sheel said as expected, the monetary policy committee (MPC) of RBI decided to keep policy rates on hold, while stating its intention to continue injecting more liquidity in financial markets, including buying government debt.

RBI may use money managers to boost forex reserves yield

The Reserve Bank of India (RBI) is weighing the choice of partaking specialist money managers to assist enhance yields on the reserves fund as charges hit report lows globally. Given the growing complexities of managing inflows from a number of channels, the RBI additionally needs higher safeguards for the burgeoning corpus that now quantities to a few fifth of India's gross home product (GDP).

Mumbai: India's central financial institution is probably going to interact exterior monetary consultants to handle part of its report $600-billion international alternate reserves, dusting off a playbook used practically twenty years in the past when the corpus crossed the twelve-digit threshold for the primary time.

The Reserve Bank of India (RBI) is weighing the choice of partaking specialist money managers to assist enhance yields on the reserves fund as charges hit report lows globally. ❑

Industry News

Rs 15 cr penalty imposed by SEBI on FT MF chief executive

Sebi imposed a cumulative penalty of over Rs 15 crore on top officials of Franklin Templeton Mutual Fund (FT MF) and its trustee for violation of Sebi regulations while managing the six schemes wound up last year.

The regulator imposed Rs 3 crore penalty on FT Trustees Services and Rs 2 crore each on chief executive officer (CEO) Sanjay Sapre and chief investment officer (CIO) Santosh Kamath.

Five other fund managers were levied a fine of Rs 1.5 crore each and chief compliance officer was asked to pay Rs 50 lakh.

"The serious lapses and violations clearly appear to be a fallout of FT MF's obsession to run high yield strategies without due regard from the concomitant risk dimensions. FT MF ought to have realised that the past track record in respect of high-risk strategies is no guarantee against future mishaps," said Sebi order said.

FT MF had shuttered its six debt schemes in April 2020 citing liquidity issues due to the Covid-19 outbreak.

Financial services players line up Rs 55,000 crore issues,IPO pie to grow bigger

With payments major Paytm's board reportedly approving a bumper share sale plan running north of Rs 22,000 crore, the IPO market is set for a big days as over a dozen financial services players, including fintechs, are set to mop up over Rs 55,000 crore this fiscal from the market, according to investment bankers. With more than a dozen insurance, asset management, commercial banking, non-banks, microfinance, housing finance and payment bank players already filing draft documents with the market regulator Sebi for public offerings, the financial services sector is set to dominate the primary issues or initial public offerings (IPOs) over the coming months.

Some of those who have already filed the draft red herring prospectus (DRHPs) with the Sebi include Aadhar Housing Finance (Rs 7,500 crore), Policy Bazaar (Rs 4,000 crore), Aptus Housing Finance (Rs 3,000 crore), Star Health Insurance (Rs 2,000 crore), Sun Life AMC (Rs 1,500-2,000 crore) Arohan Financial Services (Rs 1,800 crore), Fusion Microfinance (Rs 1,700 crore), Fincare Small Finance Bank (Rs 1,330 crore), Tamilnad Mercantile Bank (Rs 1,000-1,300 crore), Medi Assist (Rs 840 crore) and Jana Small Finance Bank (Rs 700 crore), among others. And the board of the biggest payments bank Paytm has reportedly cleared an over Rs 22,000 crore IPO.

Together, these financial services companies are set to garner around Rs 55,000 crore from the public. If materialised, the Paytm issue will be the largest IPO ever in the country, eclipsing the hitherto largest issue -- the Rs 15,000-crore share sale by the government in national miner Coal India in October 2010, says investment bankers seeking not to be quoted.

Long term rebound for airline industry

After flying into the financial turbulence of the Covid pandemic, the airline sector expects passenger traffic to take off despite concerns about the industry's impact on climate change. In its latest look at trends for the sector, the International Air Transport Association (IATA) said it doesn't expect world air traffic to resume to its prepandemic level before 2023. But over 20 years, air traffic should almost double, from 4.5 billion passengers in 2019 to 8.5 billion in 2039. That is, however, a drop of one billion passengers from IATA's pre-crisis forecast.

Nevertheless that will be good news for aircraft manufacturers, who slowed down production during the crisis as airlines cancelled orders to stay financially afloat. Airbus has already announced it plans to step up the manufacturing cadence of its best-selling A320 single-aisle aircraft and should reach a record level already in 2023. Boeing, for its part, forecasts that airlines will need 43,110 new aircraft through 2039, which will result in a near doubling of the global fleet. Asia alone will account for 40 percent of that demand.

As with the September 11 attacks or the global financial crisis of 2007-2009, "the industry will prove resilient again," Darren Hulst, vice president of marketing at Boeing, said last year. Marc Ivaldi, research director at the Paris-based School for Advanced Studies in the Social Sciences, noted that only one percent of the population currently uses air travel. "With the simple demographic rise and the fact that people become richer there will be rising demand for air travel and thus for aircraft," he told AFP.

CBI books industrialist Gautam Thapar for Yes Bank fraud case

The Central Bureau of Investigation (CBI) has registered an FIR against billionaire Gautam Thapar, promoter of the Avantha Group, and others for alleged diversion of over Rs 466 crore in Yes Bank during 2017-19.

The industrialist and others have been accused of cheating the bank by availing of a loan that turned into an NPA (non-performing asset).

CBI carried out searches at 14 locations in Delhi-NCR, Kolkata, Lucknow, and Secunderabad, after registering the case, which led to the recovery of incriminatory documents and digital evidence.

Thapar is already being investigated in another case pertaining to the diversion of public money in Yes Bank allegedly involving Yes Bank's former chief Rana Kapoor. CBI had filed a case against two private companies based at Delhi and Gurugram and their promoters and directors besides some bank officials, who have not been identified yet, for defrauding Yes Bank.

"It was alleged that the private company based at Gurugram/Delhi had availed term loan facility of Rs 515 crore from Yes Bank Limited in December, 2017. The loan amount was declared as NPA on October 30, 2019. Further, the borrower was allegedly declared 'Red Flagged Account' on March 6, 2020, on the basis of Early Warning Signals (EWS)," an agency spokesperson said.

Tata Digital to acquire majority stake in 1mg

The Tata Sons subsidiary is acquiring a 51-60% stake in online pharmacy 1mg, days after it pumped $75 million into health and fitness startupCureFit and appointed its co-founder Mukesh Bansal as president.

- 1mg is said to have received about $100-$120 million in primary capital and $220-240 million overall, including secondary investments, according to people close to the development.
- Existing investors Redwood Global-Korea Omega and World Bank's International Finance Corporation (IFC) have also pumped in primary capital. The deal values 1mg at $450 million, a person briefed on the deal told us.
- Sequoia Capital and Omidyar Network are fully exiting the firm while other early investors are opting for partial exits.

In May, Tata Digital had announced its purchase of a 64% stake in online grocer BigBasket, in one of the largest M&A deals in India's digital sector.

With the 1mg deal, India's online pharmacy sector is now more or less a game of corporate giants, with Reliance having acquired a majority stake in Chennai-based Netmeds for Rs 640 crore last August and Amazon, ramping up its prescription drug deliveries in Bengaluru through its largest seller Cloudtail.

UK competition watchdog planning to probe Amazon's use of data

The United Kingdom's competition watchdog is planning to launch a formal probe into how Amazon uses the data collected from smaller sellers on its platform.

The Competition and Markets Authority (CMA) has been studying the online retailer's business for months and the investigation may revolve around whether it favours merchants that use its logistics and delivery services, it said.

- CMA has reportedly analysed how Amazon decides which merchants appear in the "buy box", a white box that appears on the right side of the product detail page, where customers can click to add products to their cart.

In 2019, the European Commission had opened an antitrust investigation against Amazon on similar charges. About a year later, it had accused the firm of using non-public seller data to benefit its own retail business, through which it directly competes with third-party sellers. ❑

Mutual Fund News

Gold EFTs drops 57% in net flow

Gold ETFs witnessed a 57 per cent decline in net inflow to Rs 288 crore in May compared to the preceding month, as investors diverted money into equity markets.

Despite the drop in inflow, the assets under management (AUM) of gold ETFs rose by over 6 per cent to Rs 16,625 crore at May-end, against Rs 15,629 crore at April-end, data with Association of Mutual Funds in India (Amfi) showed.

According to the data, a net sum of Rs 288 crore was pumped into gold-linked exchange-traded funds (ETFs) last month, lower than Rs 680 crore in April.

Investors had put in Rs 662 crore in such funds in March, Rs 491 crore in February and Rs 625 crore in January.

"The lower quantum of net inflow in May could be attributed to equity markets doing well and investors diverting a relatively larger portion of their investments there," said Himanshu Srivastava, Associate Director Manager Research at Morningstar India.

Franklin Templeton disagree with findings in Sebi order

With respect "We continue to be very optimistic on the long-term prospects of the chemical industry in India," as it becomes an important player in the global supply chain, said Samir Rachh, who helps manage the nearly $2 billion Nippon India Small Cap Fund, the best performer with a 42% return year-to-date.

The biggest holding in Rachh's fund is Deepak Nitrite Ltd., a maker of phenol and acetone used in numerous applications including mouthwash and nail-polish remover. He initiated that position in 2017 and increased it in 2019.

Shares of the firm based in Gujarat have risen 88% so far this year, taking their surge over the last five years to nearly 2,000%. Its revenue has more than tripled in the period to 43.6 billion rupees ($595 million) for the fiscal year ended March.

Order by Sebi penalising the top management in the Franklin Templeton case, the fund house has said that the 'disagree' with the findings in the SEBI order. Franklin spokesperson said that the fund house intends to file an appeal with the Hon'ble Securities Appellate Tribunal

"At Franklin Templeton, we place great emphasis on compliance, and have policies in place to cover a variety of matters consistent with applicable regulations and global best practices. We believe the company and employees have acted in compliance with regulations and in the best interest of unitholders in discharging their responsibilities. Based on our initial review of the order, we are considering all options with regard to next steps which may include filing an appeal before the Hon'ble Securities Appellate Tribunal (SAT)," the Franklin spokesperson said.

"As stated previously, the decision to wind up the schemes was a result of the severe market dislocation and illiquidity caused by the COVID-19 pandemic. The difficult decision to wind up these schemes was taken after due consideration of available options to avoid distressed sales of portfolio holdings to meet heightened redemptions and with the sole objective of preserving value for unitholders," the Franklin spokesperson said.

SEBI fines top officials of Franklin Templeton

Sebi has decided to fine the CEO, CIO, debt fund managers and other top officials of Franklin Templeton AMC in the case of shutting down of six debt mutual fund schemes in 2020. Sebi has decided to put a monetary fine of Rs 3 crore on CEO Sanjay Sapre and CIO-Santosh Kamath.

Other debt fund managers of Templeton- Kunal Agarwal, Sumit Gupta, Pallab Roy, Sachin Padwal Desai and Umesh Sharma will be liable to pay a fine of Rs 1.50 crore each. In addition to the above, SEBI also fined the trustee company a sum of Rs 3 crore and SaurabhGangrade, Chief Compliance Officer, Franklin Templeton, a sum of Rs 50 lakh.

Sebi in the order said that the forensic audit report found that Franklin Templeton violated several regulations in the management of the six shut debt schemes. "There were similarities in investment strategy though the investment objectives were differing in the six wound up schemes.

This was observed by way of common fund managers, high exposures in "AA and below" corporate bonds in all the six schemes even though investment objectives as per the SIDs of these schemes are different. Further, as per the portfolio holding data, most of the securities are rated AA or below at the time of investment.

In addition, there was concentration of similar securities across schemes under audit where investments were made over 70% of the issue of such debt securities and most of the investments which were made in schemes were common at time of investment," said Sebi in the order.

AUM linked to SIP reaches a new record

The assets under management (AUM) of funds linked to the systematic investment plans (SIP) reached a record of Rs 4.7 lakh crore at the end of May 2021 following a consistent inflow and capital appreciation amid a sustained stock market rally. The SIP equity funds have delivered 26-56% returns over the past year thereby resulting in an expansion of 1.7 times in their aggregate AUM during the period.

The SIP linked schemes contributed 14.1% to the AUM of the mutual fund industry in May compared with the long-term average of 10.2%. They attracted a cumulative inflow of Rs 96,995 crore over the past 12 months.

A consistent inflow into the SIP schemes has played a crucial role in offsetting the volatility in the flow from foreign portfolio investors (FPIs). The SIP book received a monthly inflow of more than Rs 8,000 crore in five out of the past six months. According to industry experts, nearly 90% of this went to the equity funds. It means cumulative inflow from SIP driven funds into equities would be around Rs 38,000 crore in the past six months, which is nearly 91% of the FPI inflow in the same duration.

Chemical stocks help these mutual funds give 40% return to investors this year

Mutual fund companies are betting heavily on companies that make the chemical substances used in items ranging from lip balms to crop-boosting fertilizers.

Chemicals producers make up at least 14% of the portfolio for three funds that have delivered the biggest returns this year among those with at least $500 million in total assets, according to Bloomberg-compiled data. Those bets have paid off thanks to rising global appetite for specialty chemicals in industries such as automobiles and cosmetics amid a recovery from the pandemic.

India is emerging as a hub for specialty chemicals, helped by favorable policy measures that include decisions such as imposing anti-dumping duty on some imports and a proposal for production-linked incentives. Producers have also benefited from a 'China-plus-one' strategy that has made companies around the world diversify their supply chains from the Asian superpower amid geopolitical concerns.

"We continue to be very optimistic on the long-term prospects of the chemical industry in India," as it becomes an important player in the global supply chain, said Samir Rachh, who helps manage the nearly $2 billion Nippon India Small Cap Fund, the best performer with a 42% return year-to-date.

The biggest holding in Rachh's fund is Deepak Nitrite Ltd., a maker of phenol and acetone used in numerous applications including mouthwash and nail-polish remover. He initiated that position in 2017 and increased it in 2019.

Shares of the firm based in Gujarat have risen 88% so far this year, taking their surge over the last five years to nearly 2,000%. Its revenue has more than tripled in the period to 43.6 billion rupees ($595 million) for the fiscal year ended March. ❑

Co-Operative Bank News

RBI issues guidelines for amalgamation of district central co-op banks with state co-op banks

The Reserve Bank said it will consider amalgamation of District Central Co-operative Banks (DCCBs) with State Cooperative Banks (StCBs) subject to various conditions, including that a proposal should be made by the state government concerned. The Banking Regulation (Amendment) Act, 2020 has been notified for the StCBs and DCCBs with effect from April 1, 2021. Amalgamation of such banks need to be sanctioned by the Reserve Bank ofIndia. RBI has come out with the guidelines after a few state governments approached it for amalgamation of DCCBs with StCBs as a two-tier Short-term Co-operative Credit Structure (STCCS). As per the guidelines, RBI will consider proposals for amalgamation "when the state government of the state makes a proposal to amalgamate one or more DCCB/s in the state with the StCB after conducting a detailed study of the legal framework".

Besides, there should be a an additional capital infusion strategy, assurance regarding financial support if required, projected business model with clear profitability and proposed governance model for the amalgamated bank. The scheme of amalgamation has to be approved by the requisite majority of shareholders. Also, NABARD has to examine and recommend the proposal of the state government. "The proposal for amalgamation of DCCBs with the StCB will be examined by Reserve Bank in consultation with NABARD and the sanction/ approval will be a two-stage process," the guidelines said.

National Cooperative Union of Indiaraises serious concerns over merger

The National Cooperative Union of India (NCUI) raised serious concerns over the Reserve Bank's guidelines for merging District Central Cooperative Banks (DCCBs) with State Cooperative Banks (StCBs), saying the move will "destroy" the rural cooperative credit institutions. On May 24, the Reserve Bank ofIndia (RBI) issued the guidelines and said it will consider amalgamation of DCCBs with StCBs subject to various conditions, including that a proposal should be made by the state government concerned. "This is unjustified, and it will destroy the rural cooperative credit institutions in the country causing a lot of problems to the farmers," NCUI President DileepSanghani said in a statement.

"The notification is uncalled for, and is provocative, prompting and mischievous," he said. During a national conclave of District Cooperative Banks in March, there was vehement opposition to merger of DCCBs with StCBs.

Rajasthan government extends 5% subsidy scheme for long-term agricultural loans

The Rajasthan government has extended the 5% interest subsidy scheme till June 30, 2021, for repayment of long-term agricultural loans taken from Primary Cooperative Bhoomi Vikas Banks. A proposal has been approved to allocate an additional budget of Rs 9.45 crore for the extended duration of the scheme, an official statement said. Chief Minister Ashok Gehlot has approved the proposal by the Cooperative Department under which a five per cent subsidy on interest given to farmers on repayment of regular instalment of long-term loans from Primary Cooperative Bhoomi Vikas Banks has been extended till June 30, 2021. Earlier, the deadline was March 31, 2021. Farmers who suffered crop damage due to heavy rains and hailstorms have not been able to take advantage of the scheme in various districts due to the COVID-19 pandemic.

SVC Co-operative Bank net profit up by 6 per cent

SVC Co-operative Bank's net profit increased by 6 per cent year-on-year (yoy) to Rs. 150 crore in the financial year ended March 31, 2021 against Rs. 142 crore in the previous financial year (FY20).

The Board of directors of the Mumbai-headquartered multi-state urban co-operative bank recommended a dividend of 12 per cent for the year, subject to approval from the Members during the Annual General Meeting.

SVC Bank's total deposits grew about 5 per cent to stand at Rs. 17,332 crore as at March-end 2021 against Rs. 16,501 crore as at March-end 2020, according to the Bank's statement.

Within total deposits, the proportion of low-cost CASA (current account, savings account) deposits rose to 27 per cent from 24 per cent.

Total advances were up about 6 per cent to Rs. 12,328 crore as against Rs. 11,608 crore.

Within total advances, retail advances rose 14.51 per cent to Rs 2,077 crore and corporate advances were up by 4.66 per cent to Rs 10,251 crore.

Gross non-performing assets (NPA) showed a marginal uptick to 3.96 per cent of gross advances as at March 31, 2021 against 3.74 per cent as at March-end 2020, the statement said. Net NPA was unchanged at 1.81 per cent of net advances.

The Bank's capital to risk-weighted assets ratio increased to 13.89 per cent as at March-end 2021 against 12.96 per cent as at March-end 2020.

The 115-year-old Bank has a presence across 11 states through 198 branches and 213 ATMs

RBI imposes fine on Dhrangadhra People's Co-op Bank by RBI

The Reserve Bank of India (RBI) imposed a penalty of Rs Two lakh on The Dhrangadhra People's Co-operative Bank based in Surendranagar, Gujarat, for non-compliance with the Central Bank's directions.

The co-operative bank failed to comply with directions on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)' and 'Depositor Education and Awareness Fund Scheme, 2014', the RBI said in a release on its website.

"This penalty has been imposed in exercise of powers vested in the 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 the RBI," it added.

The regulatory action is based on 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, the central bank added.

The statutory inspection of the bank conducted by the RBI with reference to the bank's financial position as on March 31, 2018 and the report filed thereafter revealed non-compliance with the directions issued by the RBI. The regulator issued a notice to the bank advising it to show cause as to why it should not be penalised for non-compliance with the aforesaid directions.

After considering the bank's reply to the Notice and oral submissions made during the personal hearing, the RBI came to the conclusion that the aforesaid charges were substantiated and warranted imposition of monetary penalty," the RBI said.

United Co-operative Bank's licence cancelled by RBI

The Reserve Bank of India has cancelled the licence of United Co-operative Bank Ltd of West Bengal as the bank does not have adequate capital and earning prospects. All the depositors of the bank will receive the full amount of their deposits from the Deposit Insurance and Credit Guarantee Corporation (DICGC). The bank ceases to carry on banking business with effect from the close of business on May 13, 2021 and the process of liquidation will now begin. The bank does not have enough liquidity to pay depositors in full, RBI said.

On liquidation, every depositor is entitled to receive deposit insurance claims up to Rs 5 lakh. The RBI decision came after the Registrar of Cooperative Societies, West Bengal had requested to issue an order for winding up the bank and appoint a liquidator. "Public interest would be adversely affected if the bank is allowed to carry on its banking business any further" RBI said. ❑

Legal Cases

Interest on loans in moratorium: Supreme Court gives Centre, RBI more time to reply

The Supreme Court gave the Centre and the Reserve Bank of India more time to place their decisions on record regarding the issue of waiver of interest on the suspended EMIs during the moratorium period. The court will hear the matter next on October 5.

A three-judge bench of Justices Ashok Bhushan, R. Subhash Reddy and M. R. Shah issued the direction while hearing petitions demanding waiver of interest on the suspended EMIs during moratorium period.

During the hearing, Solicitor General Tushar Mehta apologised to the bench for not submitting the affidavit on behalf of the government saying that the government is at a very advanced stage in its decision making process. The court had last time asked Mehta to submit an affidavit detailing all the steps to be taken by Ministry of Finance and RBI on the issue.

The apex court on its previous hearing on September 3 had directed the banks to not declare those accounts as a non-performing assets (NPA) for two months which were not NPA's as on August 31.

The Court in a day-long hearing had heard arguments on the question of interest to be charged on interest and the powers of the Centre and the NDMA under the Disaster Management Act to provide relief on aspect of loan repayment during Covid pandemic.

On March 27, a circular was issued by the RBI, allowing banks to grant a moratorium to borrowers on payment of instalments for a period of three months, which was later extended to six months, in the wake of the Covid-19 pandemic and the subsequent lockdown. The RBI had clarified that the interest on these loans for this period would be payable. Petitions were filed challenging the circular to the extent of interest being charged as their monthly EMI payment will stand increased as a result.

Banking frauds make for 50% of phishing cases in Maharashtra

Half of all phishing complaints reported to the state's nodal cybersecurity agency, Maharashtra Cyber, in the past two financial years pertained to banking frauds. Data with the agency's Anti Phishing Unit received 5226 complaints between April 2019 and March 2021.

A phishing attack involves sending fraudulent communication like texts or emails that appear to have come from a reputable source. The goal is to steal sensitive data or to install malware. "As people were grounded and spent a large part of 2020 in front of the screen, cyberscamsters became more active," said a senior official with Maharashtra Cyber.

But lawyers believe that the actual number of phishing attacks occurring in the state are far more than those being reported to Maharashtra Cyber's portal. "The agency's portal (reportphishing.in) has not been publicized enough," says cyber lawyer Prashant Mali. "The Anti Phishing Unit should also make data available on how many complaints received by them eventually convert into FIRs. For a victim of cyber crime, what matters the most is getting his money back and the process of law cannot begin without registration of an FIR," he added.

A few lawyers have been utilizing a provision in the Information Technology (IT) Act to seek monetary relief for their clients. The IT Act gives powers to an adjudicating authority (principal IT secretary for Maharashtra) to hold an enquiry and adjudicate matters where claims do not exceed Rs 5 crore. "A civil complaint can be filed and compensation sought where corporates have failed to protect sensitive personal data (such as a bank in case of a banking fraud or a telecom company in case of a Sim swap fraud)," Mali said.

Cybercrimes in India had caused a financial loss of Rs 1.25 lakh crore in 2019. "Most malware attacks in India begin through phishing," says Sivarama Krishnan, partner and leader, cyber security, PwC India. Organisations are doing their bit to tackle phishing by installing filters that throw out phishing emails before they reach employees. Some are training employees on the do's and dont's.

"The golden rule is to not click on dubious links nor share passwords/ OTPs," says lawyer Vicky Shah. "The government also needs to make stringent norms for the issue of duplicate Sim cards," he added. Sim swap frauds could also begin with a phishing attack. A phishing email is first sent to get the user's banking details. To use these details, the fraudster clones the user's mobile Sim card to get access to his texts. At present, any street side vendor offers to sell Sim cards.

Among other complaints reported to the Anti Phishing Unit, about 7% involved users losing money in the lure of winning lotteries, 5% complaints pertained to employment scams where users keyed in details on fake job portals, 3% were investment related scams and 2% frauds mentioned government schemes. The Anti Phishing Unit coordinates with nodals of cyber police stations across India and overseas to help resolve or report such cases.

RBI strengthening institutional mechanism to prevent bank frauds: Finance minister

Finance minister Nirmala Sitharaman on Tuesday informed Parliament that the Reserve Bank of India (RBI) is taking measures to strengthen its regulatory and supervisory capacity, and expressed hope that these steps will ensure no regulatory mishaps take place in the future.

"We have been engaging with the RBI to ensure that the regulatory functions and supervisory function of the RBI are strengthened. I am assured by the RBI governor that internally an institutional mechanism is being further strengthened," Sitharaman said during Question Hour in the Rajya Sabha.

She was responding to a query asked by SAD leader Naresh Gujral that if the government is contemplating taking additional steps to strengthen the regulatory regime if banks have to thrive and people to be protected, given the recent banking frauds.

The finance minister said the capacity of the RBI's regulatory and supervisory staff is being strengthened with specially tailored courses.

"I hope this will make a difference in order that no such further regulatory mishaps happen," she said.

Responding to another query addressing gaps in bank guarantees, the minister said this aspect will be looked into as the RBI is engaging with the ministry on this matter also.

ICICI Bank says has 2 million customers from other banks on it's app

ICICI Bank said that its mobile app "iMobile Pay" had more than 2 million customers of other banks, five months after making the platform available to all. The private sector lender opened its banking platform to all in December 2020 in a first-in-industry initiative. Using the app, customers of other banks' can link their accounts and start making payments or transactions digitally.

"It also offered them access to an entire range of ICICI Bank services including savings account, home loan, credit card, personal loan among others from the comfort and safety of their home in these challenging times of the pandemic", the bank said in a statement.

"...the trends received so far show that users are enjoying the various features offered by the app such as 'pay to contact', bill payments and 'scan to pay', among others", the statement said.

"The bank has transformed the app and renamed it 'iMobile Pay' five months ago to offer interoperability so that anyone, including customers of other banks, can experience the benefits of hassle-free payments and digital banking of ICICI Bank through this app. This was made possible by leveraging NPCI's interoperable infrastructure," said Bijith Bhaskar, Head- Digital Channels & Partnership, ICICI Bank.

ICICI Bank links UPI ID facility to its 'Pockets' digital wallet

ICICI Bank announced the launch of a unique facility of linking a UPI (Unified Payments Interface) ID to its digital wallet 'Pockets', marking a departure from the current practice that demands such IDs be linked with a savings bank account. New users, including those who are not customers of ICICI Bank, can now instantly get a UPI ID, which is automatically linked to 'Pockets'. Further, customers who already have a UPI ID, will get a new ID when they log on to the 'Pockets' app. This initiative enables users to undertake small value everyday transactions directly from their 'Pockets' wallet using UPI in a safe and secure manner. It helps them to streamline the number of transactions being undertaken daily from their savings account and thus de-clutter their savings account statement of multiple entries. Further, it expands the convenient usage of UPI to young adults like college students, who may not have a savings account.

ICICI Bank is the first in the industry to enable customers to make UPI transactions from their wallet balance instead of their savings account.

The Bank has collaborated with NPCI to link its 'Pockets' digital wallet to the UPI network, paving way for this novel initiative of linking of a customer's UPI ID with his/ her digital wallet. With this, customers using 'Pockets' can pay/ receive money directly from/to 'Pockets' wallet balance without using their savings bank account. Users of 'Pockets' digital wallet can use the UPI ID to make person to person (P2P) payments such as sending money to any individual's bank account or paying to a contact. They can also undertake person to merchant (P2M) payments like paying online at merchant sites or paying by scanning QR codes. Additionally, users get exciting rewards on every transaction that they make using the wallet.

Mr. Bijith Bhaskar, Head- Digital Channels & Partnership, ICICI Bank said, "We, at ICICI Bank, focus on technological innovations to offer unique propositions that are simple, fast and convenient. Five years ago, we launched 'Pockets', enabling users to open a digital wallet instantly on their mobile phone and start transacting immediately. Our research suggests that users are keen to link their UPI ID with their digital wallet, so that they can directly use the balance in the wallet for smaller transactions while using their savings account only for the larger ones. Armed with this insight, we are delighted to have worked closely with NPCI to introduce this unique innovative solution in digital banking. We believe, the facility will provide immense convenience and the advantage of secured UPI payments to customers using 'Pockets' wallet."

Ms. Praveena Rai, COO, NPCI said, "We are delighted to collaborate with ICICI Bank to launch the solution of creating and linking a UPI ID to digital wallet. This initiative will further democratize access to UPI and make it ubiquitous with digital payments by allowing consumers to directly pay through their digital wallets, in addition to the facility of paying from their bank accounts. UPI is a one-stop solution to payments of all kinds, both P2M and P2P, and this facility will provide an impetus to the burgeoning digital ecosystem in India. We at NPCI, constantly endeavour to create an evolved user experience by integrating technology with innovation, and the launch of this offering is a step in the right direction."

To start using the facility, a new user needs to download and log-in to 'Pockets'. On successful login, a 'Pockets' VPA is automatically created based on the registered mobile number of the user. For eg: 9999xxxxxx@pockets where '9999xxxxxx' is the registered mobile number. There are no bank account details required for the creation of the UPI ID. Further, a user can also modify the auto-created UPI ID to an ID of his/her choice, through the 'modify' option under 'BHIM UPI' within the app.

Export-Import Bank of India, on behalf of the Government of India, extends a line pf credit of USD 108.28 Millon to the Government of the Kingdom of Eswatini (Swaziland)

Export-Import Bank of India [Exim Bank] has, on behalf of the Government of India, extended Line of Credit [LOC] of USD 108.28 million to the Government of the Kingdom of Eswatini (Swaziland) for construction of a new Parliament building in Eswatini.

The LOC Agreement to this effect was signed through exchange between Mr. Nirmit Ved, General Manager, Exim Bank, and H.E. Mr. Neal H Rijkenberg, Hon'ble Finance Minister, Government of the Kingdom of Eswatini (Swaziland).

With the signing of the above LOC Agreement, Exim Bank, till date, has extended four (Four) Lines of Credit to the Government of the Kingdom of Eswatini (Swaziland), on behalf of the Government of India, taking the total value of LOCs extended to USD 176.58 million. The LOCs extended to the Government of the Kingdom of Eswatini (Swaziland) cover projects in sectors including Information Technology, Disaster Management, Agriculture and Construction.

With the signing of this LOC Agreement, Exim Bank has now in place 272 Lines of Credit, covering 62 countries in Africa, Asia, Latin America and the CIS, with credit commitments of around USD 26.84 billion, available for financing exports from India. Besides promoting India's exports, Exim Bank's LOCs enable demonstration of Indian expertise and project execution capabilities in emerging markets.

Bank of Maharashtra organises 'Covid Vaccination Drive' for the Front Liners

Mr. A. S. Rajeev, Managing Director & CEO, Bank of Maharashtra (BoM) inaugurated two days 'Covid Vaccination Drive' for front line employees of the Bank at MES Balshikshan Mandir, Mayur Colony, Pune. Mr. R. S. Bansal, General Manager, HRM, Head Office along with Mr. Rajesh Singh, Mr. Jatin Desai & Mr. Vivek Dhawan, Zonal Managers of Pune City Zone, Pune West Zone & Pune East Zone respectively were present in the function.

Mr. A. S. Rajeev, Managing Director & CEO, Bank of Maharashtra requested and urged upon staff members, who are yet to be vaccinated to take advantage of these two days 'Covid Vaccination Drive' and get themselves inoculated. He also stated that vaccination will certainly boost the morale of the employees to serve customers in a better and efficient way.

'Covid vaccination Drive' has been arranged in association with Deenanath Mangeshkar Hospital, Pune. During this vaccination drive, any employee of the Bank can walk in for on the spot registration at a dedicated CoWin portal dashboard which has made available by the Pune Municipal Corporation especially for BoM employees. Moreover, individual employees of the Bank need not to pay for vaccination as it will be borne by the Bank. 'Covid Vaccination Drive' has been organized by following all Covid related protocol and observing appropriate Covid behaviour.

Bank has taken various precautionary & welfare measures in the interest of Staff members and their well-being especially working in the Front Line.

AGENCY FOR SPECIALIZED MONITORING (ASM) - A TOOL FOR MONITORING OF BIG BORRWAL ACCOUNTS

Introduction:

The Govt. of India has introduced several governance reforms, in order to keep a watch on fraudulent activities and to prevent diversion of funds, has introduced the Agencies for specialized monitoring mechanism, under the ASM banks will now appoint specialized monitoring agencies to closely track the activities of the borrower including purchases, invoices, actual production vis-à-vis projection, high value transaction, payments, cash inflow and cash outflow. The move to appoint an external agency to monitor loans comes in the backdrop of banks reporting a 72 per cent year-on-year jump in frauds at Rs. 41,168 crore in FY2018, against Rs. 23,934 crore in FY2017 and cases of fraud at banks and financial institutions increased 28% in volume terms during financial year 2020 as per RBI's annual report.

About the author

Chander Pandey
Senior Manager (Faculty)
Union Bank of India
Staff College, Bengaluru

According to the RBI, frauds have emerged as the most-serious concern in the management of operational risk, with 90 per cent of them located in the credit portfolio of banks. Most of PSBs have deployed IT based Early Warning Signals leveraging third party data, which have enabled early, time bound action in stressed accounts. Monitoring has also been strengthened by developing agencies for specialized monitoring.

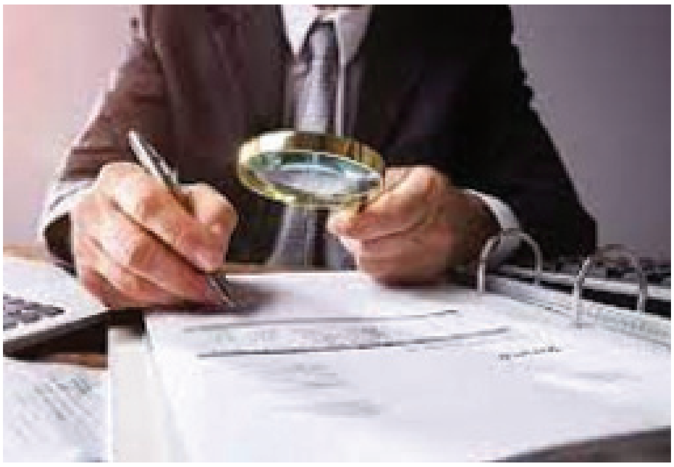
Credit monitoring is one of the vital activities in banking industry particularly in present scenario. Banks lend money for purpose of earning interest fee, common etc. which are generated mainly productive use of money collected from depositor. Thus, it is important on part of banks to develop a mechanism to track the performance of the business for which it has been lend the money and ensure proper end use of funds and bank needs to maintain a watch on the happening inside as well as outside of the entity which has borrowed money.

A prudent banker must be able to ascertain the stress in any of its asset well in advance so that timely corrective steps are taken and banks interest is safeguarded. It is observed that, stress assets of Indian banks in general and public sector banks in particular has increased manifold in recent years. Some of the common activity that a bank needs to monitor may be broadly categorized like ensuring compliance of terms and condition along with legal enforceability of documents. In this connection banks have started appointing external agencies for continuous monitoring of loans account of Rs.250.00 crore and above. Lead bank in a consortium of bank will select any particular agency and give the assignment to it for monitoring of account.

Need of ASM:

To keep a tab on the increasing cases of frauds in the banking space the IBA in March 2018 had setup a committee of senior banker to shortlist the agencies which are having expertise in monitoring of big borrowal and complex nature of transaction. By appointing ASM it's not necessary that we will only focus on stressed loans but all type of accounts above threshold will be looked after by monitoring agency.IBA has prepared a list of agencies for specialized monitoring which may help banks to monitor stressed loan accounts. With the help of ASM we came to know the problem in advance like inventory buildup, delay in receivables and diversion of funds. With the help of specialized monitoring agency, all the transaction will be under a strict vigilance. As employees of the banking industry don't have such expertise in all the sectors and related business transaction the services of ASM to closely track the activity of complex nature of transaction of borrower is to be tracked on each stage. The activities that a bank needs to monitor may be broadly as under:

- Ensuring compliance of terms and condition of sanction



- Ensuring legal enforceability of documents
- Ensuring end use of funds for the purpose they are disbursed
- Ensuring the safety of Primary and collateral security offered to the bank
- Studying Early warning signals which are emitted at each stage
- Initiating preventive steps for resolution of the stress in the borrowal account
- Ensuring proactive monitoring of loan account to ascertain that income generation capacity and future cash flow are not impeded.

All these activities together constitute credit monitoring and to safeguard Banks interest .ASM is and entity having professionals with good domain knowledge, experience and skill in different sectors, industries etc. In case of large exposure or exposure of specialized nature, such agency provides services of inspection, stock audit, cash flow monitoring and end use verification etc.

Purpose of Empanelment of ASM:

Under given disruptive situation like recession, pandemic etc. banks needs to have special monitoring capability to effectively monitor loans with large credit exposures and exposures of specialized nature.ASM which are better equipped in this regard and it would be prudent to engage ASM for following purpose.

- To have onsite presence at the place of business and a timely, fair and transparent monitoring of borrowal account is expected.
- To monitor the borrowal account in Technical as well as Financial matters and guide the bank for further course of corrective action.
- Timely reporting to the lenders on the borrower business situation on real time basis
- ASMs are also expected to look into other aspects like Government notifications which may have material impact on borrowal company, all approvals and clearance.
- ASM is required to analyze, supervise, monitor and suggest on the business activities of the borrower.
- To monitor end use of funds on account of their on-site presence as well as off site.

Source of Information for credit monitoring:

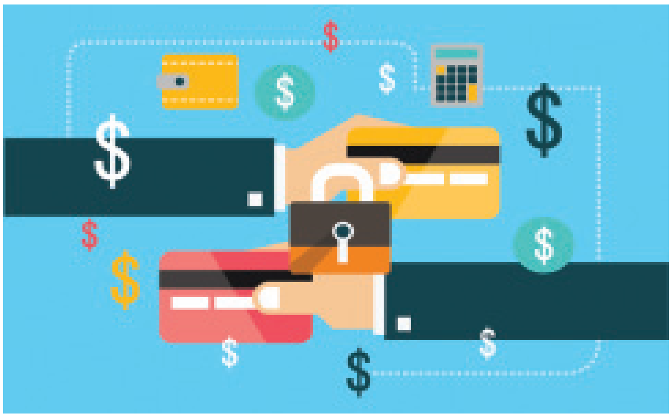
In order to achieve effective credit monitoring, it is essential to examine monitoring tools. At the ground level we should periodically receive a certified statement of actual cost of the project from the borrower. The actual cost as per the certified statement submitted by the borrower should be compared with the projected statement of project cost to be incurred at each stage of the project. For cost over-run, if noticed, close monitoring is called for to prevent the account from turning into a NPA. In addition, site inspection of securities report is very useful source to get the early warning signal. Any erosion in the value of securities or negligence noticed on the part of the borrower to keep securities in order would be a matter of concern.

The project loans should be disbursed as per the periodical progress reports submitted by the borrower and subsequent site inspection done by the bank official. In big projects report from auditor on capital expenditure incurred at each stage of the project to ensure the end use of funds. Periodical returns and statement and book debt statement, stock statement, credit audit report and concurrent audit reports are good source of information for credit monitoring. One such reason for poor turnover may be that the borrower has opened a current account with another bank wherein the sales proceeds are deposited. Similarly, the bank should receive a list of major suppliers of raw materials to ensure the end use of bank funds.

Similarly while calculating drawing power based on stock statement or book debt statement and stock inspection, we should ensure whether advances received against orders for goods are deducted to arrive drawing power. More importantly, month wise purchases and sales should reasonably be reflected in the borrowers ledger statement of account to prevent diversion of funds. In this regard, banks should insist on the auditor of the borrower firm to certify, among other items, sources of funds, funds brought in and end use of funds.

Main Reasons for stress built up in Borrowal accounts:

Buildup of Stress in borrowal/loan account could be on account of various factors and also on the type of loan viz., Working Capital or Term Loan. An analysis indicates that list



of major reasons for stress can be broadly classified as under:

- ❖ In most of the instances, end use of fund was limitedly ensured and instances were observed when funds are used for the purpose other than that meant for. This lead to shortage of fund in the system sooner than later thus resulting into stress.
- ❖ Projects/Units where Foreign Currency is involved, a steep volatility in exchange rate also caused stress in the borrowal account.
- ❖ If product is more vulnerable to Government Policies, change in policy attracted stress in the account.
- ❖ Less involvement of Promoter/Top Management of the company and lack of strategies/financial planning and its execution has also led to deterioration in asset quality. Sometimes lack of capital infusion capacity of the promoters is also observed for stress building.
- ❖ Labor unrest in certain cases has led to building up of stress in borrowal account
- ❖ Danger of technology used becoming obsolete or fast changing technology or invention of cheaper replacement product are also observed as reasons impacting performance of borrowal accounts.
- ❖ Competition in the industry and major market players' strategy towards the same impacted health of a borrowal account.
- ❖ Under financing or over financing is also seen as one of the reason for funds shortage/diversion and building up of stress in borrowal account.
- ❖ Timely and adequate insurance is not obtained/taken which led to loss and subsequently building stress.
- ❖ Lack of Ongoing/Regular monitoring the borrowal

account & its operations closely & taking/initiating corrective actions at the first instance of observance of incipient weakness/stress.

- ❖ Tax incidence/Tax Laws/Litigations etc. resulting into attachment of cash flows, Units, Assets, Properties etc. of the borrowal account.
- ❖ Lack of Timely & adequate corrective action by Promoter as well as lenders jointly, to cope up the disruptive circumstances / economic conditions.
- ❖ Cancellation of Government orders / Bulk orders resulted in jamming the cash flow of the borrowal/loan account leading to stress.
- ❖ It is also observed that in case where the major Debtors of a borrower face stress, the same resultantly creeps into the borrowal/loan account also.
- ❖ Production of defective or substandard product leading to rejection of bulk order giving rise to unwarranted inventory being locked.
- ❖ Many a times, there is delay due to reasons beyond the control of borrower leading to cost as well as time overrun finally resulting into building up of stress in Borrowal Company as it requires additional capital infusion.
- ❖ Delay in securing various approvals and clearances.
- ❖ Poor Project Planning/execution/monitoring also lead to stress in borrowal/loan account in later stages.
- ❖ Lack of skilled staff was another reason which contributed to stress in the account.
- ❖ At times, delay in disbursement from lenders (due to required approvals/clearances/promoter margin etc.) also led to stress in account.

Importance of Early Warning Signals in Credit Monitoring:

Maintaining of the health of a borrowal/loan account is of paramount importance to the Bank. Increase in the stressed assets portfolio of the Bank does not augur well for the health of the Bank and may lead to a difficult situation where the bottom line is adversely affected which in turn will impact the stakeholders. We all know no advance account can turn bad overnight. The account emits sufficient signals and it is for us to constantly observe and capture such signals so that timely remedial action is initiated to avoid slippage.

A careful analysis of these warning signals will throw sufficient light on the direction towards which the unit is going and the same should be used to our advantage in safeguarding the Bank's interest. Here it is clarified that all those warning signals which are noticed in a Borrowal account primarily at the branch level and mostly during operations in the account. While building such advanced logic, the patterns / trends as well as outside data are used for generating the alert for the creeping incipient weakness in the loan account.

Scope of Work comes under ASM:

The Broad scope of work for the external agency, ASM as suggested by IBA in carrying out a clean and effective monitoring of account as under:

- ❖ Monitor the purchases /invoices of the company for procurement of raw material /spares etc. ., on periodical basis and compare vis-à-vis monthly operation budget submitted by the company as per the periodicity decided by the consortium.
- ❖ Review inventory buildup for operation of the units to verify if it is commensurate with the funds released.
- ❖ Monitor the actual operation vis-à-vis projections
- ❖ Verify the necessity of each high value payment as regards beneficiary and purpose
- ❖ Assessment of financial information that has been and that will be provided by the company to its lenders including information related to its short term and long term cash flows
- ❖ Identify key issues and submit a report along with the suggestion with regard to smooth operations of the project.
- ❖ Verification of evidence for end use of facilities by the company to confirm that utilization is as per the conditions laid down by the lenders
- ❖ Submit report on the inventory/receivables position of the company including slow moving inventory, if any, to arrive at appropriate drawing power of the company.
- ❖ Perform such other services as requested by the lenders and mutually agreed to by the company and the lenders and submit report on temporary/long term/unscheduled closure of manufacture facilities.
- ❖ Verify source of margin towards working capital/letters of credit/Bank guarantees

- Verify and ascertain quality of book debts, age-wise classification and eligible book debt for arriving at the Drawing power
- Verify substantial sales returns entries in books of the company and existence of any reciprocal receivables to be scrutinized
- Verify genuineness of supplier/debtors in addition to transaction involving merchant trade and invoice discounting under trade finance at overseas branches.
- Information/data as per monthly statement to be reconciled with account operation and published financials.
- In case of consortium lending, ASM shall monitor status of borrowing with other member banks, conduct of accounts at their end, business sharing arrangement etc.
- In case of term loan ASMs for large accounts should be engaged in order to ensure proper monitoring of project implementation and utilization of funds.
- Conduct site reviews, document reviews and study of progress reports on continuous basis especially vis-à-vis original timelines to avoid sudden shocks of overrun.
- Determine progress and appropriateness of related transactions like payment made to contractors ,vendors and others
- High value payment/dues to be clearly monitored to ensure proper utilization
- Verification related to approval/clearances/compliance in the project and analysis of Government letters/ instruction/audit reports/Independent Engineers report and status of insurance.
- ASM report should also comment on the unbilled revenue, debtor's verification vis-à-vis acceptance by the debtor based on milestones.

Monitoring aspect covered by ASMs: Broadly classified into 4 category

1. *Cash Inflow Monitoring:*

- Sources of cash inflow based on estimates/ projections
- Source of Unsecured loan/Non-convertible debentures, its tenor and rate of interest, if any sale of fixed assets or investment, interest/dividend received from investments.
- Profit ploughed back and any onetime exceptional cash inflow such as profit on sale of fixed assets, tax refunds etc.
- Sources of margin to be ascertained to confirm whether it is through borrowing or through capital infusion and if it is brought in as per sanction stipulations.

2. *Cash Outflow Monitoring:*

- Utilization in inventory buildup/acquisition of fixed assets/purchase invoices of the company about quantum and reasonableness of rates for procurement of raw material /spares/ transportation etc.
- Utilization in creditors repayment/repayment of term borrowing and advance to other firms
- Capital drawing, if any, interest/dividend payouts, redemption of debentures, if any, shares by back, if any etc.
- Inter corporate transaction and /or related party transactions.
- Timely and full payment of government /statutory dues and analysis of any other kind of outflow, if observed.

3. *Non Cash Parameters:*

- ASM is expected to keep a close watch on industry specific prevailing trends, cyclical changes, government policies affecting the company, sustainability/sensitivity in products/business and suggest precautionary measures to mitigate the risks.
- High value vendor due diligence, market values vis-à-vis invoice price
- Technological obsolescence and substitution measures.
- To report on any litigation, court cases including asset classification of associate concerns.
- Changes in shareholding pattern and voting rights
- Any contract entered into which is unrelated to business
- Implication of nay rearrangement like carve out, merger, demerger etc.

- Leveraging of single equity in multiple companies

4. Other Parameters:

- Verify transaction involving substantial amount which are not of regular nature.
- Advice the bank based on monitoring based on publicity available information from various sources for initiating corrective steps to safeguard the exposure.
- Any alienation/disposal of securities.
- Verification of end use of funds deployed outside the country in respect of borrowing by offshore companies of parent entity

Documents to be referred by ASM:

- Sanction Note along with projected financials or financial model for projects
- The sanction terms and condition letter duly acknowledged by the borrower
- The statements of account of the borrower
- Details of promoter and the associate /sister/group concern of the borrower
- Details of debtors and creditors of the borrowal company
- Project and its components, project implementation schedule and its milestones
- Documents and detail of the security offered to and held by the bank
- Availability of various approvals and clearance as applicable
- Insurance details and its status
- All Inspection/regular audit/RBI audit reports etc.
- Summary of all observation and conduct of account
- Details of letter of credit/letters of Guarantee opened by bank

Expectation from ASM:

In a broader perspective ASMs is expected to monitor the account/activity onsite as well as offsite monitoring of the business/account/analyze /evaluate and monitor the borrowal account/project financially as well as technically. ASMs are also expected to look into other aspects like government notification which may have material impact on borrowal company/industry/sector, all approvals and clearance, price escalation in capital items or raw materials etc.

ASMs have to look on extent of involvement of promoters/ top management of the company in day to day operations/ decision making as well as strategic decision making and evaluation of the same. ASM is expected to monitor the purpose of advance vis-à-vis sanction by the lender/ consortium, in totality, with our any exceptions. For this post execution of non-disclosure agreement, ASM is required to analyze, supervise monitor and suggest on the business activities, sanction of advance and its usage as per sanction.

Conclusion:

Credit monitoring starts from the moment credit is sanctioned to the borrower and ends only when the account is closed. Post sanction credit monitoring depends upon factors such as the type of credit facilities, nature of activity, purpose of loan, market dynamics and regulatory requirements and it has to be fine-tuned on a case to case basis. To make the credit monitoring more robust, the government has advised the banks to take the services of audit firms as specialized monitoring agencies for clean and effective post sanction follow up on a common engagement basis.

In case of large exposure or exposure of a specialized nature, such agencies provide inspection services, stock audit, cash flow monitoring and end use of funds. These agencies would monitor all the transaction of an account on a day to day basis at the back end for loan accounts of Rs.250 crore and above and agencies are giving services by IBA approved list. Prompt identification and resolution of stress in accounts having large credit exposure and exposure of a specialized nature and leading a helping hand in reviving the stressed accounts and initiating timely corrective action to resolve the stress and maintain the accounts in stress free performing category.

References:

1. www.iba.org.in
2. Economictimes.com
3. The Hindubusinessline.com
4. www.dnaindia.com ❑

ALIGN TALENT WITH BUSINESS IN BANKING INDUSTRIES

"Developing talent is business's most important task - the sine qua non of competition in a knowledge economy."

- Peter Drucker

Introduction

The development of technology, changing demographics and the fluctuating economic and political situation, have all affected talent and employment. The banking sector is facing certain talent management challenges in the Indian Banking Industries and further afield. The traditional way in which banking in India is changing, and financial institutions that want to stay ahead of the curve must be aware of these trends.

About the author

Rishi Srivastava
Chief Manager(Faculty)
Union Bank Of India,
Staff Training Centre, Lucknow.

Talent management is the systematic attraction, identification, development, engagement/retention and deployment of those individuals with high potential who are of particular value to an organization. Talent management referring to an organization's effort to attract, select, develop and retain talented key employees. "Talent management, which is 'the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs."

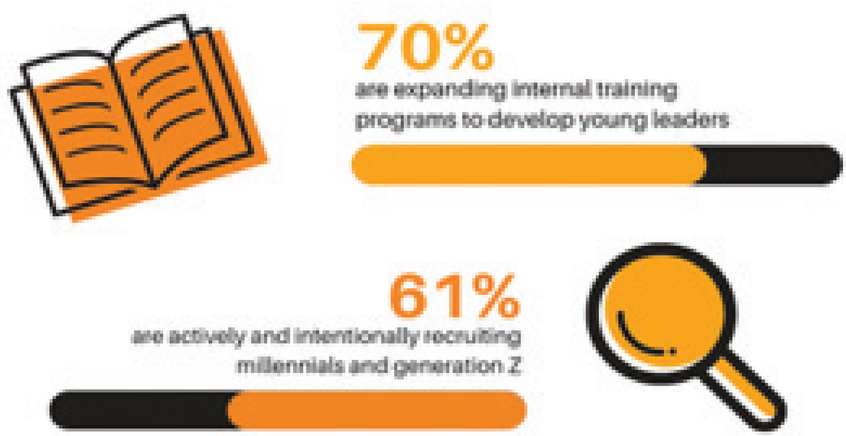
Talent strategy is the No. 1 priority executives will focus on in coming years. This is substantiated when one considers the business value of designing and executing an optimized talent strategy. The 2020 State of Talent Optimization report published by different agencies in India found a strong correlation between talent optimization and organization performance. In fact, 600 executives across 20 industries revealed that organizations with aligned talent and business strategies are more likely to outperform other organization, retain top talent, see higher employee performance, and achieve strategic success rates of nearly 90%.

Organizations That Align Talent with Business Strategy Outperform Others by 16%, Retain 30% More Top-Performers, and See 34% Higher Employee Performance According to The State of #Talent Optimization Report (study of 600 executives by @predictiveindex).

"While most organizations have a business strategy and a financial plan to support it, The State of Talent Optimization report finds only 36% have a talent strategy and a mere 12% align their talent and business strategies." However, those that do have talent strategies designed to hire, manage, and engage their people in a way that aligns with business objectives significantly outperform other organizations. The essence of leadership is aligning employees with the business strategy to achieve maximum success.

Adopting Learning Initiatives

One key element to successful talent management is learning and development. Businesses within the banking sector who adopt learning and development initiatives will reap the rewards of an engaged workforce.



From format training programs through platforms such as Success Factors to informal mentoring schemes, it's imperative that everyone from the C-suite to trainees is an active participant in your initiatives. Achieving buy-in will help you to identify areas in need of development, individual employee performance and areas at risk.

The challenge throughout your learning and development program is to create an environment that cultivates leaders who, in turn, encourage growth and learning. The importance of leadership within a business and how it can give your organization a competitive edge. From matching the right candidates to leadership roles in the hiring stage to setting career goals, training, feedback and support, we have seen how learning and development programs are the key drivers to employee retention and effective talent management.

Talent Management : Need and Importance

Till date, the research on talent management has mostly focused on current organizational practices, but it often lacks a theoretical perspective. Recent reviews have come to the conclusion that the academic field of Talent Management is characterized by a lack of definitions and theoretical frameworks. In fact, the lack of consistent definitions appears to be the reason why there are at least three different ways of interpreting Talent Management in practice;

(1) Talent Management is often used simply as a new term for common HR practices (old wine in new bottles)

(2) It can allude to succession-planning practices, or

(3) It can refer more generically to the management of talented employees.

In short, neither a uniform understanding of the term 'talent management' is there, nor of its aims and scope.

Basically the term talent management has no universal or specific meaning or definition. It can be different from person to person and organization to organization as their own perception and requirements of the organization. Some organization sets their specific set of standards or yardstick to measure talent. The employees who attain those specific tasks and standards in the given time along with some additional tasks are considered as talented employees of organization. In a nutshell, there is no one way to measure and identify talent.

Now a day's managing talent in an organization is itself is a challenging task. No such industry is there which has not been affected by it. The banking sector is one among them. To hire the talented personnel is a challenging task, but to manage them is the most difficult one. In order to make a balance banks started conducting various programme in order to attract and retain the talented employees.

Talent Management in Banking

Almost all the literature recognizes that talent provides organizations with a competitive advantage, and it shares a common concern that not only the talent is scarce, but also most of the companies are not doing enough to manage and retain whatever they have. Human resources as the greatest source of competitive advantage for any organization, human resources deserves the attention and time of managers more than any other organizational resource or asset.

The banking sector in India has been largely resilient though the crisis of 2008-09 and are ahead in terms of prudential norms which enabled the Indian banks to weather the crisis. However of late, problems are creeping in-weak appraisals, poor asset quality, frauds, increase in customer grievances, poor risk management, inadequate understanding and leveraging of IT resources, manpower shortages, etc. The fallout of not having adequate talent/organization structure is that one creates a vast network of intermediaries - good, bad or ugly. Either they can coexist or may need to be banished. If they are to coexist, codes of conduct should be laid down, or own structures should be created so that one does not depend on these intermediaries. These are the challenges being faced by Indian Banks now.

Conclusion

In the era of cut throat competition banks have started paying attention towards attracting and retaining the new and existing talented employees by offering them various growth options attractive hikes in their career. They are designing various training and leadership programme for different managerial level in order to update the skills of employees. For this purpose various latest technologies is being used to design training modules for employees in the organization.

Things have also started changing with the entry of numerous non-banking financial companies as well as private and foreign banks. Similarly, the nature of business of the banking sector has also undergone a lot of changes over a period of time. As a result the demand for specialized manpower is also increasing. In a competitive environment attracting and retaining right kind of talents are very crucial. Banks are framing their strategies in order to manage the talent. As a result, Human Resource Management function of a bank becomes extremely significant. ❑

Banking Act amendment to be challenged by Maharashtra in court

A day after the state government appointed a 13-member committee headed by cooperation minister BalasahebPatil to study the impact of the amendment to the Banking Regulation Act on urban cooperative banks in the state, the panel, in its first meeting itself, decided to challenge the amendment in court. "We fear the urban cooperative banking sector will collapse following the amendment to the Banking Regulation Act," Patil said. "We have decided to challenge it in court. Whether to move the high court or Supreme Court will be decided after seeking legal opinion of the advocate general."

A fortnight ago, NCP president had asked the state government to study the adverse impact of the amendment on urban cooperative banks in the state. Revenue minister Balasaheb Thorat, minister of , rural development minister HasanMushrif, MSC Bank administrator VidyadharAnaskar, and banking expert Vishwas Thakur were present in the meeting. Ansakar made a comprehensive presentation on the pros and cons of the amendment.

As per the presentation, the amendment gives massive powers to the RBI for regulating urban cooperative banks, which have been directly or indirectly controlled by the NCP and Congress. Now, the NDA government has decided to regulate recruitments, including the appointment of MDs, their salaries and eligibility, the RBI will decide the eligibility of 50% of the directors and the director's tenure will not extend beyond eight years.

The amendment also aprovides for removal of directors who do not confirm to RBI norms and those removed will not be eligible for appointment on any bank in any capacity. The new chairman will be appointed with RBI permission.

ETHICS IN BUSINESS AND CORPORATE GOVERNANCE

Ethics is quite old as a subject but in recent years ethics and ethical behaviour in business have emerged as a topic of interest due to misgovernance in corporate houses and banks despite having a well laid governance structure in place with checks and balances in systems and procedure. This is attributed to lack of ethical behaviour and culture.

Ethics is the study of right or wrong. It tells you whether your actions or behaviour are morally correct. Ethics includes equity and justice. Business ethics is related to ethical dimension of corporate activities and governance.Corporate governance is controlling the activities of an organisation and directing the organisation to achieve its goal. This controlling and directing has to be ethically correct. History shows that the main reasons of corporate misgovernance are immoral decisions either for personal benefit or for a group's benefit. To overcome unethical behaviour and develop an ethical culture in business, it has been felt necessary to include ethics as part of curriculum even in top notch business schools.

About the author

Ajay Chandra Pandey
AGM and Faculty
SBICRM, Gurugram

Several corporate scandals from Enron to Satyam to Volkswagen and many others not so widely discussed have brought unethical business behaviour to forefront. Banking being a business working closely with business organisations cannot remain aloof and untouched from the current trend which has infected business practices. A number of bank slike Global Trust Bank, PMC bank and Yes bank etc. to name a few have been in news for their poor governance and RBI was forced to step in. Mounting NPAs which have brought banks under pressure, in many cases,are believed to be the result of poor governance practices.

If we look at the Governance Structure and systems and procedures in business organisations and banks, a sense of satisfaction will emerge. One will find a well laid system and procedure, a qualified board of directors, active Audit committee, presence of a risk governance structure and presence of vigilance officers. Despite all this, Corporate governance has been coming under public scrutiny and cases of governance failure in banks has forced RBI to look at the "Corporate Governance" afresh. To improve,Basel Committee on Banking Supervision (BCBS) has published"Corporate governance principles for banks in July 2015". Recently, RBI has come out with a discussion paper on this issue which has resulted into a meaningful and serious discussion among different stakeholders.

One of the reasons may be that some of those responsible for corporate governance are not behaving as they are expected to behave (Ethical behaviour). Their actions are lacking ethical current and content. Being ethical and being legally correct are two different aspects. Adherence to law is the minimum requirement because legally correct decision may be unethical. Any business organisation has many stakeholders and being ethically correct means being loyal and honest to all stakeholders. A work culture which promotes not only legally correct but ethically correct too needs to be inculcated.

Business/banking is carried out in a fiduciary capacity. The fiduciary relationship between the Investor/ depositor and the corporates/bank demands a very high standard ethical behaviour by management and employees. The conduct of a business organisation should be transparent and above suspicion. The Board of Directors must ensure that the control of the organisation is in its hand and unfettered decision power to individual executives without proper control is not possible. Any kind of conflict of interest needs to be managed in a transparent and defined manner. The management should set the tone of ethical behaviour from

the top. In majority of the business organisations, whistle-blower policy has been framed and adopted but it has not garnered active support from the employees as there is a trust deficit.

Corporate governance and ethics are closely interlinked. On the one hand corporate governance requires framework of rules clearly defined roles and responsibilities and well laid down systems and procedures, on the other hand it requires that governance framework is fairly executed and here comes ethics. The corporate governance should be aimed at taking care and protecting the interest of all stake holders while safeguarding the public interest. Corporate governance should also aim at sustainability of the organisation.

Customers' rights of safe and transparent business needs to be protected. Retail customers do not have enough strength as a stakeholder and therefore their interest needs to be protected. Banks have become financial behemoths and this has led to unethical practices of cross-selling. Banks should not compromise the needs and interest of their customers while pushing sales. The need for a long term relationship with customers also necessitated ethical behaviour on the part of business organisations.

Shareholders' interest needs to be protected by a sound accounting and valuation policy. The disclosure norms under Basel regulation have brought transparency in disclosing financial performance of the bank but a sincere effort on the part of all concerned not to hide any pertinent information is required. Disclosure norms for other businesses need to be strengthened.

Corporates have to always do a tight rope dancing between the interest of shareholders and interest of other stake holders who have created wealth and value for the organisation. The employees of the organisation are an important stakeholder and therefore their interest is also of much importance. Employees are looking for fair wages, equal opportunity for growth and a safe &conducive work environment. Governance and human resource practices should not be discriminatory based on caste, creed, religion, or faith.

The society provides the business organisations infrastructure, resources, and consumers. Any business organisation will survive only if the society in which it

operates, prospers. There exists a relationship of mutual benefits between a business organisation and society. If society prospers, if consumer prospers only then a bank or business organisation can prosper.

Preserving environment has also emerged as an important area in corporate governance. It has become a pressing requirement of the hour that any action of a corporation should not endanger the quality of environment and hence environment concerns have to be integrated into corporate governance.Employees of the organisation are to be sensitised that they should not act in a manner which is against natural environment & resources. Conservation of environment is important for sustainable development. The needs of future generations has to be always given due importance. Profitable and prosperous organisation and environmental protection are not contradictory to each other; rather they have to be complementary to each other.

Sometimes pressure of competition and goal of maximising profits may lead to unethical practices in the organisation. But this may prove detrimental to the reputation of the organisation. In fact the quality of response of a corporate to business pressures and public concerns builds its image and reputation. If an organisation develops an ethical culture wherein any action of every employee is expected to be ethically correct it will strengthen the brand and image of the organisation as a socially relevant organisation. This will make their employees motivated, increase the public trust in the organisation and make the business sustainable for long. Corporate social responsibility emanates from the philosophy that corporate should return back to the society in which they function and maximisation of profit cannot be the ultimate aim of an organisation.

Today organisations are working virtually in a global market and therefore the conduct and behaviour of organisations should be conforming to the best trade practices which are built around equity, humanity, transparency and sustainability. Even minor stakeholders concern needs to be taken care of. Ethics should not be considered as a constraint on business and its governance rather it should be considered as a critical factor in corporate decisions. Honesty and loyalty to all stake holders should be key to corporate governance and this will ensure the survival and sustainability of any business. ❑

World Bank projects India's economy to grow at 8.3 per cent

Synopsis The Washington-based global lender, in its latest issue of Global Economic Prospects released, noted that in India, an enormous second COVID-19 wave is undermining the sharper-than-expected rebound in activity seen during the second half of Fiscal Year 2020/21, especially in services. The World Bank projected India's economy to grow at 8.3 per cent in 2021 and 7.5 per cent in 2022, even as its recovery is being hampered by an unprecedented second wave of the COVID-19, the largest outbreak in the world since the beginning of the deadly pandemic.

The Washington-based global lender, in its latest issue of Global Economic Prospects released, noted that in India, an enormous second COVID-19 wave is undermining the sharper-than-expected rebound in activity seen during the second half of Fiscal Year 2020/21, especially in services.

"India's recovery is being hampered by the largest outbreak of any country since the beginning of the pandemic," the World Bank said. In 2020, India's economy is estimated to have contracted by 7.3 per cent while in 2019, it registered a growth rate of four per cent, the World Bank said, adding that in 2023, India is expected to grow at 6.5 per cent. In its report, the Bank said that the global economy is set to expand by 5.6 per cent in 2021 - its strongest post-recession pace in 80 years

INCOTERMS® 2020 - AN EFFECTIVE TOOL TO REDUCE INCONSISTENCIES IN GLOBAL TRADE

"INCOTERMS®" is an acronym derived from international commercial terms. These standard trade terms listed under "INCOTERMS®" provide a universal meaning to buyers and sellers around the world. They're used in sale contracts to make sure that the buyer and seller know and understand their individual responsibilities as to:

- ❖ Who is responsible for the cost of transporting the goods, including insurance, taxes and duties?
- ❖ Where the goods should be picked up from and transported to?
- ❖ Who is responsible for the goods at each step during transportation?

Presently, INCOTERMS® is being revised and published at the beginning of the decade by the International Chamber of Commerce (ICC). The latest version of "INCOTERMS®" came into effect from 1st January 2020 in the name of "INCOTERMS® 2020". Incoterms® 2020 is a registered trademark of ICC.

About the author

R Narayanan

Faculty Member, Union Bank of India Staff Training Centre, Powai, Mumbai

MBA (Banking & Finance), CAIIB, Diploma in System Audit from IIBF

History of INCOTERMS®:

One of the main agenda of the International Chamber of Commerce (ICC) after its creation in 1919 was to facilitate International Trade. In the early 1920's ICC conducted a study on the commercial trade terms used by merchants across 13 countries and it was limited to six commonly used terms in these countries. In 1923 the results of the study were published and it highlighted the disparities in interpretation of the six commercial trade terms.

In the year 1928, a second study was initiated in order to identify the discrepancies in the inaugural survey. The scope of the second study was expanded to identify the various trade terms used in more than 30 different countries. The findings of these studies led to the publication of the first version of the "INCOTERM®" rules. The terms included FAS

(Free alongside Ship), FOB (Free on Board), C&F (Cost and Freight), CIF (Cost, Insurance and Freight), Ex Ship and Ex Quay. This served as a global guideline to international trade and the beginning to Incoterms.

The Second World War delayed the revision of INCOTERMS® rules and the same was issued in 1953. It included three new trade terms useful for non-maritime transport. The new rules included were DCP (Delivery Costs Paid), FOR (Free on Rail) and FOT (Free on Truck). The second revision in Incoterms rules were published by ICC in 1967 which aimed at resolving the misinterpretations of the previous version. Two more trade terms: DAF (Delivery at Frontier) and DDP (Delivery at destination) were introduced in the third revision.

The advancements in air travel which led to movement of goods through air necessitated the next revision and the fourth version of the Incoterms® was published in 1974. This version saw the introduction of a new term FOB Airport (Free on Board Airport).

The sudden spurt in containerized freight traffic and adoption of new documentation processes created the need for the next revision. The Fifth edition of Incoterms® published in 1980 saw the introduction of a new trade term FRC (Free Carrier...Named at Point), which allowed the goods to be delivered at a reception point on the shore like the container yard.

In 1990 the ICC came up with a complete revision of the Incoterms® rules which simplified the Free Carrier term by dropping the rules for specific modes of transport such as FOR, FOT and FOB Airport and instead introduced a new general term FCA (Free Carrier...at Named Point) to replace them.

The Subsequent revision of 2000 was introduced taking into account the amended customs clearance obligations. In order to comply with the same, the "License, Authorisations and Formalities" section of FAS and DEQ were modified.

The Incoterms® 2010 version brought about consolidation in the D-family of rules by deleting the rules of DAF, DES, DEQ and DDU (Delivered Duty Unpaid). It also permitted adding of new rules DAT (Delivered at Terminal) and DAP (Delivered at Place).

The most recent and the latest revision by ICC in this line is the "Incoterms® 2020" which came into effect from 1st January 2020. This consists of 11 distinct rules which can be used based on the mode of transport.

Fig 1: History of Incoterms® Rules

Clearly, the Incoterms® rules have been regularly updated by the ICC keeping in pace with the developments taking place in the international trade.

Importance of Incoterms®:

1. Reduce Risk:

The use of INCOTERMS® in an international trade contract reduces and / or removes the inconsistencies in language by providing all parties involved the uniform definition of specific terms within a trade agreement. This helps in elimination of the risk of problems arising during shipment since all parties clearly understand their responsibilities in performing the trade under the given contract.

2. Simplifies the negotiations involved in International Commerce:

Buyers across the world want to know the "landed cost" of the goods they wish to buy which is the final price inclusive of shipping and taxes before they finalize the contract. But the seller may not be able to provide the same as tariffs and taxes vary widely throughout the world. But the usage of INCOTERMS® makes it easier to calculate the final cost of the goods and promotes transparent delivery system.

3. Ensures common understanding of Obligations:

Incoterms® help in avoiding the confusion created by various interpretations of the rules followed in different countries. They specify the exporting seller's and importing buyer's obligations regarding carriage, risk and costs. They also help in establishing the basic transport and delivery terms.

Information from Incoterms®:

Incoterms® rules when used in international trade transactions basically provide three basic pieces of information. They are:

1. Transfer of Risk:

Incoterms® define at which place the risks of cargo loss and damage is transferred from the seller to buyer during the transport operations

2. Division of Costs:

Incoterms® provide information about how the costs resulting from the transport operations are shared between the buyer and seller. For eg, Cost of dispatch, carriage & delivery, Customs clearance for export and import, Insurance etc.

3. Documents:

Incoterms® define who will provide the required documents in order to complete the trade transaction like transport documents, proof of delivery, certificate of inspection, Insurance etc.

Legal Validity of Incoterms:

Parties, who undertake international trade transactions normally speak and use different languages, follow different trade practices, adopt divergent business customs. In 1980, the United Nations Convention on Contracts for the International Sale of Goods ("CISG") announced a set of principles which serves as a legal framework to international contracts for the sale of goods. The Incoterms® are in synchronization with the CISG. Incoterms are generally letters of abbreviations that are global and have a universal meaning as to the responsibility of the parties, terms of sale, point of origin and destination. When parties decide on a given INCOTERM, they are implicitly agreeing to a set of obligations; these obligations are not to be referred to again in the sales contract. Since Incoterms® are not law themselves, they must be written into a sales contract in order to be bound to a contract.

Classification of INCOTERMS®:

In prior versions, the rules were divided into four categories, but the rules in the current version of Incoterms 2020 are subdivided into two categories based only on the method of delivery. The larger group of 7 rules (EXW, FCA, CPT, CIP, DPU, DAP & DDP) may be used in any contract regardless of the mode of transport used in fulfilling the sale. While, the smaller group of 4 rules (FAS, FOB, CFR & CIF) is applicable only in contracts where the transportation of the goods is only through water and the same can be verified at the point of loading on board the ship. So, they are normally not used for containerized freight, other combined methods of transport or for transport by road, air or rail.

How to use Incoterms®?

Incoterms® are used in International trade contracts in a 3-letter format followed by a named place of delivery or

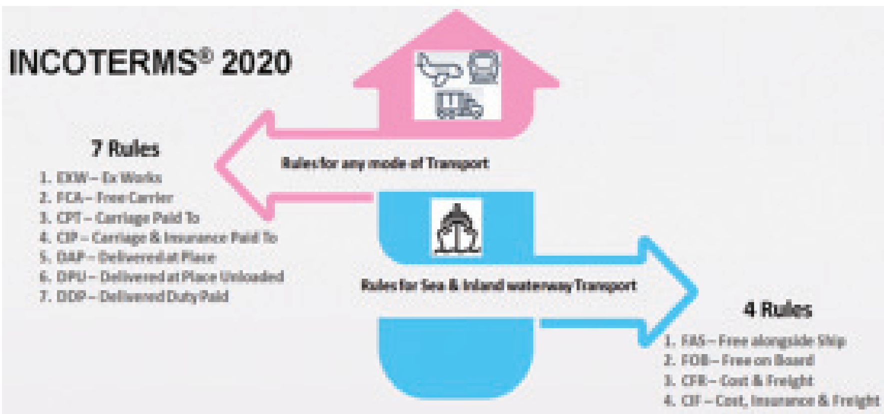


Fig 2: Classification of Incoterms®

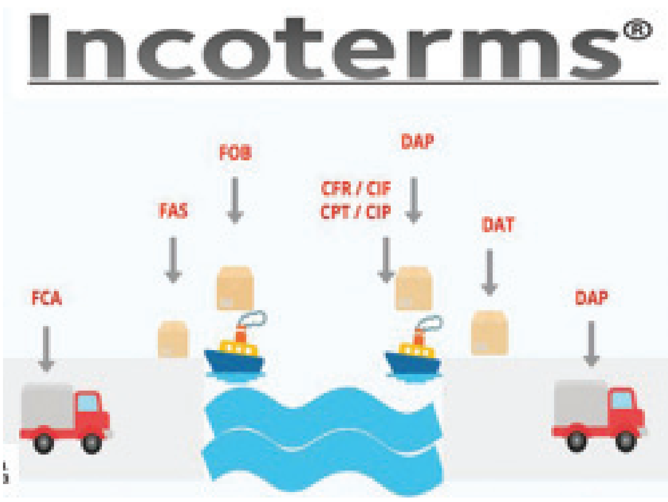
destination which may be in the origin country or such as a port in the destination country or any other place as specified in the contract. For eg If a seller quotes his price for the goods using Incoterms® as "CIF Mumbai", it implies that the quotation includes the cost of the goods, the Insurance for the goods during transit and also the Freight charges for the goods to reach the Mumbai Port. Similarly different Incoterms rules involve different responsibilities and sharing of costs between the buyer and seller in international trade transactions. The key features of all the 11 Incoterms rules are as under:

1. EXW - Ex Works (named place of delivery):

Under this Incoterms® the seller makes the goods available at their premises, or at another named place and it is the responsibility of the buyer to bear the cost and the risk of bringing the goods to the desired final destination. This Incoterms® places the least obligation on the seller and the maximum obligation on the buyer. Normally this Incoterm is used when making an initial quotation in a trade transaction which does not include any other cost other than the cost of the goods. The seller is not even needed to load the goods on the collecting vehicle and also clear the goods for export. If needed to do so, it is to be done at the risk and cost of the buyer. For Example, if the Incoterms® used is "EXW Hamburg", then the goods are to be picked up by the buyer from the seller's premises in Hamburg. The buyer is responsible for the risk and all costs from that point onwards which includes transportation costs, taxes and duties etc.

2. FCA - Free Carrier (named place of delivery):

Under this Incoterms®, the seller is obliged to deliver the



goods at a named place after arranging for export clearance. The goods may be either delivered to the carrier identified by the buyer or to another party nominated by the buyer. However, the agreed place of delivery affects the obligations of loading and unloading of goods at that place. If the delivery takes place at the seller's premises or any other location under the control of the seller, then the seller is obliged to load the goods on to the buyer's carrier. But if the delivery takes place at any other place, then the seller is deemed to have given delivery of goods to the buyer as soon as the seller's transport arrives at the name place. After that the buyer is responsible for both unloading and loading the goods into their own carrier. The transfer of risk from buyer to seller also takes place from this point onwards.

3. FAS - Free Alongside Ship (named port of shipment):

Under this rule, the seller completes his obligation once the goods are placed alongside the ship at the named port of shipment. The buyer has to bear all the subsequent costs from that point onwards. Similarly, the risk of damage to the goods also gets transferred to the buyer from that point. The seller also has to arrange for export clearance of the goods. This term may be used for inland waterway transport and in sea shipments with non-containerized freight.

4. FOB - Free On Board (named port of shipment):

In order to fulfill his obligations under FOB contract, the seller has to deliver the goods on board a vessel that is designated by the buyer. The seller has to arrange for export clearance also. The buyer will bear the cost of freight, bill of lading fees, insurance, unloading and transportation cost from the arrival port to the final destination. The risk of damage to goods also gets transferred to the buyer after the goods are loaded on to the ship identified by the buyer.

5. CFR - Cost and Freight (named port of destination):

Under this type of contract, the seller is required to pay for the carriage of the goods up to named port of destination. The risk of damage to goods gets transferred to the buyer once they are loaded on board the ship in the exporting country. The seller also has to bear the cost of export clearance. The buyer has to bear the cost of insurance in case he needs the same. Similar to FOB, the buyer has also to bear the cost of unloading and transportation of the goods from the arrival port to the final destination.

6. CIF - Cost, Insurance and Freight (named port of destination):

In this term, the seller is obliged to bear the cost of the insurance cover and freight cost of the goods up to the named port of destination. The seller has to insure the goods for 110 % of the contract value under Institute Cargo Clauses (A) of the Institute of London Underwriters or any similar set of clauses, unless otherwise mutually agreed upon by both buyer and seller. The insurance policy should be in the same currency as that of the sale contract. The seller has to provide the three basic documents such as the invoice, the insurance policy and the bill of lading which represent the cost, insurance and freight of the goods to the buyer in order to fulfill his obligations under this term. The transfer of risk of damage to goods from seller to buyer takes place once the goods are loaded on board the ship.

7. CPT - Carriage Paid To (named place of destination):

Under this Incoterms®, the seller is obliged to pay for the carrier up to the named place of destination. But, the goods are considered delivered by the seller once they are handed over to the first or main carrier, so that the risk transfers to the buyer from that point onwards. The seller has to bear the cost of export clearance and freight costs for carriage up to the named place of destination. This named place of destination may either be the seller's premises or a port in the destination country as mutually agreed between the buyer and seller.

8. CIP - Carriage and Insurance Paid To (named place of destination):

This Incoterms® is similar to the above term CPT except that the seller has to provide insurance cover for the goods during the transit period. Under CIP, the seller is required to provide insurance for 110 % of the contract value of the goods under Institute Cargo Clauses (A) of the Institute of London underwriters. This policy should also be in the same currency as that of the contract and should permit the Buyer, the Seller and anyone else with an insurable interest in the goods to be able to make a claim.

9. DPU - Delivered at Place Unloaded (named place of destination):

Under this Incoterms®, the seller is obliged to deliver the goods unloaded at the named place of destination. The seller has to bear the cost of transport which includes the export fees, carriage, unloading from main carrier at destination port and destination port charges. The seller also has to assume all the risks until the arrival of the goods at the destination port of terminal. The terminal can either be a port, Airport or an Inland container depot with the facility to receive the shipment. All the charges after unloading like import duty, taxes and on-carriage expenses are to the account of the buyer. But, any delay or demurrage charges at the terminal are normally to the account of the seller. This is the only Incoterm under which the cost of unloading at destination is to the account of the Seller.

10. DAP - Delivered At Place (named place of destination):

Under this rule, once the goods are ready for shipment, the seller at his cost completes the necessary packing of the same so that the goods reach the final destination safely. The seller also completes the necessary legal formalities in the exporting country at his own cost and risk to clear the goods for export. Once the goods reach the country of destination, the customs clearance formalities at the importing country is to be completed by the buyer at his cost. All carriage expenses including any terminal expenses are to be borne by the seller up to the named place of destination as per the agreement. But the unloading cost at the final destination is to be borne by the buyer under DAP terms.

11. DDP - Delivered Duty Paid (named place of destination):

Under this rule, the seller is obliged to deliver the goods to the named place in the country of the buyer. The seller also has to pay all the costs in bringing the goods to the destination which includes the import duties and taxes. But the seller is not responsible for unloading the goods. While the obligation of the seller is the maximum under this term, the obligation of the buyer is at the minimum level. The risk is transferred to the buyer on delivery of goods at the named place of destination. The seller should be aware of the rules and regulations of the importing country as he is not only obliged to bear the import duty and taxes but also is

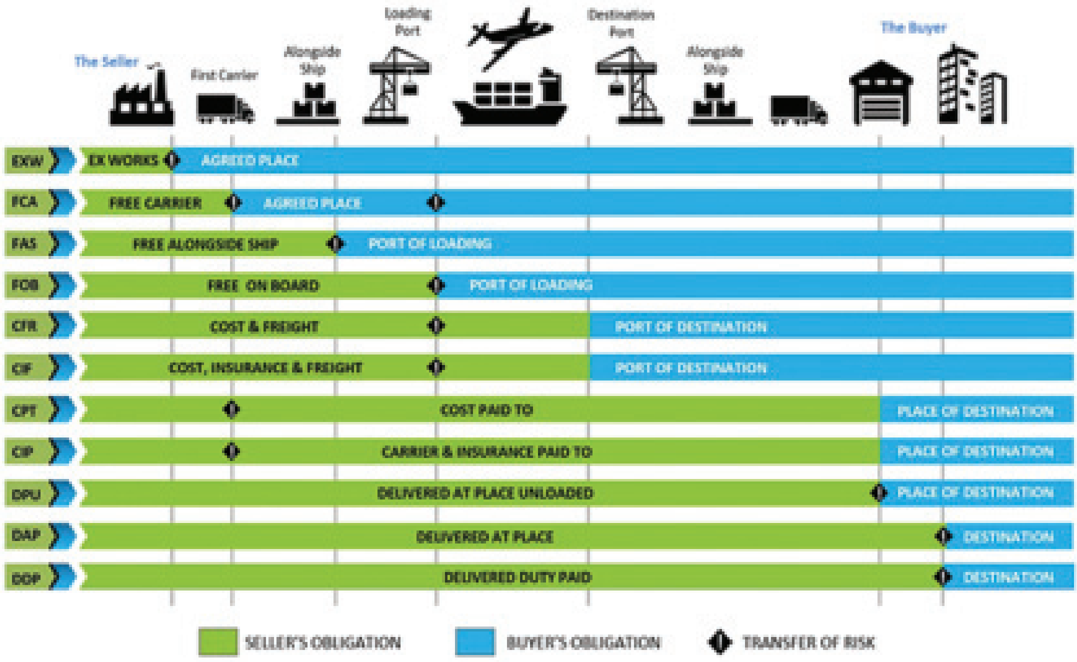


Fig 3: Point of Delivery & Transfer of Risk in Incoterms® 2020

responsible for obtaining the necessary clearances from the authorities in the buyer's country.

Key Changes in Incoterms® 2020 over Incoterms® 2010:

The Major part of Incoterms® 2020 has remained the same, with a few key updates and changes. It's essential that all parties involved in global trade understand these updates and know the implications of the same:

1. New Incoterms® - DPU Replaces DAT:

The previous Incoterm® DAT (Delivered at Terminal) has now been replaced by a new term called DPU (Delivered at Place Unloaded). In the past, DAT required 'Delivery at Terminal (unloaded)', however the word "terminal" caused confusion. Now this term has been modified to DPU (Delivery at Place Unloaded) which gives a better clarity.

2. Change in level of insurance cover between CIF and CIP:

CIF and CIP are the only two Incoterms® that require the seller to purchase insurance in the buyer's name. Under Incoterms® 2010 the insurance cover for both CIF and CIP was required under Institute Cargo Clause C. Under the new Incoterms® 2020, CIP requires insurance cover complying with Institute Cargo Clause A. Clause A covers a more comprehensive level of insurance which is usually suitable for manufactured goods, where Clause C would likely apply to commodities.

3. Updation on Costs:

Disputes on sharing of costs were quite a problem due to lack of clarity on the same with Incoterms® 2010. In some cases the carriers were changing their pricing so sellers were often faced with new back charged terminal handling charges. Incoterms® 2020 now provides much more detail around costs. This clearly states the allocation of costs to each party.

4. Increased Security Requirements, Allocations and Costs:

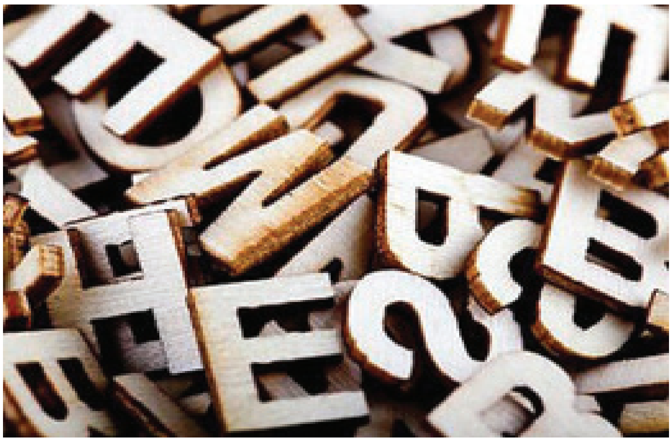
In today's world the requirement of security arrangements of the goods is always increasing. Taking this into consideration, the Incoterms® 2020 rules now provide more detail around security allocations and necessary costs. For each Incoterm® rule, the security allocations have been added and the associated costs have also been added.

5. Buyer's and Seller's Own Transport:

Under Incoterms® 2010 it was assumed that all transport would be undertaken by a third party transport provider. But Incoterms® 2020 allows for the provision of the buyer or seller's own means of transport. This recognizes that some buyers and sellers are using their own methods of transport, including trucks or planes to get goods delivered.

6. FCA, FOB and the Bill of Lading Process:

Updates were made to the previous Incoterms® 2010 in order to encourage exporters of containerized goods to use the FCA Incoterm®. But, in reality they were still using FOB instead of FCA. This is because FOB is still frequently used under Letter of Credit transactions even by experienced sellers.



Therefore provisions have been made to the Incoterms® 2020 to state that the buyer must instruct the carrier to issue a transport document stating that the goods have been loaded - i.e a Bill of Lading with an 'on board' notation. In the past carriers have frequently refused to issue a Bill of Lading with a notation to the seller if they have received the goods from an intermediary transport (such as a truck), instead of directly from the seller.

Misconceptions in the usage of Incoterms®:

The usage of Incoterms® helps avoid misconceptions on the part of buyers and sellers. Still, some common mistakes that are committed in their usage or selection are as follows:

1. Confusing ownership and risk:

Incoterms® do not regulate the passing of the title of the goods from the seller to the buyer. They only refer to the risk which is a standard during delivery times and to help divide the costs of the delivery accordingly.

2. Using Wrong Incoterms®:

Sometimes usage / selection of a wrong Incoterms® may represent a risk to the seller. The selection of Incoterms® should mainly be based on the type of goods and the type of transport involved in the trade. Using a wrong Incoterm may require the seller to fulfill some additional responsibility which may alter the risk and also may involve additional cost.

3. Using DDP without knowing the import regulations:

Not all sellers in the international trade have full knowledge of all the import regulations of the buyer's country. So, selection of DDP in such situations may prove complicated or may lead to mistakes.

4. Going the easy way by using EXW:

Mistakes can happen even when the simplest of the Incoterms® Ex-Works is used. This is possible when this Incoterms® is accepted by the buyer without knowledge about the export formalities / regulations of the exporter's country. This may even prove costly to the buyer.

5. Using Incoterms® without correct address:

Using Incoterms® without correct address and named place of delivery can lead to a misunderstanding and sometimes may lead to additional cost also.

6. Terminal Handling Charges:

Payment of Terminal handling charges should normally be discussed separately and agreed upon in the sale contract. Since failure to pay the terminal handling fees on time may lead to demurrage which may further spoil the spirit of the trade. This will also help to avoid future confusions.

Conclusion:

It is not always easy to determine our rights and obligations in an international sale contract. That is just what makes Incoterms® so valuable. They allow us to resolve the doubts we might have about the delivery and the transport of the goods. Also, they are indispensible when it comes to security and developing a successful relationship with the counterparty.

If we use Incoterms® to define the terms, we can undoubtedly remove or, at least, reduce the uncertainties that may lead to a misunderstanding. In addition, both parties will also know exactly their role in each part of the delivery. This in turn will help the business in avoiding further expenses, thus making the sale contract a success.

References:

- "United Nations Convention on Contracts for the International Sale of Goods" Published by the United Nations Commission on International trade Law in 2010.
- "Incoterms® 2020" by the International Chamber of Commerce.
- Websites: iccwbo.org. ❑

PARTICIPATIVE VIGILANCE : THE EYE OF PROVIDENCE

Chanakya has rightly said that "Identify traitors before you hunt for the enemies". In 2018, the Punjab National Bank scam hit headlines, it rocked the entire Indian Banking sector as it laid bare the fallacies of the system. It demonstrated that how the presence of very few unscrupulous officials in a Bank can wreak havoc and hollow out the insides of a system like termites. Modernisation of Banking systems and the introduction of computers over the last two decades has increased accountability and put in place a system of checks and balances.

The system has undergone a process of automation and loopholes have gradually been resolved. The presence of such measures mean that perpetration of fraud is possible either by non-adherence to standard operating procedures and resulting lapses or,by the presence of corrupt insiders. These insiders are the Achilles heel of the Indian Banking system. The presence of these traitors is not unique to the Banking sector, such undesired elements are present in every sector and industry and majority of all frauds are made possible by them. India is ranked a lowly 80 on the Corruption Perception Index as evaluated by Transparency International. This shows how the menace of corruption has deeply penetrated the Indian society and is slowly leading to a state of decay.

Avarice is a malaise which has no cure, irrespective of how much anyone denies it there exists an Ebenezer Scrooge in everyone as Dickens rightly puts it "Gold conjures up a mist about a man, more destructive of all his old senses and lulling to his feelings than the fumes of charcoal." Man may be a social animal, but he is also a greedy one. You throw a 500 rupee note on a busy street, look away for just a moment, more likely than not the note would have disappeared. In such a situation, it becomes imperative that you must not turn away even for a moment. This constant vigilance is the key to securing your interests.

About the author

Baljor Datt Gaur

Assistant General Manager & Faculty
State Bank Institute of Credit & Risk Management, SBICRM, Gurgaon

Vigilance constitutes a vital cog in the management of an organisation and offers essential opportunities to enhance an organization's efficiency. The overall purpose of every organization's role in vigilance is to help management in achieving its goal by ensuring any operation is performed in compliance with laid out processes and procedures, thereby diminishing instances of employees' misconduct and misappropriation of funding. Vigilance is thus basically a management feature and seeks to protect the dignity, veracity, and productivity of management.Constant vigilance has become a crucial part of any organisation as it is a multi-faceted approach resulting in better expense management, quality assurance and enhanced productivity which can enable an organisation to survive in this increasingly competitive world.

Vigilance has mainly three facets, these are preventive, punitive, and participative. Preventive vigilance seeks to plug all the gaps, reduce all loopholes, and ensure that deficiencies of the system are dealt with to reduce instances of fraud. It aims to identify and resolve vulnerabilities present within the system. Punitive vigilance majorly aims to impose harsh penalties and punitive measures on those who aid, abet, and condone frauds, it seeks to set an example for others and acts as a deterrent measure. Preventive vigilance is a proactive approach which seeks to actively prevent frauds from happening whereas Punitive approach is a reactive approach which comes into action after an incident has happened. These two forms of vigilance have largely formed the backbone of the Banking sector since the very beginning.

However, Participative vigilance takes a completely different approach in dealing with inadequacies. Participative vigilance aims to empower each and every employee of the company to prevent frauds. Each employee acts as a check and balance to ensure that fraud cannot be perpetrated by insiders or outsiders. It needs to be understood by everyone that just committing a crime is not the only wrong, any employee turning a blind eye to illicit activities and condoning them is just as guilty as the one committing them. The need for vigilance has been underscored by famous American social reformer Henry Ward Beecher"Vigilance is not only the price of liberty, but of success of any sort."

Participative Vigilance seems in part to be derived from the concept of Participative Management wherein the employees are given a much more active role in an organisation, their inputs are appreciated and they are given a role in the decision making process of the organisation as well. This approach recognises the significance of human intellect and seeks to build a strong relationship between the employees and the employer. Rather than running the organisation top down in a pyramidical fashion, this approach gives equal importance to each and every employee's inputs and they play a factor in how the organisation functions. It helps in improving all forms of vertical and horizontal communications within an organisation.

Participative vigilance is a system in which each employee is made responsible and made aware of the responsibilities on him. Employees need to be sensitised about ethical work practices and how to spot a breach of responsibility at their work place.Every employee in such a system is a stakeholder and he must ensure that he is always vigilant. Every employee and every customer of the Bank is a potential CCTV camera which can be used not only to identify lapses happening but also reporting them to the concerned authorities. For such a policy to work, the employees also need to have a sense of belongingness to their place of work.

Lapses cannot be prevented just by the upper echelons of the organisation, rather every employee ranging from a mere office helper to top managerial officers of an organisation should take an equal responsibility to be vigilant and prevent lapses. The top management has to set the tone and ensure enthusiastic participation from all levels of the organisation. Participative vigilance instils a sense of pride and self-esteem within the employees.It reinforces their commitment towards their workplace as they are empowered with authority and given an important

responsibility to maintain accountability within the system. This approach towards vigilance also helps in creating a more transparent system. A collective sense of responsibility should exist within all the employees to ensure that nobody abuses the system for his personal gain.

If any employee of the Bank acts in an unusual or suspicious behaviour, it is the responsibility of all the other staff members including branch head, officer, assistant, subordinate staff and security guards to observe him carefully, identify any breach of ethics and get alerted. The same goes for any customer of the Bank as well. Staff member at all levels should make such observations about the customers as well and be on lookout for any suspicious behaviour. This also works in a reciprocal manner wherein the customers should also remain vigilant about the staff members and if any staff member makes any illicit proposal or inducement, the other staff members should be immediately alerted.

There have been numerous instances wherein canteen boys or office boys who are employed by the Bank on contract basis have prevented fraud from happening all because of their presence of mind and vigilant attitude. There have also been incidents where in the customers have shown their alert attitude and have averted the fraud from happening. For example, in cases of cheque frauds, majority of the times the faulty cheques are identified by the Bank employees themselves whereas the customers remain unaware about such cheques.

The Banks should work towards sensitization of the customers and educate them about various features of a cheque so that they can ascertain the genuineness of the cheques themselves while accepting cheques from others and prevent the fraud from happening in the first place. All such instances demonstrate the power of Participative Vigilance in preventing frauds and lapses from happening and ensuring a safe business environment.

There exists an active Whistleblower policy in place in most organisations. This policy aims to provide a platform where any employee can report any irregularity with the assurance that his anonymity will be maintained. This Policy intends to encourage all the employees of the organisation to report suspected or actual occurrence of illegal, unethical or inappropriate happening in the workplace. The employees can voice their concerns on irregularities, malpractices, and other misdemeanours of their peers and even seniors through this mechanism.

It also provides necessary safeguards and protection to the employees who disclose the instances of unethical practices observed in the organisation. All such employees who disclose such information are kept completely anonymous to prevent any social or professional repercussion at their workplace.Banks should sensitise their employees about the whistleblower policies in place in the organisation and encourage them to report such incidents to the designated person in the organisation.

The Banking institutions in India are being swamped by customers. India despite being the second most populated country in the world has a relatively miniscule number of large banks. These Banks handle immense volume of transactions and customers on a daily basis. In such a situation, it becomes an increasingly cumbersome task to ensure regularity and prevent lapses by a vigilance department in the Bank. The scale of operations of a big Bank in India means that despite having a dedicated department for Vigilance and a Chief Vigilance Officer it is quite difficult to be present at all places at all times to evaluate and check for regularities constantly.

Every employee in the organization should feel that they are a part of the vigilance team and keep a constant watch on not only their own acts and deeds but also of others. This will ensure wiping out the menace of the corruption and other untoward incidents within the organisation leading to financial stability of the organisation, a healthier public outlook and stable work environment.

Participative vigilance is the equivalent of the mythical Eye of Providence or the all-seeing eye of the god in the Christian mythology. In this approach every person becomes the eyes and ears of the organisation which potentially creates an impregnable system in which even the shortcomings of systems and procedures can be resolved by constant vigilance. This need for constant vigilance can be succinctly explained by the timeless adage used by Indian Traffic Police "Vigilance wavers, Disaster strikes”.

References:

- Kautilya. Ethics of Chanakya. Sahni Publications, 2000.
- "Corruption Perception Index 2019". Transparency.Org, 2019, https://www.transparency.org/.
- Dickens, Charles. The Life & Adventures of Nicholas Nickleby. H. Milford, Oxford University Press, 1902. ❑

BANKING CYBER DEFENCE TRENDS TO PROTECT CUSTOMER INTERESTS

Brief Introduction:

The face of banking system has been changed to unexpected levels with the innovations of technology and adopting the same by Banking industry to provide most convenient banking to their valued customers on 24*7*365 basis.

With the same advanced phase, robberies also replaced with physical to digital, termed as Cyber frauds. As per experts talk, Cyber crime and payment fraud cost $6 trillion in the year, 2020.

Banks are in a process to use advanced techniques and technology to intensify security levels to combat cyber frauds to protect Customer interests and moreover Nations' wealth.

Broadly we can classify cyber frauds as

Identity fraud occurs when thieves use stolen Social Security or passport, Aadhar numbers to create a synthetic identity, which is then used for fraudulent transactions.

About the author

SVS Adinarayana
Chief Manager
Staff Training Centre,
Hyderabad

Digital account fraud refers to taking over a real person's Legitimate account to launch bot and malware attacks, and is often run by human firms but also automated processes.

Payment fraud includes credential theft, chargeback and other threat methods during payment authentication or dispute.

Common Techniques to defence :

Essential and Common techniques to fight against all varieties of cyber frauds by Banks :

- Internal corporate policies
- Educating Employees towards Cyber Threats
- Harden the Machines Regularly
- Increase Customer Awareness
- Examining third-party services

Real Scenario :

Well, Even after implementing above all at Bank end, Customer end, Employee end, Third Party end, but practical difficulties involving in remembering of different critical passwords by customers, SIM swapping technology, Security vulnerabilities in different Apps using by Customers giving a way to fraudsters to steal the valuable data/ reputation of Banks and Money of the Customers.

Advanced Techniques :

To overcome these, and protect the Customers interest as well as reputation of an Organisation, Banks come in all new innovative advanced techniques like :

- EMV Chip Based Cards to obsolete Skimming and Cloning of Cards.
- As more and more customers are using mobile devices, banks must also deploy verification techniques like mobile-based transaction verification and dynamic device authentication.
- Virtual card, where every transaction gets a single use account number - making fraud much less common.
- Enter one-time-passcodes - delivered via text or email at the point of sale - to authenticate certain transaction types
- Not allowing "PIN bypass" for all types of merchants.
- Facility to register more than one mobile number to get alerts/OTPs to customers. This enables to get more than one OTP to different mobile numbers based on transaction criticality.
- Splitting card - request and payment-approval duties among several program administrators is another effective safeguard.

Present Scenario :

But With the revolution in Broad band services/ speed of Internet access Customers are able to use IoT (Internet over Things). These devices may increase the network's vulnerability to large-scale multifactor Cyber Attacks. So, merely setting of complex usernames and passwords, OTPs, different mobiles, Single Use Account Number is not enough as hackers are constantly innovating means to crack confidential credentials. Banks should ensure that a most advanced level of authentication is required to secure financial transactions of Customers to protect their interest and gain trust over electronic transactions are safe with this bank.

Future and most coveted defence steps:

Biometric Authentication :

- Biometric Authentication of Customers like finger Print/ Retina or Palm etc.,. will reduce the risk of Cyber Crime transactions enormously.

User Behaviour Analytics(UBA) :

- Banks should deploy advanced techniques that detect cyber crime on the basis of the patterns detected in website navigation or transactions. These could include facial recognition, fingerprint sensors.

Big Data Analytics :

- With Machine learning a detailed profile of each customer build up like where and when they normally transact, their normal range of counterparties, the ways they typically access the bank's systems and the usual size of transactions, customer's geolocation, the device, web browser and type of webpage, the domestic or international destination of any payments, whether the payee is new or previously known, and so on coupled with a range of other variables. So, with this built up template every transaction that takes place on their accounts can be compared and evaluated automatically.

AI Based Technology:

- With the help of Artificial Intelligence(AI Technology) without human intervention can distinguish a real user or a fraudster - whether human or robotic doing the transactions and can curtail the fraudulent in real time.

Combined Approach :

- No single security technology may yield desired results to foolproof a Cyber transactions. So, Banks need to use a combination of several techniques to combat cyber crimes like Biometrics, Machine Learning (ML), User Behaviour Analytics(UBA), Artificial Intelligence (AI).

Looking Forward :

Now technology based banking is inseparable and Banks are looking forward to implement latest defence technology to safeguard Customer interests/money, even if there are any technical deficiencies at customer end or disclosing sensitive information like card details, OTP etc., to fraudsters in a way of smishing/vishing/phishing/pharming by customers. This way banks are going ahead to attract and retain the customers.

Customers are looking ahead to make their choicest Bank/ s, which provide strong Cyber defence technics, which protect or mitigate the risk eventhough there is a lapse at their end. ❑

Interview with
Mr. Nanda Kumar
Founder & CEO
SunTec Business Solutions

Q: You embarked on this tech-enabled end-to-end value management almost three decades back and much has happened in the outside world. Staying put on the growth path during these disruptive times is a case-study. We would like our audience to know your story on this continued passion for delivering value.

A: Value management is in fact rooted in our organisational DNA. It is also captured in our vision statement, which is to enable every value exchange in the digitally driven world. While the outside world has seen many disruptions over the last thirty years, fundamentally, businesses are able to survive and thrive only if they are consistently delivering value to their customers. This applies as much to SunTec as it does to our clients.

30 years ago, we were fortunate to start our journey alongside the dawn of the Internet age with telecom clients. Early on, we realised that if we were to succeed in a rapidly changing world, we needed to shift from a product-centric approach or strategy to a customer-centric one. Also, fundamentally, this evolution had to happen from a disjointed system to one where pricing had to be based on reliability of delivery and transparency.

When we applied this shift while working with our telecom clients, we were able to generate more value for their customers with every single additional phone call they made, by analyzing their monthly bills using our technology space.

Once we saw the customer-centric approach work for our telecom clients, the logical next step was to apply this approach to other industries and help them create more value for their end-customers. We ventured into banking and financial services in 2000 with a whole new approach to pricing by making it customer-centric. Our idea was to help our clients maximise value for themselves and their customers by offering attractively priced and hyper-personalised products and solutions on one end, and plugging any potential revenue leakage on the other.

Customer centricity has therefore been the guiding light for most of our journey and even today, we are singularly focused on helping our clients create more value for their customers as well as for themselves by becoming more customer-centric than ever. We firmly believe that a customer-centric business is much better suited to sail through disruptions and continue to deliver meaningful value to its customers.

Q: You have shaped the wave of customer-centric software platforms and solutions for pricing and billing, particularly in transaction-intensive verticals. Having pioneered the concept of relationship-based pricing, please share your thoughts and outlook on this critical aspect, which is key to balanced pricing dynamics.

A: Pricing and billing together determine just how successful

> *We firmly believe that a customer-centric business is much better suited to sail through disruptions and continue to deliver meaningful value to its customers.*

Banks are therefore not just partnering with fintechs but with Big Tech companies too. In turn, customers will soon see the entry of non-traditional players in banking, like Google, Facebook and Amazon.

a business will be in creating value for itself and for its customers. Pricing is also the final determinant of value exchange. If the price is set too high as compared to the perceived value of a product, there will be fewer or no customers. On the other hand, if the price is set low, the business will have lower profits. Another important factor is the context of the consumption. For instance, the value of a bottle of water will increase exponentially for a person in a desert as compared to those who have an abundance of water around them. So human emotions also play a role.

Getting the billing systems right is in fact critical, because even a tiny discrepancy at the backend can lead to revenue leakage and drain the profitability. For example, if a bank with 10 million customers is losing on average just Rs. 0.25 of say half of its customers per month, it is still losing Rs. 1.25 million per month or Rs. 15 million every year, which is a drain on its profitability.

Plugging this leakage often necessitates taking advantage of modern technology to craft and offer the right product at the right price to the customer. Also, banks are increasingly realising that in today's hypercompetitive environment, when technology is a great equaliser, they need to start adding external partners to their systems in order to offer more value to the customer. We're seeing this transition with some of our banking customers, who have built an ecosystem play with a variety of external businesses as partners.

Now, as soon as banks start building an ecosystem play, pricing and billing becomes even more important. For example, if your bank is offering you a concierge service or a travel service as a value addition, they have to not only price it correctly, but also do so after factoring in your own behavior. How many times do you travel every month or every year? Are you a preferred customer of your bank? What is your credit rating? Such behavioral factors are today playing a greater role than ever in helping banks create and deliver more value for their customers without sacrificing their profitability.

Q: How do your products and solutions enable organizations to adopt a customer first strategy and exponentially increase revenue and customer base?

A: Our solutions are designed for the complete customer experience orchestration. From a customer point of view, they want to know why they should be charged, whether they are being charged transparently, how they can save money, how they can get customized offers and so on.

We have a solution designed for deals and offers management, and yet another solution designed for product rationalization, which helps prevent the customer churn and minimizes the cost of servicing legacy products that are perhaps offering lower value to the customers.

In essence, our products and solutions help banks design and manage a customer-centric product portfolio, price their products attractively in order to maximise value for everyone, and finally optimise their partner ecosystem and their billing process. They allow banks to go beyond their market offerings and tap into the industry's broader ecosystem to serve, satisfy, and grow their customer base.

Q: With COVID 19 the Digital Transformation journey of most of the banks seems to have gathered momentum, what are the customer-facing trends that may emerge over the next 6-8 quarters?

A: Banks are today busy reinventing their business and revenue models on account of the widespread disruption caused by the pandemic. One of the most striking trends that we're seeing is greater collaboration, even among competing players inside the banking ecosystem, as banks look to shore up competitive differentiation and attract the newer, digital-proficient generation. For example, Google will soon start offering "Plex", mobile-first digital bank accounts through its Google Pay app to its US customers. For Plex, Google has partnered with 11 banks and credit unions, including Citi.

Banks are therefore not just partnering with fintechs but with Big Tech companies too. In turn, customers will soon see the entry of non-traditional players in banking, like Google, Facebook and Amazon. Big Tech is today able to offer precisely what a bank used to offer in the past because they already have a large database of users and all of their users need financial products and services.

Platformification of banking is another important trend from a customer perspective, which would offer them access to more credit and flexible payment options with ecommerce players, or help protect their financial wellness in adverse economic conditions.

Finally, as banks look to reduce costs, automate, and simplify their business in order to gain more efficiencies, the role of bank branches will likely change post pandemic. One possibility is their transformation into 'experience centers', where a bank's customers can get to know and understand various products and services better.

Q: As a trendsetter, what are your Top 3 emerging trends in the Fintech space, which shall further revolutionize the banking and financial services industry

A: The fintech space is uniquely positioned to complement larger banks by serving the digitally native Generation Z, which is also the youngest working population today. Younger people naturally gravitate towards fintech players on account of convenient and hassle-free banking experience that traditional banks are still not able to offer.

Particularly in India, digital and mobile-first neo-banks will continue to gain more ground in 2021 as they are both cost-effective and faster than conventional banks, on account of better technology capabilities and more agile structures.

With banks keenly looking for new partners, the fintech companies with mature products and technologies will make for natural targets - both for collaborations and technology licensing deals and, in some cases, even acquisitions.

Q: You are a firm believer that organizations need to master the art of building the competency for every employee. How do you start the process of having a self-motivated individual who is inclined towards continuous learning?

A: We are indeed fortunate to have many of our industry's brightest individuals as part of SunTec. Thanks to our people, we've built an organization that prides itself as a leader in the relationship-based pricing and billing space globally.

It's little wonder then when we had to go into a sudden lockdown on account of the pandemic in March 2020, our people all over the world ably rose up to take the challenge of meeting all our customer and employee commitments. We didn't lose a day, not even an hour, in adapting to the new circumstances, which was indeed unprecedented.

From our side, we have worked hard to create a learning culture at SunTec that directly links the process of competency building with professional and career goals and aspirations of our employees. We have also taken care to provide full organizational support in the form of systems, tools and processes that support their learning goals. Finally, we also ensure that people always have a chance to apply their newly acquired skills and competencies in real life.

> *We are indeed fortunate to have many of our industry's brightest individuals as part of SunTec. Thanks to our people, we've built an organization that prides itself as a leader in the relationship-based pricing and billing space globally.*

Q: Known for building a strong team, a people's man yourself, what would be your advice to the new generation of entrepreneurs who are actively participating in this disruption journey?

A: As an entrepreneur, your first job is to only hire people who complement your skills and competencies. Far too many first-generation entrepreneurs make the mistake of believing that only they have to solve all of their business problems. On the contrary, hiring someone who is better equipped to handle a specific function - sales, marketing, engineering or finance - and then letting that new hire solve their function's problems is the first step towards building a great team.

Also, all young businesses undergo a major transition checkpoint when the team size crosses a certain threshold, and the founding team is no longer able to remember the names of all employees. Once the organization crosses this checkpoint, entrepreneurs must pay closer attention to effective propagation of their original organizational culture and value system among the new employees. This will ensure that the entire organization is pulling together in the same direction.

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 till 15th July 2021:	Rs. 7500 including Exam Fees. International US$ 175
Final Exam Fees:	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

Priority Sector Lending (PSL) - On-lending by Small Finance Banks (SFBs) to NBFC-MFIs

RBI/2021-22/27

May 5, 2021

1. As per extant guidelines, lending by Small Finance Banks (SFBs) to Micro-Finance Institutions (MFIs) for on-lending is not reckoned for priority sector lending (PSL) classification. In view of the fresh challenges brought on by the COVID-19 pandemic and to address the emergent liquidity position of smaller MFIs, it has been decided to allow PSL classification to the fresh credit extended by SFBs to registered NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognised 'Self-Regulatory Organisation' of the sector and which have a 'gross loan portfolio' of upto ?500 crore as on 31 March 2021, for the purpose of on-lending to individuals. Bank credit as above will be permitted up to 10% of the bank's total priority sector portfolio as on 31 March, 2021.
2. The above dispensation shall be valid upto March 31, 2022. However, loans thus disbursed will continue to be classified under Priority Sector till the date of repayment/maturity whichever is earlier. Further, banks will be required to adhere to the conditions prescribed for on-lending under para 21 of our Master Directions on PSL dated September 4, 2020 (updated as on April 29, 2021).
3. The guidelines shall come into effect from the date of the issuance of this circular.

(Sonali Sen Gupta)
Chief General Manager-in-Charge

Utilisation of Floating Provisions/ Counter Cyclical Provisioning Buffer

RBI/2021-22/28

May 5, 2021

1. Please refer to our circular DBOD.No.BP.BC.89/21.04.048/2005-06 dated June 22, 2006 and DBOD.No.BP.BC.68/21.04.048/2006-07 dated March 13, 2007 on creation, accounting, disclosures and utilisation of floating provisions by banks. Banks may also refer to our circular DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21, 2011 on creation and utilisation of 'countercyclical provisioning buffer', wherein we had advised that the buffer will be allowed to be used by banks for making specific provisions for non-performing assets, inter alia, during periods of system wide downturn, with the prior approval of RBI.
2. Accordingly, in terms of our circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015, banks were allowed to utilise upto 33 per cent and 50 per cent of floating provisions/ countercyclical provisioning buffer held by them as on March 31, 2013

and December 31, 2014 respectively, for making specific provisions for non-performing assets, as per their Board approved policy.

3. In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100 per cent of floating provisions/ countercyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation is permitted with immediate effect and upto March 31, 2022.

(Manoranjan Mishra)
Chief General Manager

Exim Bank's Government of India supported Line of Credit (LoC) of USD 7.35 million to the Government of the Republic of Nicaragua

RBI/2021-2022/34

May 06, 2021

1. Export-Import Bank of India (Exim Bank) has entered into an agreement dated February 18, 2021 with the Government of the Republic of Nicaragua, for making available to the latter, Government of India supported Line of Credit (LoC) of USD 7.35 million (USD Seven million and three hundred fifty thousand only) for the purpose of replacement and equipment of the High Technology Centre of Hospital Antonio Lenin Fonseca at Managua in the Republic of Nicaragua. Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. Out of the total credit by Exim Bank under the agreement, goods, works and services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.

2. The Agreement under the LoC is effective from April 16, 2021. Under the LoC, the terminal utilization period is 60 months after the scheduled completion date of the project.

3. Shipments under the LoC shall be declared in Export Declaration Form as per instructions issued by the Reserve Bank from time to time.

4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category- I) banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.

5. AD Category – I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website www.eximbankindia.in.

6. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

(R. S. Amar)
Chief General Manager

STRUCTURE OF INTEREST RATES

(Per cent per annum)

Year (as at end March)	Call/ Notice Money Rates	Deposit Rates*				Lending Rates*	MCLR (1-year)
		Savings#	Term Deposits				
			1-3 yrs	3-5 yrs	Above 5 yrs		
1	2	3	4	5	6	7	8
2004-05	4.65	3.50	5.25-5.75	5.75-6.25	6.25	10.25-11.00	--
2005-06	5.60	3.50	6.00-6.75	6.25-7.00	6.50-7.00	10.25-12.75	--
2006-07	7.22	3.50	6.75-8.50	7.75-9.50	7.75-8.50	12.25-14.75	--
2007-08	6.07	3.50	8.00-8.75	8.00-8.75	8.50-9.00	12.25-15.75	--
2008-09	7.26	3.50	8.00-8.75	8.00-8.50	7.75-8.50	11.50-16.75	--
2009-10	3.29	3.50	6.00-7.00	6.50-7.50	7.00-7.75	11.00-15.75	--
2010-11	5.89	3.50	8.25-9.00	8.25-8.75	8.50-8.75	8.25-9.50	--
2011-12	8.22	4.00	9.00-9.25	9.00-9.25	8.50-9.25	10.00-10.75	--
2012-13	8.09	4.00	8.75-9.00	8.75-9.00	8.50-9.00	9.70-10.25	--
2013-14	8.28	4.00	8.75-9.25	8.75-9.10	8.50-9.10	10.00-10.25	--
2014-15	7.97	4.00	8.50-8.75	8.50-8.75	8.25-8.50	10.00-10.25	--
2015-16	6.98	4.00	7.25-7.50	7.00-7.50	7.00-7.30	9.30-9.70	--
2016-17	6.25	4.00	6.75-7.00	6.50-6.90	6.50-6.75	7.75-8.20	8.00-8.50
2017-18	5.94	3.50-4.00	6.40-6.75	6.25-6.70	6.25-6.75	7.80-7.95	8.15-8.30
2018-19	6.27	3.50-4.00	6.25-7.25	6.25-7.25	6.25-7.25	8.05-8.55	8.45-8.80
2019-20	5.43	3.00-3.50	5.00-6.20	5.70-6.40	5.70-6.40	7.45-7.90	7.75-8.20
2020-21	3.65	2.70-3.00	5.00-5.35	5.25-5.35	5.25-5.50	6.65-7.15	7.00-7.60

* : Data on deposit and lending rates relate to five major Public Sector Banks up to 2003-04. While for the subsequent years, they relate to five major banks.

\# : Savings deposit rate from 2011-12 onwards relates to balance up to 1 lakh. Savings deposit rate was deregulated with effect from October 25, 2011.

@ : As on September 5, 2020.

Notes : 1. Data on lending rates relate to either Prime Lending Rate (PLR) or Benchmark Prime Lending Rate (BPLR), Base Rate or Marginal Cost of Funds Based Lending Rate (MCLR) (overnight and 1-Year) as the case may be for the relevant year.

2. BPLR system effective November 2003 was replaced by the Base Rate System effective from July 1, 2010.
3. Base Rate System effective from July 1, 2010 was replaced by the MCLR System effective from April 1, 2016.
4. Call/Notice money rates are weighted average rates for the year.

Source: Scheduled Commercial Banks (excluding RRBs and SFBs) and the Reserve Bank of India.

NET RESOURCES MOBILISED BY MUTUAL FUNDS (CATEGORY-WISE)

(Rs. Crores)

Year	UTI	Bank-Sponsored Mutual Funds (excluding UTI)	FI-sponsored Mutual Funds	Private Sector Mutual Funds	Total (2 to 5)
1	2	3	4	5	6
1990-91	4553	2352	604	---	7509
1991-92	8685	2140	428	---	11253
1992-93	11057	1204	760	---	13021
1993-94	9297	148	238	1560	11243
1994-95	8611	766	576	1322	11275
1995-96	-6314	113	235	133	-5833
1996-97	-3043	7	137	864	-2035
1997-98	2875	237	204	749	4065
1998-99	170	-89	547	2067	2695
1999-00	4548	336	1113	16121	22118
2000-01	322	249	1236	9329	11136
2001-02	-7284	863	732	15808	10119
2002-03	-9434	1033	1377	11606	4582
2003-04	1050	4526	2085	40212	47873
2004-05	-2467	706	-3384	7933	2788
2005-06	3424	5365	2112	41581	52482
2006-07	7326	3033	4226	79477	94062
2007-08	10678	7596	2178	138224	158677
2008-09	-4112	4490	5954	-30538	-24208
2009-10	15653	9855	4871	47972	78351
2010-11	-16636	1304	-16988	-16281	-48600
2011-12	-3179	389	-3098	-39526	-45414
2012-13	4629	6872	1312	63672	76485
2013-14	401	4845	2572	46762	54580
2014-15	-1278	-700	-1045	105903	102880
2015-16	15416	27576	1009	87004	131005
2016-17	20146	44850	6434	271987	343417
2017-18	-1261	45370	-4470	232587	272226
2018-19	2496	50692	-3181	64688	109702
2019-20	-7717	70958	-539	24595	87297

Notes :
1. Data for 2019-20 are provisional.
2. Figures have been recasted for previous years following the reclassification of mutual funds.
3. Data for UTI for 2003-04 relates to UTI Mutual Fund for the period from February 01, 2003 to March 31, 2004, being the first year in operation after the bifurcation of the erstwhile UTI into UTI Mutual Fund and Specified Undertaking of the Unit Trust of India.Subsequent annual data (from 2004-05 onwards) pertain to UTI Mutual Fund only.

Also see notes on Tables.

Source : UTI and Respective Mutual Funds.

Published on 1st of Every Month
Date : 01-06-2021

Declaration No. 86
Dated 14-12-2017

R. No. KOL RMS/269/2019-2021
RNI No. 44184/1988

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