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Banking Finance

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In this issue

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"The COVID-19 crisis has delivered a significant shock to global trade, disrupted production lines, and depressed global demand."

Dinesh Kumar Khara
Chairman
State Bank of India

"We are confident that Jana Small Finance Bank customers will benefit from seamless and convenient access to our technology-driven, dynamic range of products and valuable research insights."

B. Gopkumar
MD & CEO
Axis Securities

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From The Desk Of
Editor-in-Chief

The Second wave of Covid 19 has hit India hard. After the first wave subsided, the government and people started taking easy and all necessary protocols went haywire. There was serious laxity by the government who could not anticipate the possible impact. The Covid 19 management in the first wave was done pretty nicely and things were under control.

Currently the daily infection rate has breached the 3.5 lakh mark. In May 2021 it is expected that the figure may touch 5 lakhs cases per day. In the second wave young generations are getting more affected. This a really a cause of concern for 130 crore populated country like India. If proper action is not taken god knows where the number will stand.

Different states in India are affected badly with the fresh surge of Corona more deadly than the previous one during 2020. Workers are again migrating from different cities to their home states due to fear of lock down. Bankers has also been affected in large numbers.

After the first wave the Economy was on the process of recovery but this second wave will again derail the recovery. We don't know how the pandemic will be contained in next 2-3 months. But yes we should take lessons from the second wave and be better prepared this time.

Gold imports has jumped to nearly two year high during March, 2021. RBI's foreign exchange reserve has declined by about 2 billion dollars due to pressure of lesser exports and higher imports.

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Banking News

Bank of India and Punjab & Sind Bank offer cheapest gold loans

As per the recent data, Punjab & Sind Bank offers interest rate of 7% on a gold loan of Rs. 5 lakh, with repayment tenure of 3 years. Bank of the India is the second on the list of cheapest lenders, charging an interest rate of 7.35%. SBI, BoB gold loans carries an interest rate of 7.5% and 9% per annum respectively.

Non-banking financial companies that are highly active in this space offer loans at comparatively higher rates. IIFL Finance's gold loans come at an interest of 9.24%, which is the cheapest amongst NBFC gold loans. Gold loan rates of Bajaj Finance start at 11%, while the two major players in this space - Muthoot and Manappuram levy interest rates of 11.90% and 12%, respectively.

BOI opens National Banking Group in Bhopal

Bank of India has recently inaugurated its new National Banking Group in Bhopal. BOI has created new NBG with an objective to facilitate effective business management, better control over the Zones in Madhya Pradesh State & effective monitoring, efficient management of issues associated with business complexities and overall growth. It was made functional from April 1, 2021.

The new NBG - Madhya Pradesh & Chhattisgarh is with a total of 6 Zones viz Bhopal (97 Branches), Indore (100 Branches), Khandwa (86 Branches), Ujjain (111 Branches), Jabalpur (45 Branches) & Raipur (61 Branches) totaling 500 Branches.

The present business Mix of NBG-Madhya Pradesh & Chhattisgarh is more than Rs. 67,875 crore. The share of Agriculture, MSME and total Retail to total Advances is 43%, and RAM (Retail, Agriculture &MSME) which is priority & thrust area is 76%. Further, this new NBG will also improve BOI's functioning under the SLBC framework.

SBI digital platform upgrade hampers services

Customers of SBI recently faced issues while accessing the net banking services after the bank announced a scheduled maintenance and upgrade of its digital platforms during that day.

SBI informed via tweet, "We request our esteemed customers to bear with us as we upgrade our digital banking platforms to provide a better online banking experience. During this time, digital banking platform YONO, YONO Lite and UPI services will not be available."

Bank unions threaten to intensify protests against privatization

Bank unions across the country have threatened to hold more strikes against the Union Government's proposal to privatize some state-run banks. In the recent general council meeting of the All India Bank Employees' Association (AIBEA), the members were asked to intensify their agitation.

The union said in a statement, "The general council meeting has called upon all our unions and members all over the country to continue the struggle against bank privatisation, get ready for prolonged strikes and intensify our campaign to defend public sector banking and defeat attempts of privatization."

Around one million bank employees took part in the last strike, on 15 and 16 March, 2021 to show their opposition to the privatization plan.

Bank unions have also begun engaging with customers and the public at large, on what they believe are the ill-effects of privatization.

According to the statement by the AIBEA, "Public sector banks provide permanent jobs for the educated youth. But we know the plight of the employees working in the new private banks where job security is totally absent. Fair wages are denied. Trade union rights are non-existent. Thus, privatisation of banks will enslave the young employees into these adverse conditions."

HDFC Bank loans grow 14% in FY21

HDFC Bank has reported 16.3% growth in deposits and 14% in advances during the financial year 2020-21. IndusInd Bank and Yes Bank too have reported high deposit growth of 27.7% and 54.7% respectively, indicating a gain in market share after a turbulent fourth quarter in FY20.

In a statement to the exchanges, HDFC Bank stated that its deposits stood at Rs. 13.4 lakh crore at the end of March 2021 - an increase of 5% over the previous quarter and a 16.3% increase for the financial year.

HDFC Bank's loans stood at Rs. 11.3 lakh crore - an increase of 4.6% over the previous quarter and 13.9% year-on-year. This shows that a large chunk of the banking sector's loan growth has come from HDFC Bank.

According to a research report by Emkay Global, the bank has accelerated the purchase of mortgage loans from HDFC to Rs. 7,500 crore in Q4 from Rs. 7,100 crore in Q3.

The report said, "Corporate growth remains strong at 21% year-on-year owing to healthy working capital demand and the bank's focus on capturing market share in better-rated corporates. The bank expects the momentum to continue as the private investment cycle is likely to revive from H2FY22."

SBI signs $1-billion loan deal with JBIC

SBI has recently entered into a loan agreement amounting to up to $1 billion with Japan Bank for International Cooperation. The loan is intended to promote smooth flow of funds for the whole range of business operations of Japanese automobile manufacturers in India.

Dinesh Kumar Khara, Chairman, SBI, remarked, "The COVID-19 crisis has delivered a significant shock to global trade, disrupted production lines, and depressed global demand. At a time when people are preferring personal mode of transport, this collaboration between SBI and JBIC will help the bank in extending loan facility to entire supply chain of Japanese automobile industry, including suppliers, dealers and ultimately to the end users."

I-banking fees plunge 34% in Q1 to USD 194.5 million

Despite a record year for primary share issues, investment banking activities declined in the first quarter of the year, pulling down their fees by almost 34% to USD 194.5 million and making it the lowest start to a year since 2016. However, the ECM underwriting fees reached a three-year high of USD 63.8 million, growing 7.2% over the same period in 2020, according to the data collated by Refinitiv.

According to the report, at USD 194.5 million, the fee collected by I-bankers is the lowest since 2016 when it stood at USD 127.4 million. On an annualised basis, this was 33.7% down from the Q1 of 2020, the report read.

The biggest drop was loan syndication fees that more than halved (down 50.5%) to USD 44.7 million, followed by M&A advisory fees which plunged 47% to USD 33.1 million and DCM (debt capital market) underwriting fees that fell 34.9% to USD 53.0 million.

SBI Caps took the top spot in overall investment banking fee league table with 13.8% wallet share, collecting USD 26.9 million.

Axis Bank topped the ranking for bonds underwriting worth USD 2.5 billion from 30 issues or 11%b market share.

Private banks to report strong deposit growth for March, 2021 quarter

Indian private banks are expected to report robust deposit growth in the March quarter, going by initial numbers announced by three banks. HDFC Bank, IndusInd Bank and Federal Bank have recently reported key business performance indicators, including loan and deposit growth, to stock exchanges. India's largest private sector lender HDFC Bank said its deposit base rose to about Rs. 13.35 trillion as of March 31, 2021, registering a growth of around 16.3% from a year earlier.

Federal Bank reported provisional total deposits of Rs. 1.72 trillion as of March 31, an increase of 13% from a year earlier. IndusInd Bank also reported strong deposit growth of 27% to Rs. 2.56 trillion at the end of the March quarter of FY21.

While banks are trying to build their

deposit base, retail inflation has been eroding returns for savers. However, that has not deterred investors from parking their money in bank deposits. As of March 12, bank deposits stood at Rs. 149.55 trillion, up 12% from a year earlier.

Motilal Oswal, Founder, Motilal Oswal Financial Services Limited, said, "Most banks are focusing on garnering deposits (particularly current account and savings account and retail term deposit) to ramp up their liability franchises and reduce dependence on bulk deposits."

All three banks reported healthy growth in current account and savings account (CASA) deposits in the March quarter. While HDFC Bank's low-cost CASA deposits grew 27% from a year earlier to Rs. 6.15 trillion in the fiscal fourth quarter, Federal Bank's CASA deposits expanded 26% to Rs. 58,381 crore.

Union Bank of India to digitise recovery processes

According to a tender document issued by Union Bank of India, the lender is looking to digitise and automate its recovery processes. It has sought bids from vendors to implement the software solution and maintain it for five years.

The document read, "Bank intends to implement a software solution for digitising and automation of recovery portfolio and creating a single platform database solution which should be capable of handling the modules... Bidder needs to design, implement and manage the entire software solution for the period of five years."

The various modules which the bank plans to digitise include proceedings under Securitisation and Reinforcement of Financial Assets Act (SARFAESI), Debt Recovery Tribunals (DRTs), the Insolvency and Bankruptcy Code, civil suits, Revenue Recovery Act, Lok Adalat, insurance, valuation, vehicle loan non-performing assets, and engagement of recovery agents.

For instance, in case of a Corporate Insolvency Resolution Process (CIRP) initiated by the bank, the solution must be able to issue a template-based permission note for filing an NCLT application from the branch to the appropriate authority through the respective office. It should be able to take care of matters like forwarding the communication to the advocate from the branch as also to capture the hearing date-wise movement of the case and recovery made during the pendency of the case.

In the vehicle loan NPA module, the solution should capture all such NPA accounts and wherever vehicles have been taken as collateral security. Thereafter, it should enable system-based auto generation of notices to the borrowers as per the timeline prescribed and to send reminders to branches, whenever essential.

Jana Small Finance Bank joins hands with Axis Securities to offer services through 3-in-1 account

Jana Small Finance Bank recently announced its tie-up with Axis Securities to offer its customers the perfect blend of banking and investing through 3-in-1 account which integrates seamlessly Savings Bank Account maintained by Jana Small Finance Bank & Demat and Trading Accounts maintained by Axis Securities.

The 3-in-1 account will make it easier for customers to transfer funds quickly, reduce paperwork and most importantly provide a single seamless platform to invest in various investment instruments including Mutual Funds, SIP, equities and other investment avenues offered by Axis Securities. The customers can opt for various services of Axis Securities like Mutual fund investing, Stock broking, Investment advisory and Portfolio management services, along with the opening of Trading/Demat account.

Ajay Kanwal, MD & CEO, Jana Small Finance Bank, stated, "We are delighted to give our customers access to a scalable 3 in 1 platform. This tie-up with Axis Securities will continue our endeavor in building meaningful relationships with our customers by providing them with access to smart financial planning tools that will help them in wealth creation journey. We believe the key attraction for Jana customers will be mutual funds SIP where they can invest a pre-decided amount every month in MF scheme of their choice."

Commenting on the partnership, B. Gopkumar, MD & CEO, Axis Securities, remarked, "We are confident that Jana Small Finance Bank customers will benefit from seamless and convenient access to our technology-driven, dynamic range of products and valuable research insights. This tie-up is another step in our journey to empower investors to take charge of their finances by making informed investment decisions."

SBI clarifies on home loan rates, declares original interest rates restored

State Bank of India has recently clarified on the recent hike on the home loan interest rates.

"In the last few days, there have been news items reported in the press including media regarding hike in SBI Home Loans Interest Rates. In this regard we clarify that limited period special concessions offered during festive season have come to an end on 31 March, 2021 and thereafter withdrawn."

As per SBI, there is no hike in the home loan interest rates. The bank states that the original interest rates starting from 6.95% have been restored. However, the special concessions offered to the women borrower is continuing.

Previously, SBI had waived off home loan processing fees till March 31, 2021 to cash in on festive fervour. During the limited period, the bank offered home loan starting from 6.70% for loans up to Rs. 75 lakh and 6.75% for loans in the range of Rs. 75 lakh to Rs. 5 crore. SBI also gave a 100% waiver on processing fees.

State-run banks prop up Jan Dhan as private lenders falter

According to the data. the state-run banks of India helped drive the tally of Jan Dhan bank accounts in the year ended March 31, offsetting a weaker performance by private lenders in the government's flagship financial inclusion programme.

Launched in August, 2014, the Pradhan Mantri Jan-Dhan Yojana aims to provide universal access to banking services with at least one basic bank account for every household. Private banks counted 55,349 fewer Jan Dhan bank accounts as of end-March, compared to the start of FY21. State-run lenders, meanwhile, continued to power the programme's reach.

As of March 24, 2021 the total number of such basic savings accounts stood at 420.8 million for all banks, up from 380.7 million as of April 2020, showed data from the PMJDY website. This is the aggregate of public sector banks, regional rural banks and private banks. Although on a net basis, Jan Dhan accounts at private banks saw a decline of more than 55,000, some individual private banks recorded steeper contractions.

For instance, ICICI Bank Ltd, one of India's largest private-sector lenders, ended the fiscal with 278,522 fewer Jan Dhan bank accounts than in April last year. Others such as Karur Vysya Bank, Kotak Mahindra Bank, RBL Bank and Yes Bank also saw a similar trend, albeit of varying proportions.

Vakrangee tie up with BoB to appoint 1,554 women business correspondents Sakhis in UP

Vakrangee Limited has recently partnered with Bank of Baroda for appointing Women BC Sakhis and providing Banking services in Uttar Pradesh. As per the regulatory filing, Vakrangee will be working with the BoB for the Uttar Pradesh State Rural Livelihood Mission to appoint and onboard 1554 BC Sakhis in the Raebareli and Lucknow districts of Uttar Pradesh.

Dinesh Nandwana, MD & Group CEO, Vakrangee Ltd., remarked, "Vakrangee has always been a Responsible and Socially conscious company. Gender Equality is fundamental to our philosophy and core DNA of being a social equalizer. We strive to build a workplace culture with gender Diversity and believe it is core to the success and growth of our company. We are happy and honoured to announce this partnership with Bank of Baroda which enables us to focus and prioritize having Women Banking BC agents in the state of Uttar Pradesh."

Notably, the project, being implemented, is part of UPSRLM's mission to on-board and prioritises Women as BC (Business Correspondent) Sakhis or Banking Agents across all the districts of the state. Vakrangee is one of the partners and facilitators engaged for the project to onboard and provide training and handholding to these BC Sakhis. The project is aimed at improving banking access in rural UP and enhancing the household income of women members.

Cyber fraudsters using novel trick on net banking

The Bhopal cyber police have recently issued an advisory for the customers who use Internet banking. Fraudsters are cheating users using a simple trick. The SBI has also issued an alert for its customers.

Yogesh Choudhary, ADG, Cyber Cell, has stated that the fraudsters first get the login ID and password of the banking app. Then, they transfer some amount into the e-term deposit/ electronic special term deposit account. To perform such transactions, no OTP is required and a new fixed deposit account comes into existence. And, in the main account, the amount shows debited. After creation of the new FD account, an SMS is released in which the details of the e-IDR/e-STOR are mentioned. After reading the SMS, the account-holder finds out that the amount had been withdrawn. From there, the racketeers start calling the account-holders.

They pretend to be bank officials and say importantly that they have the full details of the account-holder. At this, the account-holder falls into their trap and believes erroneously that the caller is an official from the bank. They ask that more such transactions be stopped. The fraudsters ask for the OTP which is received on the registered mobile number to stop such activities. Once the OTP is given, the whole amount is siphoned off into the accounts of the racketeers.

The ADG also mentioned that, in reality, the amount seen in the e-TDR/ e-STDR has not gone anywhere and is secure in the FD account. If one gets such an SMS, they should contact the bank officials personally. The officials will help the account-holders if such a situation arises.

DBS Bank India crowned 'India's Best International Bank 2021'

DBS Bank India has recently announced that it has been named 'India's Best International Bank' by Asiamoney, a financial publication.

The Asiamoney 'Best Bank Awards' aims to identify banks that have excelled across a range of core banking activities over the past 12 months. DBS Bank was selected as 'India's Best International Bank' based on its operations in the country, the strength of services such as cash management, trade finance and foreign exchange; its capital markets business and M&A/ advisory mandates and the cross-border business facilitated.

Asiamoney, in its official announcement, said, "DBS Bank's long-term commitment to India - one of its six core markets, including its home base in Singapore - has not wavered since it first set up shop in the country in 1994. On the contrary, it has only strengthened in recent years."

SBI & NPCI launch UPI awareness campaign for YONO users

SBI and National Payments Corporation of India (NPCI) have recently join hands to launch a dedicated campaign to focus on deepening the reach of UPI transactions across all sections of the population. This joint initiative is aimed at encouraging users of SBI's banking and lifestyle platform YONO to opt for UPI payments which is easy, safe and instantaneous.

Ravindra Pandey, DMD (Strategy & Chief Digital Officer), SBI, stated, "In this FY, the YONO platform recorded 5.30 million transactions worth Rs. 2086 crore. UPI is currently one of the most preferred digital payment modes in India with more than 207 banks linked to it. The SBI was leading the segment by processing about 664.75 million transactions, as of January, 2021."

Praveena Rai, COO, NPCI, said, "We are pleased to partner with SBI to strengthen the digital payments ecosystem by promoting UPI awareness among YONO users. Customers just need to know their UPI ID and use it so they can enjoy the convenience of making or receiving payment from their YONO app to any other bank or payment app."

Central Bank of India & Union Bank offer lowest interest rates on personal loans

The state-owned banks lead the race in offering cheapest interest rates on personal loans. Personal loan rates of Union Bank of India and Central Bank of India on a Rs. 5-lakh loan with a five-year tenure starts at 8.9%. It is followed by Punjab National Bank with 8.95%.

UBI to set up online payment system in 11 AP template

UBI has said that it will implement an online payment system in 11 temples of Andhra Pradesh very soon to facilitate transactions relating to performance of temple rituals smoothly and transparently. The bank has already implemented the online payment system at the Annavaram Temple.

UBI said that information pertaining to online services, essential services for pilgrims, asset management, temple profiles, calendar services, holiday management, stock details, and revenue expenditure details are included in the Temple Management System.

Chief Minister of AP Jagan Mohan Reddy and MD & CEO of UBI Rajkiran Rai G jointly inaugurated Temple Management System at the CM camp office at Tadepalli, Andhra Pradesh.

Indian banks cross milestone of Rs. 150 trillion deposits

Banks in India have crossed the milestone of Rs. 150 trillion in deposits, as inflows continue at a staggering pace. Deposits had previously touched the Rs. 100-trillion mark in September, 2016.

Data released by RBI showed that the outstanding bank deposits stood at Rs. 151.13 trillion as on March, 26, 2021, the last fortnight of the financial year. This translates into a growth of 11.3% from the same period last year. In contrast, non-food credit grew at a sluggish pace of 5.5% year-on-year to Rs. 108.9 trillion.

The unebbing growth in deposits and sagging credit growth have continued at least for the past one year. Industry experts urged that the inflow in deposits could be because investors are risk averse and want a certain stable return from their savings. This was despite the fact that except in a couple of state-owned banks, deposit rates have not been hiked in the recent past. In fact, according to the reports, after two months of positive but near-zero returns in December and January, the inflation-adjusted return stood at -0.03% in February for such deposits - considered one of the most popular modes of savings for most Indians.

Pointing out credit and deposit growth trends in Q3 Care Ratings said, "The increase in overall deposits can be owing to continuous outflows witnessed in equity mutual fund coupled with lower inflows in debt mutual fund during the quarter under review, indicative of risk aversion by investors which could support the rise in bank deposits."

Indian banks may take a Rs. 7,000 crore hit

Compound interest refunds for loans above Rs. 2 crore during last year's moratorium will cost Indian lenders over Rs. 7,000 crore this quarter, given the government's unwillingness to compensate them for it.

The government has agreed to make good compound interest refunds of loans up to Rs. 2 crore during the March 1 August 31 moratorium and has already credited Rs. 6,500 crore to banks in this respect. However, it has made no commitment about the rest, forcing bankers to take the hit.

The head of a public sector bank said, "The Indian Banks' Association has taken up the matter with the government."

"Banks have no choice but to refund the borrowers. Each bank will have to take a hit of anywhere between Rs. 300-400 crore. We cannot challenge this (Supreme Court) order also. All other parts of the order are good. We don't want to reopen this order. Maybe a one-time hit is okay," the banker stated on condition of anonymity.

Airtel Payments Bank introduces 'Rewards123' savings account; offers benefits on digital transactions

Airtel Payments Bank has recently announced the launch of its new savings account 'Rewards123' that offers benefits and value to customers when they transact digitally using the bank account.

Customers can get 'Rewards123' at an annual fee of Rs. 299 and avail benefits ranging from certain cashback per month on payments for prepaid recharges, post-paid, landline, broadband, DTH bill payments, load money benefits and shopping rewards. Other benefits include free Platinum Online Mastercard Debit Card and zero minimum balance. The new savings bank account offers regular benefits throughout the year up to Rs. 960.Customers can easily open or upgrade to Rewards123 through the Airtel Thanks app using Video KYC.

Introducing the 'Rewards123' digital savings account, Airtel said that this is "designed to offer consistent value, with assured rewards on different types of digital transactions throughout the year."

Anubrata Biswas, MD & CEO, Airtel Payments Bank, stated, "Our research reflected that digitally ready, time sensitive consumers, seek consistent value during transactions, and are tired of surfing for the next best deal. With this insight, we developed Rewards123, a consistent value-driven proposition, which can be used safely as a separate account for digital transactions."

Bank NPAs to climb to 9.9-10.2% in FY22 as COVID-19 impact surfaces

Although the banks of India reported a decline in bad loans in the December quarter, the impact of the pandemic-induced disruptions on asset quality will be spread over FY21 and FY22, with bad loans expected to rise to 9.9-10.2% by 31 March, 2022.

Banks had seen their gross and net non-performing assets improve in Q3. Despite including pro forma bad loans of about Rs. 1.3 trillion, gross NPA ratio stood at 8.3% compared with 8.6% as on March 31, 2020.

ICRA Limited believes that the decline seen till December was also driven by loan write-offs of Rs. 1.1 trillion during the first nine months of FY21. Also, based on the restructuring guidance given by various banks, the overall volume of recast debt is estimated at 1.3-1.5% of the advances, much lower than initial estimates.

Anil Gupta, Sector Head (Financial Sector Ratings) at ICRA, remarked that while the headline asset quality and restructuring numbers are encouraging, these do not reflect the underlying stress on asset quality of banks.

Gupta stated, "The level of loans in overdue categories has increased after upliftment of moratorium and the impact on asset quality will be spread over FY21 and FY22 as various interventions and relief measures have prevented a large one-time hit on profitability and capital of banks." ❑

Reserve Bank News

RBI orders MobiKwik to probe alleged data leak

RBI has recently ordered digital payments firm MobiKwik to probe allegations that data of its 110 million users was breached, and warned that the company will face fines if lapses are found. MobiKwik has faced growing criticism recently for denying a leak. Many customers and digital rights activists say is linked to the company's database.

RBI was "not happy" with the company's initial response and has asked it to act immediately. MobiKwik has also faced backlash for threatening legal action against a security researcher who first flagged the breach.

Several users said that they had found information such as their credit card details on a leaked online database that allegedly belonged to MobiKwik, a claim the company has denied. According to the sources, the RBI has given MobiKwik an ultimatum and ordered them to retain an external auditor to conduct a forensic audit. RBI could also impose fines if the breach is proven. The RBI did not respond to a request for comment.

Debit & credit card auto-payment: RBI extends deadline for processing recurring transactions

In a relief to banks and wallets, RBI has recently extended the timeline for processing recurring online transactions by 6 months. Now banks and financial institutions have time till September 30, 2021 to implement the new framework.

RBI said, "To prevent any inconvenience to the customers, Reserve Bank has decided to extend the timeline for the stakeholders to migrate to the framework by six months, i.e., till 30 September, 2021,".

To make digital payments in India "safe and secure", RBI introduced Additional Factor of Authentication (AFA). The recurring transactions using debit cards, credit cards, Unified Payments Interface (UPI) or other Prepaid Payment Instruments (PPIs) will require an additional factor authentication (AFA) from April 1, 2021, RBI earlier mentioned.

Under the new norms, banks will have to notify customers about recurring payments at least 24 hours prior to the actual debit to the card. The notification can be sent to the users via email or SMS. To carry the transaction for the first time, a nod from customer is compulsory. However, this extra step can be avoided for the subsequent transactions, RBI mentioned. The limit for auto-debit from cards and wallets, is set at Rs. 5,000.

For transactions above the cut-off, an additional OTP will be needed. The user will have an option to "opt-out of that particular transaction" at any point. Banks and wallets cannot levy any extra charges on customers for opting or withdrawing recurring payments. The primary objective of the framework was to protect customers from fraudulent transactions and enhance customer convenience, RBI clarified.

RBI sees leaving repo rate unchanged in first review of FY22

The Monetary Policy Committee is likely to leave the signal repo rate unchanged in the first bi-monthly Monetary Policy Review of 2021-22 as economic recovery is still tentative and retail inflation.

The six-member MPC has kept the repo rate steady at 4% in the last four bi-monthly Monetary Policy Reviews. The last time the repo rate was changed was in May, 2020, when it was cut from 4.40% to 4%. Then the reverse repo rate was also cut from 3.75% to 3.35%.

The second wave of COVID-19 and its impact on the economy is expected to figure prominently in MPC's deliberations. The committee is expected to persist with the accommodative monetary policy stance.

Edelweiss Securities expects the RBI to leave rates unchanged and stick to its accommodative stance. In a report it says, "Economic recovery is still uneven and the pace of improvement has slowed of late after a sharp rebound from lows (IIP has averaged just about 0.6% YoY in the past five months). Further, the recent rebound in COVID cases poses a fresh challenge. Thus, continued policy accommodation is very much warranted."

Rahul Bajoria, Chief India Economist, Barclays Securities (India) Pvt Ltd, and Shreya Sodhani, Research Analyst, Barclays Investment Bank, Singapore, in a report, stated, "We believe the RBI can maintain its monetary accommodation for a while to enable the recovery to become entrenched."

RBI raises accounts limit of payment banks to Rs. 2 lakh

RBI has recently increased the maximum end of day balance for payment banks to Rs. 2 lakh from Rs. 1 lakh.

RBI governor Shaktikanta Das said, "With a view to furthering financial inclusion and to expand the ability of payments banks to cater to the growing needs of their customers, the current limit on maximum end of day balance of Rs. 1 lakh per individual customer is being increased to Rs. 2 lakh with immediate effect."

Further, in an attempt to incentivise people to carry less cash and consequently perform more digital transactions, RBI has also proposed to allow the facility of cash withdrawal, for full-KYC PPIs of non-bank PPI issuers.

RBI makes interoperability mandatory for all wallet, PPI issuers

RBI has recently announced its decision to make interoperability mandatory for all full-KYC Prepaid Payment Instruments (PPIs) and other payment infrastructure. The regulator wants to effectively bring wallets at par with bank accounts in terms of service offerings.

Shaktikanta Das, Governor, RBI, expressed displeasure with the lack of effort on the part of industry players to voluntarily move towards interoperability. RBI had issued guidelines in October, 2018 for adoption of interoperability on a voluntary basis for full-KYC PPIs. According to Das, as the migration towards interoperability has not been significant, it will now be mandatory for full-KYC PPIs and for all payment acceptance infrastructure.

Presently, cash withdrawal is allowed only for full-KYC PPIs issued by banks. The allowing of cash withdrawals from all PPIs, in conjunction with the mandate for interoperability, will boost migration to full-KYC PPIs and would also complement the acceptance infrastructure in Tier-III to -VI centres.

Responding to a query about data breaches at non-bank PPIs and the role of the RBI's supervisory architecture thereof, T. Rabi Sankar, Executive Director, said that the regulator's objective would always be to protect the customer and make transactions as safe as possible.

"To that extent, like we have issued to banks recently, we are looking at issuing guidelines that could lay down the basic minimum norms for cybersecurity and other security issues. As far as instances of such issues are concerned, we are seized of those matters and we are taking all the steps required to reduce the possibility of such events," he added.

RBI committee to help ARCs realise their full potential

RBI will constitute a committee to review the working of Asset Reconstruction Companies (ARCs) and help them realise their full potential, RBI Governor Shaktikanta Das said recently. The bank has proposed to constitute a panel to recommend suitable measures, enabling such entities to meet the growing requirements of the financial sector.

The announcement from RBI came at a time when the government has announced setting up an ARC and an Asset Management Company (AMC) to help public sector banks dealing with bad loans. "ARCs play an important role in the resolution of stressed assets. Their potential, however, is yet to be fully realised," Shaktikanta Das stated.

Dinesh Khara, Chairman, SBI, said that the idea of setting up a committee to review the working of ARCs could open up new vistas of faster resolution.

Similarly, RK Bansal, MD, Edelweiss ARC, remarked that the committee by RBI would be beneficial as the ARC industry was never examined or considered for a fresh look. "The major issue is that what is the future, and business model for ARCs? Initially, it was a fee-based business model, slowly it is becoming fund-based business model," Bansal added.

Market participants are also expecting more clarity on ARC regulations from RBI.

RBI amends its inflation-forecasting model

RBI has recently said that it has revised its inflation-forecasting model to better capture how fiscal and monetary policy interact with real-economy elements.

RBI, in its latest bi-annual monetary policy report, stated that the adjustments incorporate fiscal-monetary dynamics, India's unique and often chaotic fuel pricing regime, and exchange-rate fluctuations and their impact on balance of payments.

Dubbed as the Quarterly Projection Model 2.0, the economists of RBI describe the framework as a forward-looking, open economy, calibrated, new-Keynesian gap model.

The amendments came just days after the RBI won approval from the government to retain its 2%-6% inflation target range for the next 5 years. It didn't offer a comparison between inflation rates predicted under the previous model and the new one, but stated its tools helped it keep inflation anchored around the 4% midpoint on average in the past 5 years.

RBI provides relief to ECB borrowers

RBI has recently stated that the unutilised External Commercial Borrowing (ECB) proceeds drawn down before March 1, 2020, can be parked in term deposits with banks in India prospectively up to March 1, 2022, in a relief to borrowers who could not utilise the proceeds due to lockdown. Under the extant ECB framework, borrowers are allowed to place ECB proceeds in term deposits with banks in India for a maximum period of 12 months.

RBI, in its statement on developmental and regulatory policies, said, "In view of the difficulty faced by borrowers in utilising already drawn down ECBs due to COVID-19 pandemic induced lockdown and restrictions, it has been decided to relax the above stipulation as a one-time measure, with a view to provide relief."

RBI sets up external advisory team to screen on tap bank licenses

RBI has recently announced the setting up of a Standing External Advisory Committee (SEAC) to evaluate applications for universal banks and small finance banks.

The SEAC which will have a tenure of three years, and will screen applications for universal and small finance banks after the regulator first vets the proposal. The five-member committee will be headed by former deputy governor Shyamala Gopinath.

RBI said, "The applications for Universal Banks and Small Finance Banks will be initially screened by the Reserve Bank to ensure prima facie eligibility of the applicants."

It was also stated that a SEAC comprising eminent persons with experience in banking, financial sector and other relevant areas, will evaluate the applications thereafter and that the constitution of the SEAC will be announced by RBI.

RBI reveals names of applicants for universal bank & SFB licences

RBI has recently announced the names of applicants under its on-tap licensing window for universal banks and Small Finance Banks (SFBs).

Applicants under guidelines for on-tap licensing of universal banks are Repatriates Cooperative Finance and Development Bank (Repco Bank), UAE Exchange and Financial Services, Chaitanya India Fin Credit, and Pankaj Vaish and others. Applicants seeking licences for SFBs are Calicut City Service Co-operative Bank, VSoft Technologies, Akhil Kumar Gupta, and Dvara Kshetriya Gramin Financial Services.

The universal bank licensing guidelines state that resident individuals and professionals having 10 years of experience in banking and finance at a senior level are eligible to promote universal banks. Large industrial houses are excluded as eligible entities but are permitted to invest in the banks up to 10%. Non-Operative Financial Holding Company (NOFHC) has been made non-mandatory in case of promoters being individuals or standalone promoting/converting entities who/which do not have other group entities.

For SFBs, the minimum paid-up voting equity capital / net worth requirement shall be Rs. 200 crore. For primary (urban) co-operative banks (UCBs) desirous of voluntarily transiting into SFBs, the initial net worth requirement shall be at Rs. 100 crore, which will have to be increased to Rs. 200 crore within 5 years from the date of commencement of business. The net worth of all SFBs currently in operation is in excess of Rs. 200 crore.

Customer privacy, data protection are non-negotiable: RBI Deputy Governor

RBI Deputy Governor M. Rajeshwar Rao has recently said that technological innovation in banking is of paramount importance but cannot be pursued at the cost of customer privacy and data protection which are non-negotiable.

Rao, while speaking at a webinar on Open Banking organised by Tata Consultancy Services in association with the Embassy of India in Brazil, said, "We must generate trust amongst the customers that their data is safe and secure in all their financial relationships with regulated entities and for that - innovation and regulation should go hand-in-hand."

He also added, "All stakeholders need to appreciate the fact that while technological innovation is of paramount importance, the customer privacy and data protection are non-negotiable".

RBI Deputy Governor stated that "We must generate trust" amongst the customers that their data is safe and secure in all their financial relationships with regulated entities and for that - innovation and regulation should go hand-in-hand.

Rao noted that in contrast to the open banking initiatives witnessed in some countries, India has embraced an approach where both the regulator and the market have collaborated for the development of the open banking space.

RBI allows commercial lenders to pay up to 50% of pre-COVID dividends

RBI has recently relaxed the dividend payout norms of commercial banks and allowed them to pay up to 50% of what they paid before COVID-19 from the profits for the fiscal ended on March 31, 2021. For FY20, the RBI had asked banks not to make any dividend payment on equity shares from the profits in view of the ongoing stress and heightened uncertainty on account of COVID-19.

RBI stated, "In partial modification of the instructions, banks may pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than 50% of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the May 4, 2005 circular. Other instructions in the circular shall remain unchanged."

RBI also said that cooperative banks are permitted to pay dividend on equity shares from the profits of the financial year ended March 31, 2021, as per the extant instructions. However, all banks must continue to meet the applicable minimum regulatory capital requirements after dividend payment.

RBI slaps Rs. 2 crore penalty on SBI for 'deficiencies in regulatory compliance'

RBI has slapped a penalty of Rs. 2 crore on SBI over "deficiencies in regulatory compliance".

RBI, in a press release, said, "This 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."

SBI was penalised for "contravention of provisions of section 10 (1) (b) (ii) of the Banking Regulation Act, 1949 (the Act) and specific directions of RBI issued to the bank on payment of remuneration to employees in the form of commission", the statement read.

"This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47A (1) (c) read with sections 46 (4) (i) and 51 (1) of the Act," it further added.

RBI deputy governor BP Kanungo retires

BP Kanungo has stepped down from the post of deputy governor of RBI after his term ended on April 2, 2021 cutting short all expectations of an extension of his tenure. As deputy governor, he was in charge of the department of payment and settlement, currency management, foreign exchange among others.

Kanungo's retirement comes at a time when the government is planning to introduce the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 in Parliament. RBI is also coming out with several regulations around fintech and payment.

BP Kanungo, a career central banker, joined RBI in September, 1982. He worked in several functional areas of the banks such as foreign exchange management, banking & non-banking supervision, currency management, government and bank accounts and public debt. ❑

Industry News

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

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

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

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

India rolls back decision to cut interest rates on small savings

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

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

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

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

Non-banking finance companies seek easier rules for cancelling NACH mandates

Non-banking finance companies, particularly those with an asset base of less than Rs. 500 crore, have sought relaxation in rules for cancelling National Automated Clearing House mandates by their customers. The Finance Industry Development Council has written to the National Payments Corporation of India "to provide cancellation facility through simpler means such as WhatsApp and SMS" in a secure manner.

In a letter to the NPCI MD & CEO, Dilip Asbe, FIDC has stated this would enable customers to cancel NACH mandates in a simple manner rather than having to access the companies' websites to carry out such a request.

It has also requested NPCI to allow small NBFCs (with an asset base of less than Rs. 500 crore - which are categorised by the RBI as non-systemically important) to provide such a facility on a 'best effort' basis and not as a mandate.

"Most of our members are small NBFCs that operate in limited geographies and provide the vital last-mile credit delivery to unserved and under-served segments of the economy including agriculturists, MSME, small road transport operators," FIDC stated in the letter, adding that many of these NBFCs are very small and do not have a well-developed website.

Digital payments: India overshadows China, US & others in 2020, leads global tally

Amid COVID-19, India was home to the highest number of real-time online transactions in 2020 ahead of developed countries such as China and the US. A total of 25.5 billion real-time payments transactions were processed in India, followed by 15.7 billion in China, 6 billion in South Korea, 5.2 billion in Thailand, and 2.8 billion in the UK.

According to a report by the UK-based payments system company ACI Worldwide, the transaction volume share for instant payments India, among real-time transactions, was 15.6% and 22.9% for other electronic payments in 2020. Importantly, paper-based payments continued to have a considerable share of 61.4% in India.

India's digital payments market led by Paytm, PhonePe, BharatPe, Pine Labs, Razorpay, and others on the B2C and B2B sides has surged during the pandemic even as incentives such as cash backs, rewards, and offers have helped businesses to attract more customers. Moreover, policy frameworks such as Pre-Paid Instruments, Universal Payment Interface by the NPCI apart from Aadhar, and the launch of BHIM-app have driven the financial inclusion and improved the payment acceptance infrastructure in the country in the past few years.

Jana Small Finance Bank files for IPO to raise Rs. 700 crore

Jana Small Finance Bank has recently filed preliminary papers with SEBI to float an initial share-sale. The Initial Public Offer (IPO) comprises of fresh issuance of equity shares worth Rs. 700 crore and an offer for sale of up to 92,53,659 shares by existing shareholders, the Draft Red Herring Prospectus (DRHP) filed with SEBI stated.

Those selling shares in the offer-for-sale include ICICI Prudential Life Insurance Company, Bajaj Allianz Life Insurance Company, Hero Enterprise Partner Ventures, Enam Securities, North Haven Private Equity Asia Platinum Pte Ltd, Tree Line Asia Master Fund (Singapore) Pte Ltd., and QRG Enterprises. According to merchant banking sources, the IPO is expected to fetch Rs. 1,100 crore.

The small finance bank has proposed to utilize the net proceeds from the fresh issue towards augmenting its Tier - 1 capital base to meet future capital requirements. The proceeds will also be used for meeting the expenses in relation to the offer.

Jana Small Finance Bank stated that it may consider a pre-IPO placement of an aggregate amount not exceeding Rs. 500 crore, including by way of a proposed further issue to its promoters for an amount of up to Rs. 400 crore. The pre-IPO placement, if undertaken, will be completed prior to filing of the DRHP with the Registrar of Companies (RoC). In case the pre-IPO placement is undertaken, the amount raised will be reduced from the fresh issue.

Stand-Up India Scheme: More than Rs. 25,586 crore loans sanctioned in last 5 years

The Finance Ministry has recently said that almost five years since launch, the Stand-up India scheme has seen loans sanctioned by banks in aggregate of Rs. 25,586 crore to over 1,14,322 accounts.

This scheme was launched on April 5, 2016 to promote entrepreneurship amongst women, Scheduled Castes and Scheduled Tribes category. It is now extended upto the year 2025. The main objective of the scheme is to provide loans for setting up greenfield enterprises in manufacturing, services or the trading sector and activities allied to agriculture by both ready and trainee borrowers.

According to an official release, the total loans sanctioned to women stood at Rs. 21,200.77 crore (93034 accounts); the loans sanctioned to SCs stood at Rs. 3335.87 crore (16258 accounts) and STs at Rs. 1049.72 crore (4,970 accounts).

This scheme facilitates bank loans between Rs. 10 lakhs to Rs. 1 crore to at least one scheduled caste/scheduled tribe borrower and at least one woman borrower per bank branch of scheduled commercial banks.

RTGS & NEFT membership to be allowed for non-banking payment institutions

RBI has recently said that National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS) facilities will now be extended to non-bank payment institutions, expanding the reach of the payment systems.

RBI stated, "It is proposed to enable, in a phased manner, payment system operators, regulated by the Reserve Bank, to take direct membership in CPSs. This facility is expected to minimise settlement risk in the financial system and enhance the reach of digital financial services to all user segments."

NBFCs to face asset quality, liquidity risk due to COVID-19 second wave

Non-Banking Finance Companies (NBFC) of India are likely to face asset quality and liquidity risks owing to the second wave of the COVID-19 pandemic, forecasted credit rating agency Fitch Ratings. Fitch has recently said that NBFCs will face increased challenges if the restrictions to contain the pandemic are expanded or prolonged which in turn leads to economic and operational disruption.

Fitch stated that it had revised India's GDP forecast for the FY22 to 12.8% in its March, 2021 Global Economic Outlook, from 11% in the previous forecast in December, 2020 due to the unexpectedly strong rebound in economic activity in late 2020 and early 2021.

Fitch said, "The forecast revision incorporated expectations of a slowdown in 2021 due to the flare-up in new Corona Virus cases. However, an increase in the rate of infections and broadening of social distancing restrictions pose downside risks to our projections."

A hotspot is Maharashtra, the state with the largest economic contribution in India at 13-14% of India's GDP. Maharashtra introduced stricter social-distancing measures recently in response to rising COVID-19 cases, including weekend curfews and weekday activity restrictions.

The economic impact of these curbs will depend on their duration and severity. Expanded curbs could derail the fragile recovery in India's NBFC sector since a nation-wide lockdown was gradually relaxed from mid-2020.

S Ramann appointed as SIDBI MD & Chairman

The government has appointed S. Ramann as Managing Director and Chairman of Small Industries Development Bank of India (SIDBI).

According to the government statement, the appointment is for a period of 3 years from the date of his assuming the charge or until further orders.

Ramann, a 1991-batch Indian Audit & Accounts Service officer, is currently the CEO of National E-Governance Services Ltd.

SBM Bank India & U GRO Capital partner to launch credit card for MSMEs

U GRO Capital recently announced its partnership with SBM Bank India for the launch of 'GRO Smart Business' credit card, powered by RuPay, along with EnKash. These are a range of secured credit cards specially designed for MSMEs. These can be availed by the U GRO Capital borrowers against a fixed deposit with SBM Bank India.

According to U GRO Capital, the credit card will offer a gateway to Smart Banking and will help MSME entrepreneurs in solving multiple financial challenges, such as meeting immediate expenses like purchases of equipment and supplies, make business utility bill payments, manage vendor payments, as well as managing reimbursements for travel and entertainment expenses of employees.

Shachindra Nath, MD & Executive Chairman, U GRO Capital, said, "We are elated to collaborate with SBM Bank India and launch this distinctive arrangement powered by the RuPay Network. The 'GRO Smart Business' Credit Card will allow our MSME customers to manage their urgent credit requirements and cash-flows effectively. MSMEs face a frequent need of urgent credit, catering to which becomes a challenge causing drastic cash flow disruptions. This arrangement will enable the businesses to tackle these situations effectively. We have been constantly exploring impactful solutions to support the revival and growth of the nation's MSMEs. We believe this collaboration to be a significant initiative in the right direction."

Neeraj Sinha, Head - Consumer & Retail Banking, SBM Bank India, stated, "At SBM Bank India, we are committed to use the power of banking, technology and collaboration to create uniquely smart solutions. The launch of 'GRO Smart Business' credit card is in line with the same strategy. We are proud to partner U GRO Capital for the new product."

Average daily FASTag collection crosses Rs. 100 crore-mark: Gadkari

The average daily toll collection through FASTag has reached Rs. 100 crore daily, Parliament was informed recently.

The government has made FASTags mandatory from February 15 midnight and any vehicle not fitted with it will be charged double the toll at electronic toll plazas across India.

Nitin Gadkari, Minister, Road Transport, Highways and MSMEs told the Rajya Sabha in a written reply, "As on 16th March 2021, more than 3 crore FASTags have been issued. The average daily fee collection through FASTag is more than Rs. 100 crores from 1st March 2021 to 16th March 2021."

EPFO closed 7.1 million accounts in April-December 2020

The Parliament was informed very recently that Employees' Provident Fund Organisation closed 7.1 million EPF accounts during April-December, 2020 post pandemic which is higher than 6.6 million in the same period a year ago.

Santosh Gangwar, Labour Minister said in a written reply to the Lok Sabha, "The number of EPF accounts closed during the period from April to December, 2020 is 71,01,929,".

The minister also stated that the number of EPF accounts with partial withdrawal also rose to 1,27,72,120 in April-December 2020 from 54,42,884 in the same period in 2019.

Only GPS-based toll collection in a year: Gadkari

Nitin Gadkari, Union Road Transport and Highways Minister has recently told the Lok Sabha that all toll booths across the National Highway network will be done away with and a complete GPS-based toll collection system will be rolled out within one year.

Responding to a question during the Question Hour, he stated, "The money will be collected based on GPS imaging (on vehicles) and you will pay the user fee for the stretch you will use."

Gadkari also said that 93% of the vehicles are currently paying toll using FASTag and the remaining 7% who haven't are paying a double user fee.

Telangana announces 30% fitment for staff; retirement age fixed at 61

The State Government of Telangana recently announced 30% fitment for all government employees and teachers and raised their retired age from 58 to 61.

Chief Minister K. Chandrasekhar Rao said that around 9.17 lakh employees and pensioners, including contract and outsourcing employees, would be given a salary hike from April 1, 2021. Also, he announced extension of the retirement age of government employees and teachers from the existing 58 to 61.

Rao said, "I am happy to announce the good news to all state government employees and teachers that they will get 30% fitment and to this effect the orders will be implemented from April 1, 2021."

MCA may decriminalize LLP violations

The government is set to introduce a Bill regarding the decriminalization of minor and technical violations in the Limited Liability Partnership (LLP) Act, and give these business vehicles more borrowing flexibility. The corporate affairs ministry is presently working on the Bill, based on suggestions given by a panel of experts led by secretary in the ministry Rajesh Verma.

The move signifies concerted efforts to bring to effect as quickly as possible all the planned legislative changes aimed at improving ease of doing business which the government hopes will add momentum to the economic recovery.

The idea is to decriminalize 12 offences that will be dealt with by an in-house adjudication mechanism rather than the National Company Law Tribunal (NCLT). One offence related to non-compliance of tribunal orders will be dropped to avoid duplication.

The Bill is expected to offer relief on certain fees and penalty for defaults to small LLPs defined on the basis of their total contribution and sales. There is also a plan to introduce an accounting and auditing regime for LLPs.

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COVID-19 second wave heightens risks for Indian banks

According to Fitch, the second wave of COVID-19 infections poses increased risks for India's fragile economic recovery and its banks. Fitch already expects a moderately worse environment for the Indian banking sector in 2021, but headwinds would intensify should rising infections and follow-up measures to contain the virus further affect business and economic activity.

Fitch forecasts India's real GDP growth at 12.8% for the financial year ending March 2022 (FY22). This incorporates expectations of a slowdown in 2Q21 due to the flare-up in new Corona Virus cases but the rising pace of infections poses renewed risks to the forecast. Over 80% of the new infections are in 6 prominent states, which combined account for roughly 45% of total banking sector loans. Any further disruption in economic activity in these states would pose a setback for fragile business sentiment, even though a stringent pan-India lockdown like the one in 2020 is unlikely.

The operating environment for banks will most likely remain challenging against this backdrop. This second wave could dent the sluggish recovery in consumer and corporate confidence, and further suppress banks' prospects for new business.

Home sales rise 12% in Jan-Mar quarter: Report

According to a report, home sales across 8 prime residential markets in India witnessed a 12% sequential rise in the January-March quarter of calendar year 2021. Developers sold a total of 66,176 homes during the period, helped by stamp duty and circle rate reductions, as announced by state governments like Maharashtra.

Dhruv Agarwala, Group CEO, Housing.com, Makaan.com and PropTiger.com, stated, "The residential real estate market in the country is seeing a positive momentum on the back of various measures taken by the centre and state governments, the RBI and the entire banking system (as demonstrated in home loan rate reductions)."

Another reason behind the pick-up in sales was affordability, a combination of property prices and lending rates. "Though the recent surge in covid-19 infections concentrated in a few markets is a concern, we expect the residential market recovery to continue," Agarwala added.

Jeep India join hands with Axis Bank to launch financial services initiative for customers & dealers

Jeep India has recently said that it has inked a pact with Axis Bank for a new initiative to provide better retail financing options to its customers and dealers across the country. This pact aims to come up with 'Jeep Financial Services' to curate financial solutions for Jeep customers as well as brand dealers.

According to Jeep India, formation of the entity strategically supports the anticipated growth in the business of Jeep India and a consequent rise in its customer base. Jeep brand dealers will also be benefitted from the partnership as they will enjoy special interest rates and will contribute to a more seamless retail process.

As part of the partnership, Axis Bank and Jeep India will get access to each other's growing customer database. Jeep customers will be serviced from the bank's 4,586 branches spread across India and also via on-site counters at high footfall Jeep brand dealerships.

Sumit Bali, President & Head - Retail Lending, Axis Bank, said, "Our strategic partnership with a prestigious automobile brand like Jeep will enable us to reach out to a newer and wider set of customers in India. Both Axis Bank and Jeep India have a strong track record in our respective industries and this partnership's complete focus will be on keeping customers first."

60% of allocated cases settled in a year using faceless tax assessment

Central Board of Direct Taxes (CBDT) chairman P.C. Mody said that after the faceless assessment scheme was rolled out in August 2020, the Income Tax department has settled about 1.15 lakh assessment orders or nearly 58% of the cases allocated for such resolution.

According to him, after the scheme was launched, 57,985 legacy cases and 1,36,001 new cases were allocated in faceless assessment scheme. Out of these, 46,822 legacy cases and 59,552 new cases have been disposed of.

Mody said, "Where there was a case to raise tax demand, it was done and where there was no need to raise demand, no tax claim was made."

He further added that in these cases, additional tax demands were there only in around 8% of the cases, (against 60% during the earlier system) that involved personal interface and resultant element of subjectivity. The amount involved in tax disputes were over 11 lakh crore in FY19 end, as per official data, up 23% over the year-ago level; the Centre's gross tax receipts in FY19 was Rs. 20.8 lakh crore. ❑

Mutual Fund News

Mutual funds sell equities worth Rs. 1.29 trillion in FY21

Domestic mutual funds sold shares worth Rs. 1.29 trillion in FY21 - the most in a decade - even as stock markets rallied to record highs during the year amid a gush in foreign liquidity inflows.

Data from SEBI showed that the year witnessed high redemption from equity mutual funds as new retail investors took to investing in equities directly.

Anand Vardarajan, Business Head, Banking, Alternate Products and Product Strategy, Tata Asset Management Ltd., said, "Equity as an asset class did extremely well in the last financial year with the Sensex clocking almost 68% return. Low expectations, cheap valuations and global liquidity led to a market rally."

"However, investor sentiment was not very upbeat and they took an approach of sell on rally. In equities, there is a tendency to sit over one's losses but trim gains. Usually, it is big returns or quick returns. FY21 was a rare year when it was big and quick, and investors perhaps chose to pocket that and, hence, the net outflows," he further added.

Equity mutual funds see 1st net inflow in 8 months

After 8 months of net outflows, equity mutual funds attracted net inflows of Rs. 7,376 crore in March, 2021 with all categories of open-ended funds barring multi-cap, value and contra funds reporting inflows.

However, the data released by the Association of Mutual Funds of India showed that closed-ended equity schemes saw net outflows of Rs. 1,739 crore due to maturing of the schemes. Of the total net inflows, systematic investment plans accounted for Rs. 9,182 crore in March, a substantial jump over February's Rs. 7,528 crore.

Total flows into equity funds were the highest since March, 2020. However, according to N.S. Venkatesh, CEO, AMFI, some of these inflows were due to holidays at the end of February, which shifted flows of around Rs. 500 crore to March.

Open-ended debt mutual funds, on the other hand, saw net outflows of Rs. 52,528 crore, led by short-term debt categories like low duration funds, liquid funds, ultra-short duration funds, money market funds and short-duration funds. Some of these outflows are seasonal, as corporate treasuries pull out funds to pay advance tax in March.

Aditya Birla Sun Life AMC files DRHP for IPO

Aditya Birla Sun Life AMC Ltd has recently filed a draft red herring prospectus with the Securities and Exchange Board of India to raise funds via initial public offering.

Aditya Birla Capital Ltd and Sun Life (India) AMC stated that they will together sell a 13.5% stake in their asset management joint venture - Aditya Birla Sun Life AMC Ltd. Aditya Birla Capital will sell up to 2.88 million shares held by it in the asset management business, while Sun Life (India) AMC will sell up to 36.03 million shares.

Kotak Investment Banking, Bofa Securities, Citigroup Global markets India, Axis Capital, ICICI Securities, IIFL Securities, JM Financial, Motilal Oswal Investment Banking, SBI Capital and Yes Securities are the book running lead managers to the issue.

Aditya Birla Sun Life AMC manages 135 mutual fund schemes, several of which have recorded superior performance compared to industry averages, as well as 6 domestics FoFs. It also provides portfolio management services, offshore funds and alternative investments

Kotak Mutual Fund to launch two Exchange Traded Funds (ETF)

Kotak Mutual Fund has recently filed papers for launching two passive funds - Nifty 100 Low Vol 30 ETF and Kotak Nifty Alpha 50 ETF.

The Nifty 100 Low Vol 30 ETF will make investments in the constituents of the index to generate returns that are commensurate with the performance of the Nifty 100 Low Volatility 30 index, while the Kotak Nifty Alpha 50 ETF will invest in the constituents of Nifty Alpha 50 index and generate returns that are commensurate with the performance of the index.

The ETF units will be listed on BSE and all purchase and sale of units by investors other than Authorised Participants and large investors will be done on the stock exchange. The NAV has a reference value for investors and will be used by Authorised Participants for offering quotes on the stock exchange.

The Nifty 100 Low Vol 30 ETF will also have exposure to equity derivatives of the index itself or its constituent stocks. The gross position to such derivatives will be restricted to 5% of net assets of the scheme.

The scheme may invest upto 5% of debt and money market instruments in another scheme of the Kotak Mahindra Mutual Fund or any other Mutual Fund without charging any fees.

SEBI rules may complicate mutual fund investments through mobile apps

SEBI has recently prohibited digital mutual funds advisory companies such as Paytm from charging implementation fees from Asset Management Companies (AMCs) for their mutual fund advisory services to users. It has also stated that such investment advisory platforms must sign an agreement with the client before providing such advisory services, which might complicate the investment process for some consumers.

According to a guidance note by SEBI, the clarification comes after SEBI rejected Paytm Money's request to avail reimbursement from AMCe whose direct mutual fund plans the platform sells

Paytm Money allows retail investors and consumers to compare the expense ratio of direct and regular plans of any mutual fund scheme and provides other services such as Know Your Customer (KYC) processing, technology hosting, among others which are critical to enable investments. However, it does not charge advisory or any fees relating to the execution of such services, as per the SEBI rules around fees. Now, SEBI has clarified that Paytm cannot charge the AMCs any fees for the provision of these services.

SEBI explained, "Paytm bears the cost that the AMC's are bearing in case the said investments were directly routed through them. Digital mutual fund platforms can offer execution services for users on behalf of advisory clients without charging any commission or fees."

SEBI also added that mutual fund platforms are mandated to only provide advisory services after an investment advisory agreement is signed with the client, containing certain terms and conditions directed by SEBI.

"Mere online consent with a copy of the agreement emailed to the client's inbox will not be sufficient," the note further added.

Aditya Birla Capital planning for IPO for its mutual fund business

Aditya Birla Capital is planning a Dalal Street debut, and meeting with bankers to plan the IPO of its mutual fund business - Aditya Birla Sun Life Asset Management Company. According to the report, the company is likely to file IPO documents with market regulator SEBI in April itself.

Notably, the Board of Directors of Aditya Birla Capital in March gave in-principle approval to explore an initial public offering of the AMC.

Aditya Birla Capital, in a recent regulatory filing, said, "The board of directors of Aditya Birla Capital has provided its in-principle approval to explore an initial public offering of Aditya Birla Sun Life AMC, a material subsidiary of the company subject to market conditions, receipt of applicable approvals and other considerations." ❑

Co-Operative Bank News

RBI cancels licence of Bhagyodaya Friends Urban Co-operative Bank

Reserve Bank of India has recently cancelled the banking licence of Maharashtra-based Bhagyodaya Friends Urban Co-operative Bank Ltd. for failing to garner adequate capital and with no prospects of earning for the lender. Almost 98% of the depositors and customers of Bhagyodaya Friends Urban Co-operative Bank are eligible to receive full amount from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

As per the statement of RBI, more than 98% of the depositors will receive full amounts of their deposits from DICGC. On liquidation, every depositor would be entitled to receive deposit insurance claim amount of his/her deposits up to a monetary ceiling of Rs. 5 lakh from the DICGC subject to the provisions of the DICGC Act, 1961.

The bank was under 'all-inclusive directions' since January 17, 2019. RBI has also directed the state commissioner for cooperation and registrar of cooperative societies to issue an order for winding up and appointing a liquidator for the bank.

RBI, in a recent release, stated, "The bank does not have adequate capital and earning prospects. As such, it does not comply with the provisions of section 11(1) and section 22 (3) (d) read with section 56 of the Banking Regulation Act, 1949. The bank has failed to comply with the requirements of section 22(3) (a), 22 (3) (b), 22(3)(c), 22(3) (d) and 22(3)(e) read with section 56 of the Banking Regulation Act, 1949."

With the cancellation of licence, liquidation proceedings will commence and the process of paying depositors of Bhagyodaya Friends Urban Co-operative Bank would be set in motion.

WB-based United Cooperative Bank will continue to be under radar of RBI

RBI has recently issued a direction suggesting that West Bengal-based United Co-operative Bank Limited will continue to be under its close watch. From July 18, 2018, the cooperative bank had been directed to follow RBI's direction in the case of operations.

In 2018, RBI has directed the cooperative bank to grant or renew any loans and advances, make any investment, incur any liability including the borrowing of funds, etc., only after approval from RBI. "Reserve Bank of India has now, in public interest, further extended the directions for a period of two months from April 19, 2021 to June 18, 2021," RBI said.

Under sub-section (1) of section 35 A read with section 56 of the Banking Regulation Act, 1949 (AACS) from the close of business on July 18, 2018, the restrictions were imposed by RBI. This direction was modified from time to time which was last extended up to April 18, 2021. RBI stated that the details of this direction is displayed at the bank's premises.

The bank will continue to undertake banking business with restrictions till its financial position improves. RBI may consider modifications of these directions depending upon circumstances from time to time.

Citizens' Cooperative Bank reports profit for 2020-21

After three consecutive years of straight loss, Citizens' Cooperative Bank (CCBL) Jammu has registered profit in 2020-21 on the back of effective recoveries and lower non-performing assets. CCBL has improved its financial condition and booked an operating profit of Rs. 2.86 lakh in 2020-21 as against an operating loss of Rs. 108.56 lakh in the previous fiscal.

The bank, under the management of the Board of Administrators, started to take action against the defaulters under provisions of the SARFAESI Act and were able to recover Rs. 685.81 lakh in NPA accounts during 2020-21, out of which recovery of Rs. 273.26 lakh was made in March, 2021 itself.

According to an official spokesperson, "In spite of COVID-19 restrictions, the bank has improved its financial health and registered operating profit for the year 2020-21. However, the bank is still grappling with the issue of higher NPAs."

The management has also taken numerous steps to improve the financials of the bank for sustaining and registering further improvement in all the segments. CCBL has succeeded in making profits as the bank's board constituted special recovery teams to keep a close vigil on a case-to-case basis to arrest the slippage of its loans to NPAs.

RBI withdraws restrictions on Youth Development Co-operative Bank

In a relief to the customers of Youth Development Co-operative Bank Ltd., Kolhapur, RBI has recently withdrew all restrictions imposed on the lender since January, 2019.

Several restrictions, including a cap of Rs. 5,000 on withdrawals from the Youth Development Co-operative Bank Ltd., were imposed by RBI in the wake of its worsening financial position, initially for six months from the close of business on January 5, 2019. The validity of the "all-inclusive directions" was extended from time to time, the last being up to April 5, 2021.

Among other restrictions, the bank was barred from granting or renewing any loans and advances, making any investment, incurring any liability, without prior approval in writing from RBI.

RBI, in a recent circular, stated, "Reserve Bank of India, on being satisfied that in the public interest it is necessary to do so... Hereby withdraws with effect from April 05, 2021, All-Inclusive Directions issued to Youth Development Co-operative Bank Limited, Kolhapur, Maharashtra."

Committed to uplifting cooperative banks: Sukhjinder Singh Randhawa

Punjab Jails Minister Sukhjinder Singh Randhawa has recently said that the Punjab Government had strengthened co-operative sector institutions that were on the verge of closure during the tenure of the previous government.

During the inauguration of the newly-opened branch of Patiala Central Cooperative Bank Limited at Jalalpur village, Randhawa said that the State Government under the leadership of Chief Minister Captain Amarinder Singh, had given state-of-the-art facilities to its account holders. He said the previous Government had insisted on abolishing cooperative banks by giving loans to their near and dear ones, but we were committed to restoring the glory of these institutions by getting repayment from big defaulters. He said of Rs. 400 crore taken by the then Akali Dal Government for running the Atta Dal scheme through Markfed and PUNSUP, Rs. 380 crore was repaid by the Congress Government.

"To bring the cooperative banks on a par with national and private ones, we will improve the online infrastructure by unifying all 802 branches for which a request has already been made to the RBI," he further added.

Shivalik Small Finance Bank: First cooperative bank to get SFB licence, starts operations

Reserve Bank of India has recently stated that Shivalik Small Finance Bank has commenced operations as a small finance bank with effect from April 26, 2021. RBI has issued a licence to the bank under Section 22 (1) of the Banking Regulation Act, 1949 to carry on the business of small finance bank in India. Thus, it has become India's first Urban Co-operative Bank (UCB) to transition to a Small Finance Bank (SFB). The in-principal approval gave SMCB 18 months' time to commence the business.

As per the scheme, the minimum net worth of the proposed SFB was set at Rs. 100 crore and the minimum capital adequacy ratio of 15% from the date of commencement of business. According to its annual report, Shivalik Mercantile Cooperative Bank's net worth stood at Rs. 77.21 crore and the capital adequacy ratio was at 13.07% as on March, 2019.

Shivalik Mercantile Cooperative Bank is registered under the Multi-state Cooperative Societies Act, 2002 and operates through 31 branches across Uttar Pradesh, Madhya Pradesh and Uttarakhand. It acquired two Madhya Pradesh-based cooperative banks in 2010 and 2012. ❑

Legal Cases

HC seeks Government response on feasibility of Islamic Banking

High Court has recently sought response from the authorities to the PIL seeking feasibility of introducing Islamic Banking in J&K UT. The Division Bench of Acting Chief Justice Pankaj Mithal and Justice Sindhu Sharma granted 3weeks' time to Chief Secretary of UT, Principal Secretary Finance for filing of their response in opposition to the PIL.

Union Ministry and RBI were represented by their counsels Tashir Shamsi and J&K Bank was represented by their counsel Senior Advocate Z A Shah and they informed the court that the response on their behalf has been filed however the counsel appearing for JK Government sought some time to respond to the contentions raised in the plea.

The DB granted 3 weeks' time to him for the same. The PIL has been filed by an NGO (Peoples Forum) through its advocate Altaf Haqani seeking direction from the court that Union Ministry of Finance be directed to file response and issue necessary notification for Introduction of Sharia Complaint windows as recommended by Deepak Mohanty Committee and Report of the Inter-Departmental Group of RBI & its Feasibility of Introducing Islamic Banking in India.

Supreme Court order on interest waiver: PSU Banks may have to take Rs. 2,000 crore

Public sector lenders may have to bear a burden of Rs. 1,800-2,000 crore arising due to a recent Supreme Court judgment on the waiver of compound interest on all loan accounts which opted for moratorium during March-August 2020.

The judgment covers loans above Rs. 2 crore as loans below this got blanket interest on interest waiver in November, 2020. Compound interest support scheme for loan moratorium cost the government Rs. 5,500 crore during 2020-21 and the scheme covered all borrowers including the prompt one who did not avail moratorium.

According to banking sources, initially 60% of borrowers availed moratorium and gradually the percentage came down to 40% and even less as collection improved with ease in lockdown. In case of corporate, this was as low as 25% as far as public sector banks were concerned.

They further said, banks would provide compound interest waiver for the period a borrower had availed moratorium. For example, if a borrower availed moratorium of three months, the waiver would be for that period.

Previously, RBI on March 27, 2020 announced a loan moratorium on payment of installments of term loans falling due between March 1 and May 31, 2020, due to the COVID-19 pandemic, later the same was extended to August 31, 2020.

The apex court order this time is only limited to those who availed moratorium so the liability of the public sector bank should be less than Rs. 2,000 crore as per rough calculations. Besides, the order does not specify a timeframe for the settlement of compound interest unlike last time so banks can devise a mechanism of adjusting or settling it in staggered manner.

Hyderabad woman shares banking credentials with known acquaintances, loses Rs. 3.10 lakh

According to the report, a woman from Hyderabad has recently shared her banking credentials with two known acquaintances are lost Rs. 3.10 lakh. It is alleged that the two men siphoned off Rs. 3.10 lakh from her bank account and later splurged the money at various bars and pubs in Goa.

According to Rachakonda Police, P. Srinivasulu and Uday Manish were residing at the same hostel in Ameerpet while looking for a job. Both the accused came in contact with the women through one of their acquaintances, Ganesh. The three of them became friendly with each other.

The woman contacted the accused as she wanted an auto-rickshaw to take her puppy out for a walk. When the accused asked Rs. 500 for payment to the autorickshaw, the woman shared her banking credentials for the fare payment without knowing the consequences. Later, the accused, after stealing her debit card went to Goa and spent Rs. 3.10 lakh at pubs and other locations in the city.

Govt. amends insolvency law; launches pre-packaged resolution process for MSMEs

The government has recently amended the insolvency law to provide for a pre-packaged resolution process for Micro, Small and Medium enterprises. An ordinance was promulgated to amend the Insolvency and Bankruptcy Code on April 4, 2021, according to the notification.

The latest move comes less than two weeks after the suspension of certain IBC provisions ended. The suspension - wherein fresh insolvency proceedings were not allowed for a year starting from March 25, 2020 - was implemented amid the Corona Virus pandemic disrupting economic activities.

According to the ordinance, it is considered necessary to urgently address the specific requirements of Micro, Small and Medium Enterprises relating to the resolution of their insolvency, due to the unique nature of their businesses and simpler corporate structures.

It is considered expedient to provide an efficient alternative insolvency resolution process MSMEs to ensure a quicker, cost-effective and value maximising outcomes for all stakeholders, in a manner which is least disruptive to the continuity of their businesses and which preserves jobs.

American Express & Diners Club International barred from adding new customers

Reserve Bank of India has recently imposed restrictions on American Express Banking Corp and Diners Club International Ltd. from on-boarding new domestic customers onto their card networks from May 1, 2021. As per the statement of RBI, these two entities have been found non-compliant with the directions on storage of payment system data. The statement also added that the order will not impact existing customers.

Diners Club International Ltd. and American Express Banking Corp are payment system operators authorised to operate card networks in the country under the Payment and Settlement Systems Act, 2007 (PSS Act). The supervisory action has been taken in exercise of powers vested in RBI under Section 17 of the PSS Act.

In terms of RBI circular on storage of payment system, all payment system providers were directed to ensure that within a period of six months, the entire data relating to payment systems operated by them is stored in a system only in India. They were also required to report compliance to RBI and submit a board-approved System Audit Report (SAR) conducted by a CERT-In empanelled auditor within the timelines specified therein.

Cheque dishonor cases can't be filed or continued against firms facing insolvency proceedings: SC

The Supreme Court has recently held that the cheque bounce cases can neither be instituted nor be continued against companies which are facing insolvency proceedings and are protected under a provision of Insolvency and Bankruptcy Code (IBC) putting a moratorium on legal proceedings against them.

However, the court did not extend the benefit of moratorium on judicial proceedings in cheque bounce cases to directors or signatories of cheques of such firms, stating criminal cases would continue against "natural persons".

A bench headed by Justice R F Nariman was faced with the legal issue of whether "the institution or continuation of a proceeding under Section 138/141 (cheque bounce cases) of the Negotiable Instruments Act can be said to be covered by the moratorium provision, namely, Section 14 of IBC".

Holding that the judicial proceedings in cheque bounce cases are covered under IBC, the apex court stated, "It is clear that a Section 138 proceeding can be said to be a 'civil sheep' in a 'criminal wolf's' clothing, as it is the interest of the victim that is sought to be protected, the larger interest of the state being subsumed in the victim alone moving a court in cheque bouncing cases, as has been seen by us in the analysis made in Chapter XVII of the Negotiable Instruments Act. ❑

Banking Technology, Fintech and Digital Transformation explored at the 10th Annual Middle East Banking Innovation Summit

The 10th Annual Middle East Banking Innovation Summit returned this week for two full days of panels and keynote presentations exploring the world of banking technology and digital transformation. Held on the 1st and 2nd of March at Le Méridien Dubai Hotel and Conference Centre, the event brought together the biggest and most influential figures in the banking and fintech industry to share their wealth of expertise.

The Summit opened with a fascinating fireside chat between Naveed Minhas, Digital Platforms Executive, and Philip King, Global Head of Retail Banking at ADIB as they discussed how banks can improve their balance sheet through driving customer acquisition. Next up, Sudhakar Nibhanupudi from the National Bank of Kuwait joined us virtually to speak on data management and effective analytics for innovation. This enlightening keynote was followed up with Sidhant Sachdev, from our Platinum Sponsor, Tanla. Sidhant gave an overview of blockchain and how to ensure customer experiences are formed on trust and finished up with an engaging Q&A with the delegates. Rounding out the morning, we heard from Carole Elias of ProgressSoft as she spoke on the new face of banking and finally a lively panel session discussing the role of CIOs in the dynamic, ever-changing banking world. Moderated by Naveed Minhas, the speakers for this exciting session were Noman Rasheed of Dubai Islamic Bank, Dr Joseph George of the National Bank of Fujairah PJSC, Ghinwah Baradhi of HSBC Middle East and Yuri Misnik of First Abu Dhabi Bank.

Returning after a coffee break, delegates were treated to another panel discussion featuring Sid Bhatia from Dataiku, Ahmed Alrefaei from Arab Bank for Investment & Foreign Trade, Sri Lakshmi from First Abu Dhabi Bank and Alok Gupta from HSBC. Speaking about data monetization and why it's more than just a revenue stream, it was a lively session with plenty of audience questions. Following the panel, we welcomed Matthijs Eijpe from Backbase and Yaser Alsharifi from National Bank of Bahrain as they took delegates through the power of digital sales. Ahmed Khidhir from Temenos then took the stage to share predictions for the next 5 years in digital banking before we welcomed yet another panel. Sumanta Roy from Tata Consultancy, Dr Bhaskar Dasgupta from Abu Dhabi Global Market, Stefan Kimmel from Commercial Bank of Dubai and Vikas Sethi from Gulf International Bank came together to discuss open banking and the business models to facilitate it. This was followed up by Emir Kalem from Infobip as he shared some valuable insights into chatbot technology, and finally an overview of NPL Technology from Tamás Erni, CEO of Loxon Solutions.

Day two kicked off with a fireside chat between Digital Platforms Executive Naveed Minhas, Paolo Barbesino from Emirates NBD and Yuri Misnik from First Abu Dhabi Bank as they discussed digital transformation in the banking sector. This was followed by a virtual keynote on edge computing from Remi Pouchucq of Schneider Electric and a virtual panel discussion on the 21st Century CMO, featuring Abdulmohsen Almulhem of Bank Albilad, Marya Al Shams of HSBC Oman, Asim Kidwai of Boubyan Bank Kuwait and moderator Sarah Cocker. Following this, another panel on embracing disruption featuring Tareq Qamhiy of Injazat, Aditya Baswan of First Abu Dhabi Bank, Pamela Attebery of HSBC Middle East, Devid Jegerson of National Bank of Fujairah, Jameel Khan of Mashreq Bank and Vikram Sandhu of Emirates NBD.

After a short coffee break, delegates reconvened for a presentation on artificial intelligence and its role in finance delivered by Prashant Menon of First Abu Dhabi Bank. Gabriela Ghencea of Route Mobile was up next, speaking on intelligent banking and conversational AI. We then welcomed Louis Potgieter from Sumitomo Mitsui Banking Corporation as he spoke on IT business partnerships, followed by Syed Riyazuddin from Emirates NBD who discussed the role of people at the heart of digital transformation. Concluding the Summit, Keith Vann and Saikat Gupta from Evalueserve delivered a sponsor address before delegates engaged in some final networking and lunch to round out the Summit.

ICICI Bank and PhonePe partner to issue FASTag

ICICI Bank and PhonePe today announced their partnership for the issuance of FASTag using UPI on the PhonePe App. This integration allows over 280 million registered PhonePe users to order and track the ICICI Bank FASTag conveniently on the app. PhonePe users, who may be customers of any bank, will have a fully digitised experience as they don't have to visit physical stores or toll locations to buy a FASTag. ICICI Bank is the first bank to partner with PhonePe for the issuance of FASTag.

FASTag is a brand name owned by Indian Highways Management Company Ltd. (IHMCL), which carries out electronic tolling and other ancillary projects of National Highway Authorities of India (NHAI). National Payments Corporation of India (NPCI), IHMCL and NHAI are working together to make state and national highway toll payments completely digital.

Speaking on the collaboration, Mr. Sudipta Roy, Head - Unsecured Assets, ICICI Bank said, "We are delighted to partner with PhonePe and NPCI to facilitate increased digital adoption of FASTag in the ecosystem. This collaboration enables millions of PhonePe customers to easily apply for a new FASTag and get it delivered free of cost at their doorstep. The association comes in handy, even for users, who are not customers of ICICI Bank, as it allows them to order and later recharge with the convenience of UPI. With this, ICICI Bank has achieved another feat in the FASTag ecosystem. We have an extensive association with FASTag from its inception, as we were first to launch it nationally on the Mumbai – Vadodara corridor. Since then, we have endeavoured to expand its usage with digital availability and innovative solutions like parking fee collection at GMR Hyderabad International Airport and at Tech Parks & malls in Gurugram; Trivandrum and Vizag. Our market leadership in value and volume of average daily transactions on FASTag is a testimony of the trust that customers have shown in our rollout. We believe that our latest tie-up with PhonePe will go a long way to make availability of FASTag even more convenient, digital and frictionless."

Commenting on the development, Mr. Deep Agrawal, Head - Payments, PhonePe said, "We are excited to partner with ICICI Bank to enable millions of PhonePe users to directly purchase FASTag on our platform in a seamless and convenient manner. FASTag has been instrumental in digitizing the transit payments sector. We have already seen a phenomenal response from our users recharging FASTag on our platform, with millions of customers recharging daily on the app. In fact, FASTag recharge has witnessed a 145% growth over the last 3 months indicating increased intercity travel as markets opened up post the lockdown. We are confident that with PhonePe's reach, superior payment and user experience, we will enable millions of consumers to purchase and use FASTag across the country."

Sharing NPCI's perspective Mr. Denny Thomas, Head NETC & AEPS, NPCI said, "The partnership of PhonePe and ICICI Bank will definitely increase the adoption of NETC FASTag and facilitate its doorstep delivery to the customers. We believe that this initiative will further deepen the penetration of FASTag across the country and provide the users with a seamless recharge experience through the PhonePe app. Customers have realised the importance of contactless electronic toll payments and with the increase in acceptance of FASTag at various State and City toll plazas, the retail customers are now looking forward for the same seamless experience in parking and other use case."

PhonePe users can buy ICICI Bank FASTag by following a few simple steps. The users need to go to the PhonePe app's homepage and click on 'ICICI Bank FASTag' (under My Money and Switch section) and click on 'Buy new FASTag'. Then they just need to enter the basic details such as PAN, Vehicle Number before making the payment. The FASTag will be delivered to the customers' doorstep which can be affixed on the vehicle windshield and then be used instantly.

ROADMAP FOR AGRICULTURAL SECTOR IN INDIA

Agriculture is the backbone of the Indian economy as it provides livelihood to a large section of the population. The agriculture sector provides employment to more than 50% of the country's workforce and accounts for 18% of India's GDP. More than 70% of the rural households depend on agriculture for their livelihood. As per the Union Budget proposal for FY 2020-21, the government has allocated Rs. 2.83 lakh crore for agriculture and allied activities, irrigation and rural development.

Current scenario

In India, more than 50% of agricultural households do not own more than one acre of agricultural land and 85% of the Indian farmers are landless, marginal and small farmers owning not more than 5 acres of agricultural land.

In major parts of India, there is over-exploitation of underground water, overuse of farm inputs viz. fertilizers, pesticides, insecticides etc., saturated yield/acre, increased pressure on agri land, continuous crop rotation of wheat and paddy over the last few decades, lack of crop diversification due to government policies for providing minimum support price and marketing arrangements for wheat and paddy only and all these culminating to rising farm debts and ultimately leading to distress among farmers. Debt-ridden farmers are committing suicides.

There is problem of salinity and alkalinity in many parts of India due to soil texture and due to excessive use of inorganic fertilizers over a period of time.

In Northern India, stubble burning is going on unabated. Laws have been enacted but could not be implemented in true sense resulting in suffocation and respiratory ailments like asthma etc.

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Agricultural economy and the way forward

There is a need for a centralized database wherein data related to crops cultivated, cropping pattern, yield, sown/irrigated area, soil health, natural calamity can be captured. The best practices in one part of the country can be replicated in other parts of the country to reduce regional disparities. The areas which can play an important role in boosting the agricultural economy are as under:

1. **Agri meteorology:** Agriculture is dependent on vagaries of nature and farmers' fate is more prone to nature when source of irrigation is monsoon rainfall. Better and precise weather predictions help in proactive measures to reduce crop losses. Government of India has signed an MoU with IBM to use artificial intelligence for crop selection and crop monitoring with the use of Satellite Technology in monitoring the agricultural sector.

2. **Agri infrastructure:** Construction of warehouses and cold storage chains are required to augment the growth of agro and food processing industry. It will also take care of the food security aspects of the country as India ranks 103 among 119 countries in Global Hunger Index. The government in Union Budget 2020 has announced the setting up of KISAN Rail by Indian Railways for transporting agri perishables.

3. **Agro food processing:** It can play a vital role in ushering in a new revolution in the field of agriculture. A separate ministry has been carved for it and Specific Economic Zones (SEZs) are being made. A special fund has been set up by the government with a corpus of Rs. 2000.00 Crore to enable NABARD to provide affordable credit to entrepreneurs to set up new food processing units or modernize existing food processing units in designated food parks. Ministry of Food and Agro Processing Industry is ensuring modern infrastructure in Food Processing Industry along the entire supply chain through Pradhan Mantri Sampada Yojna.

4. **Crop diversification:** India is now self-sufficient in foodgrain production, which mainly include Wheat and Paddy. India is the largest importer and consumer of pulses across the World. As per Dr. M S Swaminathan, after sufficiency in Food Grains production and consumption, the second area which needs attention is the elimination of protein hunger. This can be done by increasing the production and consumption of pulses. The major role is being played by NAFED as the nodal government body for the procurement of pulses. Farmers may opt for oilseeds and horticulture crops. Maharashtra is the leading state in horticulture in the country and contributes 98% of the total exports of grapes from India.

5. **Role of cooperatives:** The role of cooperatives needs to be strengthened to achieve the financial inclusion target. Apart from the institutional credit, the farm machinery and implements can be provided to the farmers on custom hiring basis at concessional rates and on regular basis.

   More than Rs. 30,000.00 crore of basmati has been exported by the Government of India. Cooperatives must be having direct access to the export of agriculture produce as majority share of profit is pocketed by the middlemen. Stubble burning can be checked by the Cooperatives at block level which may collect the straw from the agri fields to process the same for manufacturing Card Boards, Paper etc.

6. **Rural and farm infrastructure:** Rain water harvesting techniques need to be implemented at the grass-root level. To conserve energy and in order to supply minimum 8 hours of electricity to farms, solar power panels can be installed alongside canals or national highways. Punjab has started incentivizing farmers who are using water judiciously for irrigation purpose. The same can be replicated in other parts of the country.

7. **Organic farming:** It prevents further deterioration of soil quality and contamination of food chain and to a certain extent is helpful in preventing salinity and alkalinity of soil. Scope of organic farming can be explored in various parts of India.

8. **Contract farming:** It helps in reducing the input costs and operating expenses. In India, we have more than 75% small and marginal farmers who cannot afford to invest in farm machinery and implements and are dependent on custom hiring units for the same. Contract farming can improve the operating profits in the agriculture sector.

9. **Farm to market:** To minimize the role of middlemen, there is a need to develop an efficient supply chain that links farmers directly to the markets. Farmers need to organize into cooperatives or companies. Amul is the first organized retail chain connecting farmers to consumers.

Digital innovations in agriculture sector

a) **E-NAM:** It is a technology driven unified National Level Market platform that integrates the physically dispersed markets enabling better price discovery for the farm produce.

Punjab Mandi Board has recently launched the e-PMB, a mobile application. The mobile application provides real-time information of procurement to the farmers. The app enables an opportunity to farmers to sell their produce on real-time rates. Besides, consumers can compare the rates prevailing in various mandis across the state.

b) **Remote sensing and geo tagging:** It helps in crop identification, crop production forecasting, crop acreage and yield estimation, assessment of crop progress and crop damage, soil health, soil mapping, water resource mapping and climate change monitoring.

c) Under Digital India, Government of India provides Mandi prices on real-time basis through GramSeva: Kisan App.

d) As majority are small and marginal farmers, corporates through mobile-based apps are providing farm machinery and implements to farmers on rental basis. Krishi Gyan mobile app has been designed to spread agri related information among rural households.

e) Now, banks too have launched mobile based applications to cater to the specific needs of farmers. Baroda Kisan Agri Digital Platform developed by Bank of Baroda provides information on weather, crop health, soil moisture, pest infection , mandi prices, crop specific advisory, equipment renting etc.

f) Web based portal for the banks to facilitate ease of credit to the farmers for agriculture and allied activities on then lines of PSB loans in 59 minutes to MSMEs can be developed.

Need of the hour

Need of the hour is to bridge the gap between the policy makers, farm technocrats and the farmers. The government bodies, agricultural institutions, social and religious bodies/ institutions should come forward and apprise the masses and farmers regarding the aftermaths of over-utilization of natural and scarce resources.

Farm extension management plays an important role in the dissemination of financial literacy and farm management practices and ground-level implementation of government policies.

Financial literacy is the need of the hour as the majority of the farmers are not making optimum use of available funds. Financial literacy centres are being run by certain PSU banks in their respective lead districts which can play an important role in this regard.

State agricultural universities can play a major role in disseminating information on new innovations and better farm practices through extension management services.

Opportunities for credit flow to agricultural sector

Agricultural credit is an important prerequisite for agricultural growth. Demand for agricultural credit has increased due to the use of modern technology, increase in the use of fertilizers and pesticides, increase in irrigation facilities and increase in coverage of area under high yielding varieties.

As reported by NABARD, the banks in India disbursed Rs. 12,54,762.20 crore in Financial Year 2018-19. The share of small and marginal farmers is Rs. 6,26,087.53 crore i.e. 49.90% out of total disbursement.

The Government of India has set agricultural credit target at Rs. 15.00 lakh crore for FY2020-21. The government has proposed PM KISAN beneficiaries be covered under KCC Scheme. Percentage of budgetary expenditure for agri and farmers' welfare is 4.67% only as per budget estimates of 2020-21. In 2018-19, the actual expenditure on PM KISAN was Rs. 1241 crore against the budgeted estimate of Rs. 75000 crore.

Need for investment credit in agriculture: With latest technologies, farmers are adopting the best practices to earn profit from farming activities. India has diverse agro-climatic conditions and has enough opportunities for both Hi Tech and Traditional Agriculture.

Studies have shown that investment on roads or expenditure on agri research and extension are essential for agricultural growth and poverty reduction and are more effective in the long run in reducing poverty than subsidies on fertilizers, irrigation etc. Rural or agricultural sector infrastructure include road networks, irrigation facilities, storage facilities,

telecommunications, electricity. There is need for investment in infrastructure for agri produce storage viz. Warehouses, godowns, silos, cold storages. Besides, there is need for investment in food and agro processing industry.

The backward and forward linkages in the value chain of food and agro sector can be tapped for increasing agriculture credit as finance to food and agro processing industry up to Rs. 100.00 crore per borrower gets covered under agri credit. Similarly, the regions may finance for agri storage infrastructure e.g warehouses, cold storage chains, grain silos as lending to agri infrastructure up to Rs. 100 crore per borrower also gets covered under agriculture credit.

Financing against warehouse receipts helps the farmers to overcome situations of glut in the market and prevents distress sale. The scheme can be popularized by field level functionaries.

Farmer producer organizations: A financing model for credit requirements of farmer producer organizations across the entire supply and value chain can be designed to minimize the role of middlemen from farm to market.

Way Forward

There is immense scope for further increase in agricultural credit portfolio. In metro and urban areas, there is potential for financing to food and agro processing industry, firms dealing in irrigation equipments, farm machinery and construction of agri storage infrastructure etc. whereas the rural and semi-urban areas have the potential to increase direct farm lending.

In India, direct farm lending to small and marginal farmers mainly constitute production line of credit. The focus must shift to investment line of credit also.

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EMPOWERING MSMES: TAKING THE MERCHANT ONBOARDING PROCESS DIGITAL

Onboarding a merchant in less time with proper due diligence has always been the prime objective for every acquirer in the market. The conventional process of onboarding merchants is complicated. It is time-intensive and could require a lot of back and forth with pages and pages of paperwork.

From a merchant perspective, the process is often seen as cumbersome, time-consuming, and a less than desirable experience. From the perspective of the acquirer, it is costly, labour intensive and not efficient. Digitizing the process is an ideal solution. It provides speed, flexibility, and scalability.

The traditional process of merchant onboarding

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The traditional process of merchant onboarding can take 6-8 days. The process is time-consuming and tedious. Here is a basic rundown of the current process of onboarding:

1. An RM (Relationship Manager) visits the merchant
2. Physical application forms are manually filled in by the merchant
3. Original documents are submitted to the bank
4. The documents are sent for screening and verification by the bank. In case something is missing or details incorrect, the merchant is again contacted and asked to provide further information.
5. Final approval is granted by the Merchant Acquiring Business (MAB)
6. Merchant Identification Number (MID) is either approved or rejected

   (MID is a unique number assigned to a merchant account to identify it throughout the course of processing activities)

Now, this process can have two models depending on the level of input from the RM - Assisted model and Self model.

Fallacies with the traditonal process

The traditional merchant onboarding process is fragmented. It is not seamless and convenient. Each step can take time and face roadblocks. When that happens, there is more delay until correct details are retrieved, documents backed, or clarifications provided. Drawbacks of the manual process are:

1. **Higher turn-around-time:** It takes time for each step to be carried out. The entire process for one merchant can take anywhere from 6-14 days.
2. **Manual form-filling:** With merchants filling in the forms manually, there are greater chances of error. This will cause further delays later on in the process. The forms themselves are tedious to fill and are often abandoned.
3. **No fraud detection:** The traditional method does not provide the security of advanced fraud detection using the latest technology. There are greater chances of fraudulent and higher risk merchants to make it through.
4. **Broken journey:** The linear process is broken into separate steps. Each step takes its own time and has its own problems. The onboarding journey is far from seamless and takes extra effort by both the merchant and bank.

How does digitizing merchant onboarding solve these problems?

Adopting a comprehensive Merchant Onboarding Solution can eradicate these pain points. It is the need of the hour especially given our socially distant times. With the COVID-19 crises, face-to-face interaction has to be avoided. Digitization is the solution. With the help of a digital process, the onboarding ordeal becomes a streamlined journey. Here is why:

End-to-end digital journey: It is not just one step which is digitized, but the entire process end-to-end. This ensures swift communication and rapid decisions. The workflow will be explained in the next section.

Reduce several levels of manual verification: Apart from basic compliance norms, an acquirer can require different levels of verification. In a digital process, these can be carried out simultaneously with the help of various APIs. The verification journey in this case is customizable. For example, some acquirers may want to check whether any authorized signatories of the onboarding entity has any court cases against them. Or, they may want to carry out a website check.

Help to identify fraudulent cases: The digital process can incorporate multiple layers of security checks and verification. The use of AI in these checks helps increase the chances of identifying fraudulent cases with no chances of human error or oversight.

Reduce overall TAT (turnaround time): Everything from form filling, to document verification, background checks and decision making is aided by digital alternatives. With this, the average time to process an application is significantly reduced.

Expedite decision making: An underwriting tool incorporated in the onboarding solution can help deliver risk assessment and KYC reports which helps officials make decisions at the back end. This speeds up the decision-making process.

Workflow of the digitized process

An effective Merchant Onboarding Solution should consist of four modules. Each tries to address a specific pain area of the client.

Front-end app: This is the sole point of interaction of the merchant for the entire onboarding experience. It can be in the form of a mobile or web-based application. An AI-based OCR (Optical Character Recognition) performs extraction at the front-end. It is optimal to reduce time and error. With this technology, it is now possible to extract customer details from their IDs. The field filling process is

also automated. This reduces the mistakes which were made by individuals filling the application. The cumbersome need for manual form filling is eradicated.

Middle verification engine: It automatically verifies the authenticity of the documents provided by the merchant. This is heavy-duty time-consuming work when done manually. It can extract data from IDs and perform face-match and video forensics. The report can then be reviewed by the back ops.

RM management system: An RM can monitor the active applications at the back ops. They can reassign the onboarding process in case something is wrong or missing. This system helps them track incomplete and complete onboardings.

Robotic back ops: Action can be taken on the applications received at the back ops. The generated reports after verification and underwriting can be reviewed here. A back-operations workplace generally has a set hierarchy.

- **Back ops User:** A backops user goes through all the applications and documents provided and decides whether to accept, reject, or ask for clarification.
- **Back ops Manager:** A backops manager manages all the backops users under them.
- **IT admin:** Ensures the smooth functioning of the process and can edit the settings.

Benefits of digital merchant onboarding

An ideal digital merchant onboarding solution is a complete end-to-end automated application and underwriting tool. Using digital KYC, helps acquirers onboard merchants in a more automated and digitized way. The process removes all bottlenecks from the onboarding process and offers a customizable solution to automate the application and underwriting process from end-to-end. Leveraging artificial intelligence, optical character recognition and other best-of-breed technologies, Digital Merchant Onboarding solution brings the speed and security needed to scale successfully into the MSME segment.

Adopting this technology helps in reducing TAT by about 70% and has also proven to reduce digital fraud by 90%. Digital merchant onboarding solutions are fully customizable and so can be adopted to suit various workflows and requirements providing 3x increase in business efficiency.

COVID-19 second wave: Bank employees seek to reduce banking hours

Members of Maha Gujarat Bank Employees' Association (MGBEA) have recently made a representation before the State Level Bankers' Committee (SLBC) seeking to reduce banking hours in the wake of the steep surge in COVID-19 cases. In the wake of the prevailing situation in Gujarat, MGBEA has requested the head of SLBC and the State Government to issue guideline to banks. MGBEA mentioned in a statement released recently, "All branches can reduce business hours from 10 am to 2 pm and provide essential services only. Employees should be allowed to go home after the business hours. The purpose is to reduce the exposure of the staff with public."

Janak Rawal, General Secretary, MGBEA, stated, "Bank branches will be vulnerable points for transmission of Corona Virus. Nearly 10,000 bank employees are tested positive in March 2021. Across Gujarat, some 3,718 branches of nationalised banks along with 1,286 branches of State Bank of India and 1,619 of district and state cooperative banks in addition to 769 branches of gramin bank and 2,206 private bank branch have been operational full time."

Rawal further added, "After the hearing of a Suo moto public interest litigation on the COVID-19 surge, Gujarat Government issued some guideline related to COVID-control in Gujarat and allowed government offices to work with 50% staff. We have represented the matter before SLBC, Gujarat and to the chief secretary, Gujarat government to issue guideline for the functioning of banks branches in the state."

South Indian Bank wins IBA awards in 4 categories

South Indian Bank has emerged victorious, clinching 4 awards at the 16th edition of the prestigious annual IBA Banking Technology Awards 2021, held recently. The bank has won the Winners Title in the 'Most Innovative Project', 'Best Use of IT and Data Analytics' and 'Best IT Risk and Cyber Security Initiatives' categories, and the Runner-up title in the 'Best Technology Bank of the Year' category.

.. BUT CO-OPERATIVES MUST SUCCEED

Basic challenge to the present century-old co-operative financial institutions in our country, as rightly indicated in one of the study reports, is to strike a balance between attaining profitability by running their business on commercial lines on one hand and carrying out their service-oriented activities under the well-conceived principles of coveted 'co-operative movement', on the other. Probably, this inherent conflict in their functions puts pressure on their efficiency and profitability.

There lies the prudence on the part of the management to draw a line of equilibrium and take up such activities which are beneficial to members and profitable to the Societies at the same time. There are good number of good working societies despite so many odds in their credit and other spheres of their activities. It has been time and again emphasized in many a forum as also in many study reports that co-operatives should play a pivotal role in rural agricultural scenario and should be part of rural development process.

Contrary to this fond hope, most of these ground-level Societies are casting shadows about their financial viability in the long run. Major weaknesses and financial debilities are still persisting, which need to be addressed particularly, in the backdrop of present scenario where the entire banking industry is running through hard times, in the backdrop heavy overdue.

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Key summary statistics on PACS

(for three years as on 31 March 2019)

(Amount in Rs. crores)

		2016-17	2017-18	2018-19
1	Number of PACS	95595	95238	95995
2	Paid-up capital	142156	14142	22817

		2016-17	2017-18	2018-19
3	Total Reserves	18860	16800	19379
4	Deposits	115884	119632	133010
5	Borrowings	124831	128333	138922
6	Loans outstanding	170460	169630	170048
7	Societies in profit	46586	46405	46930
8	Amount of profit	6473	4134	5949
9	Societies in loss	38036	37838	37331
10	Amount of loss	3210	7316	7666

PACS must be rejuvenated

With the advent of the recent technological developments in banking industry, many innovations in services and products are witnessed. It would be stupendous task for PACS to cope with the present trend unless there is a sea change in their approach and mindset. A few remedial measures, though not new and which were already suggested in various committees in the past are furnished in the following paragraphs, though repetitive in nature.

Reorganisation of PACS

One more exercise of reorganization of PACS needs to be carried out by redefining the viability norms. Only viable Societies may be allowed to function while potentially viable Societies be merged with the viable Societies. Defunct and heavy loss-making PACS need to be shelved and their villages are tagged to the nearby potential Societies. State Governments should provide necessary infrastructural support to the reorganized Societies and in turn, NABARD may provide long term loans to the State Governments under the provisions of Sec. 27 of the NABARD Act, 1981 for capital support to PACS.

Business diversification in PACS

As PACS are inherited with a unique advantage of performing both banking and business activities unlike any other bank, PACS may augment their resources through deposits and deploy them in various non-credit activities. Financial support may be provided by higher financing agencies if need be. Success stories document-ed by our CTI on good working societies, functioning in Telangana revealed that PACS with a major portion of non-credit activities with their traditional agricultural lending coupled with a few social activities were posting profits and it is heartening that a few societies have been paying dividends to the members continuously.

Following are some of the activities, being undertaken by a few societies in Telangana.

- Owning godowns and providing storage facilities to their members and also produce loans against pledge of warehouse receipts.
- Sale of fertilizers and pesticides.
- Supplying quality seeds through their own seed processing plants.
- Owning rice mills and para-boiled rice mills.
- Selling quality rice at reasonable price through their own rice depots.
- Providing locker facilities.
- Running petrol & diesel retail outlets.
- Running 'function halls' and letting out on commercial lines.
- Supplying safe water to the villagers by installing a water purifying plant in their premises.
- Operating weigh bridges.
- Extending group insurance coverage for all members.
- Providing financial assistance for funeral expenses.
- Institution of meritorious awards to members' wards of higher classes.
- Lastly, paying dividends to their members out of the profits earned every year. (One society was paying 20% continuously for many years)

There are umpteen number of other non-credit activities that may be taken up by the societies. NABARD also envisioned that the societies should transform into vibrant business organisations by offering multiple products and services to their members under a single roof. Best practices followed by good working societies need to be emanated by other societies.

Need for augmenting resources

As per the data published by NAFSCOB in its websites, as on 31 March 2019 (latest available), owned funds (capital plus reserves) of PACS in four States alone, viz.,

Kerala (28%), Maharashtra (12%), Karnataka (9%) and Tamil Nadu (9%) constituted 58% of the total owned funds of PACS in the country. It is deplorable that in respect of 18 states, such percentage was less than one.

As regards deposit base in PACS, it will be interesting to note that deposits mobilized by PACS operating in Kerala alone constituted 70% of total deposits mobilized in the country, followed by a wide gap by Tamil Nadu (7%), Karnataka (6%) and Himachal Pradesh (4%). In the backdrop of increasingly sophisticated and technologically developed banking scenario, it may not be prudent to expect that many societies with very poor infrastructure and un-professional staff would be able to attract more deposits. Nevertheless, every DCCB should identify the potential and deserving societies and necessary financial assistance may be provided to them for acquiring counters and other infrastructural facilities. Following measures may also help in this direction.

- Increase the membership by identifying non-members in their area of operation by conducting membership drives on a periodical basis.
- More concentration in lending to new and non-defaulting members.
- Formation of SHGs and JLGs and encourage group lending for enhanced recovery climate.
- Identify viable activities to supplement the income of farmers such as dairy, farmyard poultry and lend through individual and JLG modes.

Regulatory powers and supervision over PACS

Of late, in view of many reasons, SCBs or DCCBs lost control over the affairs of the PACS and their staff members. No proper supervision is exercised over the affairs of the societies through co-operative societies Acts in some states provide for inspection of the societies by DCCBs in the capacity of financiers. It is felt that the State Co-operative Bank of the state concerned should act as the regulatory

authority for the societies (like RBI as in the case of banks coming under the gamut of B R Act) and the respective DCCB shall be vested with the role of supervision over the Societies. It should also be made mandatory to send certain control returns to DCCBs as in the case of OSC returns being submitted by SCBs and DCCBs.

CAS in computerized environment and audit of PACS

Common Accounting system introduced in PACS or computerisation in PACS may have yet to bring the desired change in the working of the societies as gathered from the feedback from the staff members of PACS, participating in various programs conducted in CTIs. Auditing of PACS is done in a very routine manner. A serious thought should be given to this aspect by all concerned. A high-level committee constituting senior officers from NABARD, Department of Co-operation, DCCBs and SCB should be constituted and necessary corrective steps to be suggested.

Revision in the date of calculation of imbalances

One of the problems frequently discussed in co-operative credit structure is imbalances in loan outstandings at DCCBs and PACS levels. Generally, it is calculated as on 31 March every year. It is felt that this may not give the correct picture. If recoveries are affected at the PACS level on 31 March, the amount so recovered may not be passed on to the respective DCCBs on the same day. As a result, the outstanding at DCCB level will not get reduced. As such, any other date after 30 June may be ideal. In view of the prudent accounting procedure of adjusting the recoveries towards interest first and principal thereafter, imbalances are bound to persist. A tolerance limit may be fixed for the purpose and draw conclusions accordingly.

Lending activities

Societies, which are not complying with a revised viability norm (by linking to net profits made each year, net NPA ratio, minimum level of CRAR, return on assets, etc.) should be closely monitored. Viable societies may be encouraged towards non-credit activities, such as consumer stores, procurement activities, hiring farm inputs, transport facilities to farmers, establishment of seed processing units, establishment of petrol bunks, etc. Necessary financial assistance may be provided by DCCBs and NABARD may contemplate to provide refinance to such activities from their CDF.

Training

Though many training programs are being conducted by CTIs at present with requisite financial support from NABARD, it is noticed that attendance / participation in such programs is not upto the mark. The very modes of training arrangements need to be changed. More practical / field level exposures / case studies should replace the present age-old teacher-taught mode. C-PEC, BIRD may look into this aspect and bring about the much-needed change in imparting necessary inputs for capacity building in the Societies.

Low morale

Morale of the staff of PACS is very low. A feeling of uncertainty in their minds is a mental block for their wholehearted involvement in the development activities of their own organization. There is a need to make all out efforts to address these problems by creating a common fund as in the past. They should be assured of their rightful emoluments and other benefits. If employees of any organization do not love their own organization, who else will love?

Conclusion

Traditional bank model is disappearing. Technology, social and business digital communities are taking customers and potential customers out of banks' networks. They are also yielding to the customer's expectations about personalization and convenience. If this is the scenario in the entire banking industry, only 'non-credit activities' with service motto coupled with business principles is only the panacea to the PACS. Still, there is potential for those activities in rural areas. Many societies proved it. Apex level institutions may also reorient their refinance arrangements for such activities in a big way by amending their act provisions, if need be.

Lastly, as quoted by Hon'ble Franklin D. Roosevelt -

"Competition has been shown to be useful upto a certain point and no further, but cooperation, which is the thing we must strive for today, begins where competition leaves off".

Source:

NAFSCOB's quarterly magazine July - Sep 2020.

New trick by fraudsters to withdraw money from ATMs

In view of increasing incidents of Man in the Middle (MiTM) attacks on ATMs, all banks have been directed to enhance their safety norms for ATMs through end-to-end encryption in the network. In a recent communication to all banks, the Central Government has said that the MiTM attacks have been increasing under which messages sent by 'ATM Switch' to 'ATM Host' are altered by attackers to withdraw cash fraudulently. Investigations by security agencies have found that cyber fraud gangs have started adopting a new modus operandi to withdraw money from ATMs. According to the investigators, the fraudsters first tamper with the network (LAN) cable of the ATM. Declined messages from 'ATM Switch' are altered to successful cash withdrawal transaction responses, and subsequently cash is withdrawn from the ATM.

The attacker first inserts a device between the ATM machine and the router or switch in the ATM premises. This device has the capability to modify the responses back from authorisation host (ATM Switch) which is connected to ATM through network. The attacker then uses restricted cards (or blocked cards) to submit a withdrawal request. When the 'ATM Switch' sends a declined message, the attacker in the middle alters the response to approve the transaction and subsequently withdraws cash. In view of this modus operandi, the banks have been asked to ensure end-to-end encryption in the communication between the 'ATM Terminal' or PC and the 'ATM Switch'.

INTERNAL RATING BASED APPROACH: A TOOL IN CREDIT RISK MANAGEMENT

Credit Risk is defined as a potential risk that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. It can also be due to the deterioration of creditworthiness of a debt instrument issuer or even in down gradation of credit rating of a pool of credit portfolio. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within the acceptable levels. If we closely watch any Bank's composition of risk-weighted assets we can find that major contributor is credit risk.

The Basel II Framework presents two approaches for calculating credit risk capital charge in a continuum of increasing sophistication and risk sensitivity:

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1. Standardised Approach and
2. Internal Rating Based (IRB) Approach:
    I. Foundation Internal Rating Based (FIRB) Approach,
    II. Advanced Internal Rating Based (AIRB) Approach.

Why internal rating based approach?

In the standardized approach, the risk weights for different exposures are specified by the regulator. To determine the risk weights for the standardized approach, the bank can take the help of external credit rating agencies that are recognised as eligible by Reserve Bank of India. In this approach banks were relying mechanically on external rating and the granularity, as well as risk sensitivity with respect to the expertise of individual bank, was absent. On the contrary in IRB each bank can have its model with approval from the regulator and a bank with robust credit monitoring mechanism can save precious capital with lower risk-weighted assets.

Internal Rating Based (IRB) Approach

The IRB approach allows banks, subject to the approval of

RBI, to use their own internal estimates for some or all of the credit risk components Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Effective Maturity (M)] in determining the capital requirement for given credit exposure.

The IRB approach allows it to use internal models to calculate credit capital, enabling more sensitivity to the credit risk in the bank's portfolio. Furthermore, incorporating better risk management techniques on its portfolio will show its effect on minimizing the regulatory capital required. Another incentive to move to the IRB approach is that the IRB-based regulatory capital is "lower than" the standardized approach for higher credit-rated banks and "higher than" for lower credit-rated banks, thus providing a better alternative for investment-grade banks.

The IRB approach is again classified into:

a) **Foundation IRB (FIRB) approach:** Banks estimate Probability of Default (PD) using internal models, while the other parameters take supervisory estimates.

b) **Advanced IRB (AIRB) approach:** Banks provide their own estimate of PD, Loss Given Default LGD, and Exposure at default (EAD) and their calculation for Maturity (M) is subject to the supervisory requirements.

Under the IRB approach, banks are required to categorize their banking book exposures into the following asset classes:

- Corporate
- Sovereign
- Bank
- Retail
- Equity
- Others

Key Concepts in IRB Approach

1. Probabily of Default (PD)

It is the probability that a borrower with certain credit rating will fail to pay the interest or repayment obligation on the due date. It aims to measure the probability of borrower assigned with a rating other than default rate defaulting over a specific time horizon. Banks which have an internal rating methodology use the same to differentiate the corporate borrowers into different rating grades corresponding to varying credit risk profile. The borrowers in different rating grades will have different likelihood of default.

Bank would need to compute its internal rating wise PD for the corporate portfolio. PD may be estimated based on the historical default data.

EXAMPLE: From the above-mentioned table if we try to see the no of accounts in the rating grade UBC 4 was 200 at the beginning of the year and at the end, 5 accounts migrated to default so the PD works out to be 2.5%.

The PD estimate arrived using the above method is used for 12 months ECL computation. For lifetime ECL, LIFE Time PD is required to be estimated from 12 months PD using matrix multiplication method.

RATING GRADES	TOTAL NO AT THE BEGNING OF YEAR	MIGRATION DURING THE YEAR							PD IN %
		UBC4	UBC5	UBC6	UBC7	UBC8	UBC9	DEFAULT	
UBC4	200	180	10		5			5	2.5
UBC5	250		200	20	10	10		10	5
UBC6	150			100	40			10	6.66
UBC7	50				30	10		10	20
UBC8	20					20		10	50

LGD = 1 - Recovery Rate

2. Exposure at Default (EAD)

It's the gross exposure under a facility at the time of default. Normally it is the total outstanding in case of fixed exposures like term loans. For running accounts or revolving facility, we can divide the facility into drawn and undrawn exposure. The undrawn commitment is arrived at by multiplying it with a conversion factor.

Example: If there is an exposure of Rs 1 crore financial guarantee which is a non-fund based facility then a CCF of 100% will be applied to it and is converted to funded exposures 1 crore.

Under internal rating-based approach the database should be for minimum 7 years.

3. Loss Given Default (LGD)

It is the proportion of exposure that will be lost if a default occurs in an exposure. It normally indicates the magnitude of loss and expressed in percentage norms. It depends primarily on the type of collateral, value of collateral and security coverage ratio. LGD is facility-specific and different facilities to the same borrower may have different LGDs. The LGD may be floored to zero (RBI floored at min 20%) and capped at 100%. Under (Indian Accounting Standards) Ind AS 109 Expected Credit Loss (ECL) is computed to arrive at the provisioning requirement for loans and advances. LGD is one of the key inputs for ECL computation.

Recovery rate is the amount that can be recovered through foreclosure or bankruptcy procedures in the event of default. It is generally expressed in percentage norms.

4. Expected Loss (EL)

Expected loss of an asset is average loss that the bank can expect to loss over the period up to a specific horizon.

EL= PD*EAD*LGD

Where PD and LGD is expressed in terms of percentage and EAD in amount.

EXAMPLE: XYZ PRIVATE LIMITED has a term loan of Rs 100 crore with the bank. The PD for 1 Year is estimated at 2.5% and LGD at 65%

EL= 2.5%*65%*100CRORE = 1.625 CRORE

5. Unexpected Loss (UL)

It is defined as a risk on a specific time horizon around the expected loss. This is measured by standard deviation of the asset value or loss incurred in the case of default. It's the volatility of potential loss around expected loss. The standard deviation of PD about the expected loss shall generate unexpected loss. Normally banks depend on their comfort requirement or as prescribed by regulatory authorities, multiply the unexpected losses arrived as above by the sigma number for the desired confidence level as mentioned below, to arrive at the economic capital requirement for credit risk of the bank.

1.0 sigma - 68% confidence

1.65 sigma - 95% confidence

2.33 sigma - 99% confidence

3.00 sigma - 99.87% confidence

Going Forward

The baseline for all these concepts is to effectively predict how much capital is required to effectively manage a healthy asset portfolio keeping a view on regulatory as well as economic capital. The main focus of Indian banks is on the regulatory capital which alone is enough to take care of the expected losses. It may or may not be the actual risk and should not be a base for pricing a loan asset. On the contrary economic capital is based on statistical model and aims to absorb the unexpected losses to a certain confidence level. The economic capital should be the yardstick to price a certain asset portfolio as it factors into the unexpected losses and provides a clear picture. Another model which is now gaining importance and Banks are taking into account beyond a threshold level is Risk Adjusted Return On Capital (RAROC). It is calculated by adjusting net return from an asset with the expected amount of unexpected losses arising from it and discounting it by economic capital.

RAROC = (Net income-operating expense-Expected losses)/ Economic capital. ❑

ZED SCHEME FOR MSMES

This scheme is an extensive drive to create proper awareness in MSMEs about the Zero Defect Zero Effect (ZED) manufacturing and motivate the entrepreneur for assessment of their enterprises for ZED and support them. As part of this scheme, All MSMEs in India need to manufacture goods with zero defects and to ensure that the goods have zero effects on the environment. At present this ZED Certification Scheme covers all the existing MSME sectors belonging to manufacturing activity. It is not a mandatory but a voluntary scheme.

Zero defect

- The customer should get zero defect product.
- Zero non-conformance or non-compliance.
- Zero waste.

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Zero effect

- Zero air pollution, liquid discharge, solid waste
- Zero wastage of natural resources

The objective for this certification is:

- Develop an Ecosystem for Zero Defect Manufacturing in MSMEs.
- Promote adaptation of quality tools/systems and energy efficient manufacturing.
- Enable MSMEs for manufacturing quality products.
- Encourage MSMEs to constantly upgrade their quality standards in products and processes.
- Drive manufacturing with adoption of zero defect production processes and without impacting the environment.
- Support 'Make in India' campaign.

- Develop professionals in the area of ZED manufacturing and certification.
- There are 50 parameters on which the MSMEs will be assessed and rated.
- The MSME applicant is required to comply with identified 20 essential parameters & at least 10 other parameters (as per the MSMEs domain competency, i.e. sector of operation and type of industry). Hence, the MSMEs will be rated on a minimum of 30 parameters.
- MSMEs may seek ZED rating on more than 30 parameters as per the processes and systems available at the MSME.
- Each parameter has 5 maturity levels. Each level corresponds to the existing state of systems and processes in the manufacturing unit that is being assessed. These levels range from struggler which is level 1, to beginner, organized and achiever that corresponds to level 2, 3 & 4 respectively. The topmost level is world-class at level 5.
- The rating is based on a weighted average level.
- The company is encouraged, handheld and trained to achieve a higher level for each parameter and thus elevate itself in the maturity model.

ZED Process Flow

The journey of an MSME encompasses the following steps of for assessment. An MSME's journey of Zero Defect Zero Effect to get ZED certified is explained in the following 7 steps:

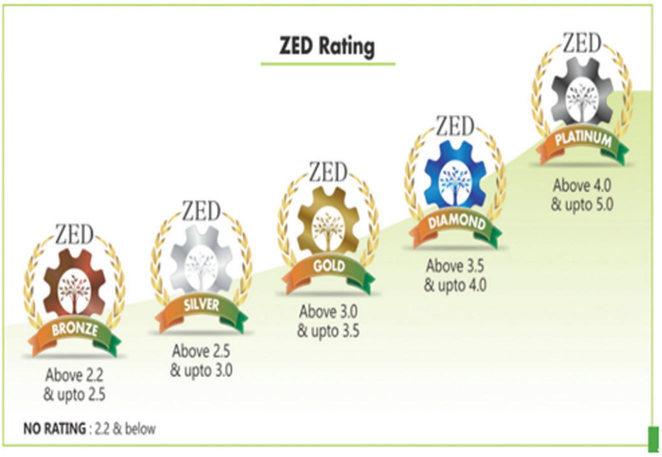
Step 1 (Online registration): The MSME has to first register online on www.zed.org.in. On right hand side of the web page, MSME has to click on tab "Online Registration" to register his details. An applicant can also directly log on to link given below to register his details. http://assessment.zed.org.in/Assessment/Assessment_BeforeLogin.aspx. This simple step expresses an MSME's intent to participate in the ZED scheme. The MSME must have a working email ID & Udyog Aadhar number to start the registration process. A ZED ID will be allotted to MSME after completing the registration.

Step 2 (Online Self-assessment): The next step is a self-assessment which an MSME will take using the ZED ID provided after registration. This is an online activity where the MSME will be assisted on the ZED parameters through simple questions and a choice of answers. It may be noted that the MSME may be asked to upload relevant documents as evidence to the answers chosen.

Step 3 (Desktop assessment): After the online self-assessment, Quality Council of India will assess and evaluate answers and documents submitted by the MSME and come out with a preliminary rating based on answers and evidences provided. This is known as Desktop assessment. The rating after the desktop assessment will determine whether the MSME proceeds further in the process.

Step 4 (Site-assessment): If the MSME is selected to proceed further after the desktop assessment, a ZED certified assessor from an accredited rating agency will be appointed to conduct a physical assessment of the manufacturing unit of the MSME. This site-assessment will be done on the parameters selected by the MSME during the online self-assessment stage. The site assessment process typically takes 4 man-days.

Step 5 (ZED rating and certifications): Once the site-assessment is completed and the final report is submitted by the assessor, a ZED rating and a certificate is issued to successful MSMEs. If the MSME's score is above 2.2 and up to 2.5, then the rating is Bronze If the MSME's score is above 2.5 and up to 3.0, then the rating is Silver if the MSME's score is above 3.0 and up to 3.5, then the rating is Gold if the MSME's score is above 3.5 and up to 4.0, then the rating is Diamond if the MSME's score is above 4.0 and up to 5.0, then the rating is Platinum in case an MSME scores 2.2 or lower, then no rating is provided.

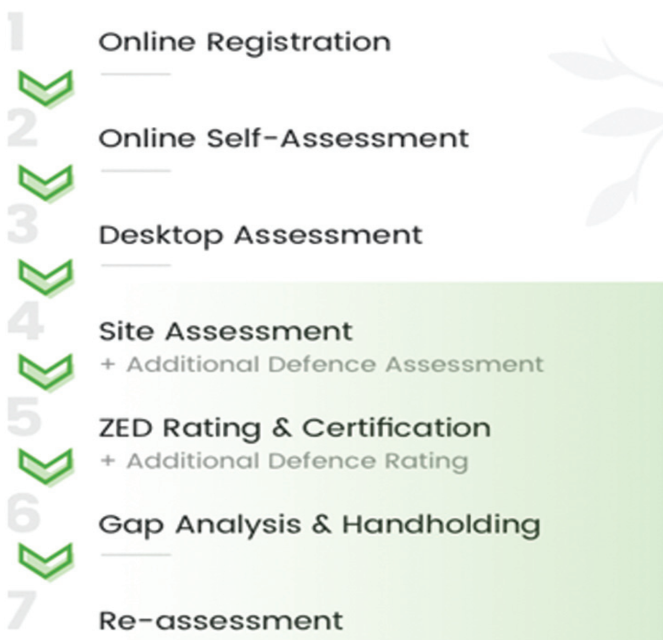


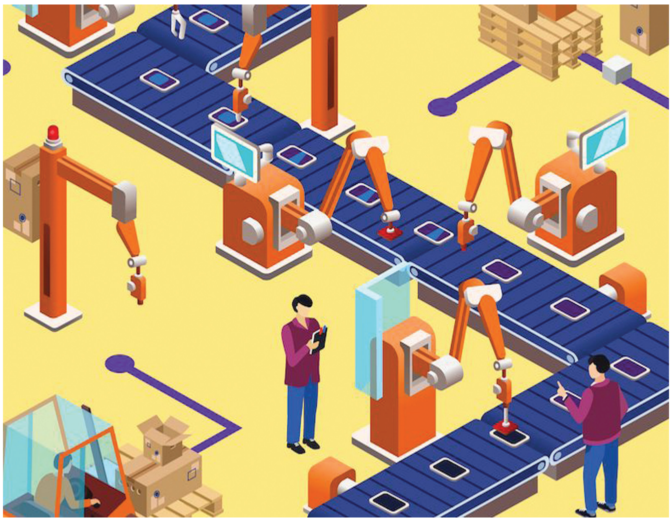
This certification is valid for 4 years, after which the certification expires and the unit will have to apply again for renewal before the certification expires.

Step 6 (Gap analysis and hand holding): The MSMEs with a minimum Bronze rating will have the option to avail the services of a ZED certified consultant. The gap analysis and handholding activity in the scheme will be carried out by accredited third-party consulting organizations & agencies and certified consultants. ZED Certified Consultants from these accredited agencies will conduct gap analysis on the site and assist the MSMEs in implementing suggested interventions that will improve their systems & processes and get them higher ZED rating once implemented in its true spirit. The handholding process will typically take 6 months.

Step 7 (Re-assessment): The MSME which has gone through the process of consulting by a ZED certified consultant will have the option to apply for a re-assessment if it feels that the Unit's systems and processes have considerably improved. It may be noted that the subsidy applicable in the re-assessment process will only be provided if the rating improves by one level, i.e. from bronze to silver or silver to gold etc. An MSME can even opt for re-assessment without going through the process of consulting, provided there is a gap of minimum six months between the earlier site-assessment.

ZED PROCESS FLOW





ZED Maturity Assessment Model is an integrated and holistic Certification System, which accounts for processes related to:

- Production Management
- Quality Management
- Design Management
- Safety Management
- Environmental Management
- Energy Management
- Natural Resource Management
- Human Resource Management
- Intellectual Property Management
- Performance Management

In the model, all along with the quality of products and services, equal emphasis is on the elimination of adverse impacts on the environment, through adequate planning at product and process design, pre-production, production and maintenance activities, post-production (disposal after use) and outcome of environment performance. The net result is sustainable development. Since each sector focuses on its unique operating conditions, QCI has developed sector-specific models that address these conditions.

In order to prepare the MSMEs to create a value chain for the new regime, it is important that quality and competitiveness of Indian MSME is enhanced over a period of time. It will also provide an opportunity to units to strive to continuously improve its processes thereby aiming to move up the maturity assessment model (Bronze-Silver-Gold-Diamond-Platinum).

The rating is a weightage average of the marks obtained on each parameter. Surveillance audit will be carried out by QCI.

An Example

Enterprise X is being rated on 35 parameters. Of these 35 parameters, on 18 parameters the MSME is at Level 5, on another 12 parameters it is at Level 4 and on remaining 5 parameters it is at Level 3. Hence the scores will be calculated as follows:

Parameters	Level	Marks
18	5	90
12	4	48
5	3	15
	Total	153

Enterprise X Rating: Total points / Applicable levels: 153/35 = 4.37, hence the MSME X is a ZED Platinum Company.

Benefits for ZED rated MSMEs

The benefits for ZED rated MSMEs is explained in detail below:

- The ZED rated MSME will get 0.5% interest rate on the concession on loans
- The ZED rated MSME will also get 50% concession in processing fee
- The Government provides Rs.25 lakhs for adopting technology
- The Government provides Rs.25 lakhs for setting up of new ETP
- Rs. 10 lakh for domestic patent and Rs.20 lakhs for international patent registration
- Rs. 5 lakhs for purchase of testing equipment
- Rs. 10 lakhs for ZED certification and handholding
- Extra 80%, 60%, and 50% subsidy on the cost of ZED certification in addition to the subsidy provided by the Government of India

The above benefits are provided by the Government and different banks from time to time and subjected to change. Typically an MSME can apply for re-certification after 6 months of initial certification. However, the subsidy on the cost of the re-certification component will be given to those MSMEs only which achieve a higher level in rating from the initial/previous rating. For example, if the previous rating of an MSME unit was Bronze, then subsidy will be extended only if re-certification rating of that MSME unit is minimum Silver.

Over 30 bank employees died in COVID-19 second wave in Gujarat: Source

A prominent bank employees' union has claimed that nearly 15,000 employees of banks have tested positive for Corona Virus in Gujarat so far, and over 30 of them died during the second wave of the COVID-19 pandemic in March, 2021. To combat the present situation, Maha Gujarat Bank Employees' Association (MGBEA) has put forward several demands, such as reduced cash hours, extra holidays and relaxation in working hours.

The union, associated with the All India Bank Employees Association (AIBEA), sent a letter to Gujarat CM Vijay Rupani seeking his intervention as the CM is the chairman of the State Level Banking Committee (SLBC). In the letter, MGBEA stated that around 50,000 bank employees are working in over 9,900 branches across Gujarat. Following some reports that the new strain of COVID-19 is airborne, employees are now afraid of entering the branch premises or interacting with customers. While over 30 staffers have succumbed to the infection in March, 2021, the entire staff of some of the branches was found Corona Virus positive. The union urged Rupani to announce some relaxations in view of the second wave of corona virus outbreak.

The letter stated, "To reduce human-to-human contact, banks should be allowed to deliver only essential services like cash deposit, withdrawal, transfer and clearing, so that less number of people visit bank branches."

To reduce the exposure of staff to the public, the union also demanded that cash hours should be restricted between 10 am and 1 pm only, and employees should be allowed to go home after business hours. It also demanded that all Saturdays be declared as holidays for the next two months. If any staff member tests positive, the branch must be shut for at least 48 hours, the union demanded.

NEO BANK

Neo bank is a kind of digital bank without any branches. Neo bank has no physical presence at any location but provides services online i.e. digital or mobile or through any other mode online. Neo bank hasn't a banking license but provides services through trusted partners who have banking licenses. Neo bank is a more agile version of traditional and old fashioned banking which is more appealing to tech-savvy young generation.

Neo bank provides all types of banking services to the consumer and small business needs of the consumers. At present more than 5000 startups are providing new as well as traditional financial services. Neo bank provides infrastructure that makes banking services cheap and easy from their phone. It is also known as fintech company which offers various banking services from mobile, like opening of deposit account, loan account, payments and other banking services without the burden of a physical network. Apart from it, Neo bank also does lead generation. RBI doesn't permit license to open 100% digital banks. Neo banks now a day provides traditional banking services also. Neo banks are complementing banks with better user interfaces and services.

About the author

Prabhat Singh Suman
Chief Manager Faculty
Union bank of Indian
Staff Training Center

Neo banking started in India by many Indian startups Airtel payment bank, Fino payment bank, India post payment banks, Jio Payment bank, SBI YONO, Kotak 811 are some of the examples of Neo banks closest model in India.

Why Neo bank?

The population of India is approximately about 130 crore out of which more than 65 per cent are below the age of

35 years. Mobile penetration is more than 90 per cent within which nearly more than forty-four million people are using smartphones. More than 80% of Indians have a bank account now. It indicates that the youngsters are tech-savvy and digital banking is their choice. The government is also focusing to develop digital infrastructure for increasing mobile connectivity throughout India. Digital payments are embraced at such a large scale. Customers are moving away from physical cash and more towards online banking and wallets. Day to day Indian consumers transacts digitally and their numbers of transactions are increasing day by day. They feel more comfortable to avail online payments through the various apps like U Mobile, Google pay, YONO, PhonePe, Paytm etc.

If we think about numbers and amount, we can see the potential of neo banks in the country. Neo banks provide the flexibility that traditional banks don't. The traditional banks have its own limitations, they can't reach the far in rural areas, but Neo banks can reach these areas and provide basic banking services to them. They can easily sustain themselves and turn out to be profitable. Neo banks are completely digital.

Neo bank gives the consumer a wide variant of choice and better value for money while bringing the benefits of financial inclusion to all. The evolution of India's banking sector shifted its focus after the RBI liberalizing bank licenses for corporate since 2016.

Functioning of Neo bank

Neo banks have a completely different business model, but like traditional banks, neo banks do make marginally between money inflow and lending. Neo bank hasn't a physical location, they are completely online, and the customer fees are slashed by a significant amount. Neo banks are customer-centric; they provide personalized services to their customers through technology.

Data-driven decisions make the process of a Neo bank customer-centric. Their platforms are also much efficient. It is easier to collect and analyze data as also understand how their customers behave in the Neo banking ecosystem. Based on these observations and the customer's action, they create cohorts of customers. Accordingly, they design their products rather than sticking on one or two products.

Neo banks focus on customized features for specific target groups like:

- **Freelancers:** Neo banks provide additional support like tax calculations, withholding and employee benefits
- **Immigrants:** Assist in quick online opening of accounts as a newcomer and having access to savings & credit
- **Small businesses:** Support needed in managing receivable and payable in their accounts and expense monitoring
- **Customer-centric:** An education-based bank for learning how to effectively budget, save and build credit. Customized support on access by the power of attorney, custodianship, family trust, wealth preservation, retirement benefits and insights on healthcare
- **Travelers:** Ability to use a global account and card without additional fees or challenges.

Benefits of Neo banking

Time saving: In Traditional banking, customer has to visit a branch multiple times to open an account, Neo banks fulfill this requirement through an app-based option. In terms of the total time you can expect to spend at a branch, there is simply no comparison between the two. According to a report by the RBI, on an average, a customer has to spend nearly a day to complete account opening formalities in a bank branch. However with Neo banks, if the customer has PAN and Aadhaar, through e-KYC account can be opened within a minute. For SME customers, Neo banks offer faster access to loans by leveraging advanced Artificial intelligence-based risk assessment tools while fully complying with Anti Money Laundering and other lending regulations specified by the RBI.

Lower charges: Low charges are one of the important

criteria that lure customers look for today. Traditional banks have high operating costs in terms of workforce salary and rent incurred to maintain branches, ATMs and other infrastructure. These costs are passed to customers in the form of various charges for services like account statements, cheque book, transaction, alerts, debit/credit cards, processing charge etc.

Neo bank operates on a digital model, so operational cost is less and able to offer high-interest rates without any monthly charge. Customers can avail a wide range of services including mutual fund purchase, insurance, bill payments, money transfers etc. with their digital Neo bank account. Neo banks may enter in partnership with a traditional bank and leverage the latter's extensive physical infrastructure to deliver services.

Value added services: Traditional banks offer standardized services for a broad audience, there is not much attention given to niche customer needs. The segmentation strategy used by traditional banks is coming under pressure due to falling profits and increased regulatory oversight. Neo bank use historical account information and data analytics to recommend products to customers. The app interface includes a host of statistics and insights that can be leveraged by customers to identify products that will best suit their needs. Neo banks leverage customer profiles based on values, personality characteristics and interests to position products rather than relying only on demographics such as age, income levels and education.

24*7 customer support: Neo banks provide round the clock customer support to their customers through the use of chatbots and robo advisors that provide automated recommendations to users based on their transaction histories. Artificial Intelligence (AI) based algorithms make it possible for Neo banks to tap evolving customer needs and provide personalized solutions that best fit their needs in an unobtrusive manner.

Advanced security features: Security is one of the key areas of concern for customers using digital banking products.

Data protection regulations require banks and financial institutions to secure customer information from unauthorized access.

Fintech apps have multiple redundancies built in to ensure that users can operate their accounts in complete privacy. In addition to two factors authentication, Neo banks have implemented advanced role-based control logic in their apps to prevent malware attacks. However, they are not completely immune to third party interference.

User-friendly interface: Neo banks provide an excellent customer experience. Neo bank apps are very crisp, Clean and user friendly. They are highly responsive and well designed to suit the needs of a customer. The ease of use makes the app popular amongst its customers.

Smart reporting: Transactions made via neo banks are immediate. The transactions details are populated instantly provide and up to date balance on account any time anywhere. All transactions and payments appear on app and there is no need to go anywhere else for this information.

Ease of doing business: In traditional banking, businessman spend hours on manual efforts because of complex infra system. Money movement views can also be complex. But neo bank simplifies accelerate business environment. Neo banks provide hassle-free making and accepting payments, managing cash flow, reconciling transactions.

Able to serve to unserved / unbanked: Neo bank provides virtual banking, fulfils the needs of underserved market segments such as unbanked, immigrants, freelancers and independent contractors and small business. Neo banking endured monthly and annual fees due to low account balances or lack of direct deposit and lack of proper advice from large banks and their one size fit all models. Neo banks use the customer data in an innovative way and launch new products, partnerships and engaging customers- for the benefits of their clients. These banks emerge as nimble, agile and responsive to provide ever-changing needs of clients, consumers and regulators. It also takes initiative in sharing data for analysis of budgeting, spending habits and saving progress towards long term financial goals. This type of advanced support for a client's financial health encourages customers to deepen emotional bonds with their financial service provider. Through this type of services, consumers are willing to pay a premium to quickly acquire new relationships and generate additional revenue. Neo banks fulfill evolving needs of customers

Regulatory considerations for Neo banks:

In India, virtual banking licenses are still not granted though there are foreign national banks offering digital-only products through their Indian subsidiaries. RBI remains stringent in physical presence of banks and recently reinforced the requirement for digital banking service providers to have some physical presence.

Presently neo banks in India are addressing the regulatory predicament by outsourcing their banking responsibilities to those with licenses, creating strategic partnerships with traditional banks and providing services on behalf of existing ones. This model is already being used worldwide for example Chime and Mongo a leading Neo bank in the US and Europe respectively. As a part of their business strategy and to overcome regulatory hindrances, neo banks partner with traditional banks. Neo banks are offering business and consumer banking services but from a regulatory perspective, monetary transactions are managed by their partner banks.

Road ahead for Neo banks: Attributes and offerings like accessibility, cost-effective multiple banking and financial functionalities under one umbrella and personalization are some of the driving factors for neo banks globally. Fintech companies are building niche solutions focusing on blue-collar workers and unbanked persons. MSMEs, which is the way forward for the economy. Neo banks will be an integral part of the progressive payment channels and financial solutions in digital India.

With the focus on digital payments and digital way of doing business, neo banking will be the fastest collaborator with the fairly evolved banking system we have currently, especially to cater the needs of SMEs as well as consumers across segments.

With competition mounting among traditional banks, new age Fintech, technology firms and non-banking entrants, it is yet to be seen whether the market is deep enough for neo banks to grow sustainably and equitably.

Conclusion

The above facts on demand and services clearly envisage that Neo banks are the future of banking. Neo banks have been slowly eroding the relationship of the customer from traditional banks. Neo banks are purely challenges for traditional banks. Neo banks open the doors to a new sector of business. Customers can carve a niche for themselves in a relatively short span of time. Neo banks give opportunities for collaboration, traditional banks can leverage their scale to bring a digitized suite of offerings to consumers.

On the other hand, Neo banks can bypass licensing restrictions to innovate further. Neo banks help banks and NBFCs streamline and optimize their performance. Beyond traditional banking like offering deposit account, debit card and payments, in India Neo banks can help in MSME sector, account opening, providing financial services like insurance, banking, mutual funds to unbanked or underbanked people at affordable cost. So we can say that Neo bank able to provide the right / customized product to the right people.

Source:

Various magazine and data available online

11th Middle East Banking Innovation Summit PLUS

Date: September 15-16, 2021

Media Partner: Banking Finance

Overview:

Following the rousing success of the flagship Middle East Banking Innovation Summit, Expotrade has announced a brand new event MEBIS PLUS.

Within the rapidly evolving digital landscape, the banking sector is constantly adapting and growing in order to stay afloat. The Middle East Banking Innovation Summit PLUS will explore the ways in which AI, automation and data analytics are pushing the industry into the future and fostering a banking culture that is dynamic and focused on growth.

To be held on September 15-16, 2021 at Le Méridien Dubai Conference Centre, MEBIS+ will consist of two knowledge-packed days filled with in-depth fireside chats, roundtable discussions, panels, keynotes and much more. This new and improved Summit will also include the MEBIS+ Bank Awards, an exciting addition that will celebrate the institutions that are going above and beyond for their employees and clients through effective digital transformation.

With hundreds of delegates attending, MEBIS+ is the largest and most influential banking technology event in the MENA region. The Summit will delve into topics such as:

- ❖ The future of open banking
- ❖ Trends in payment technology
- ❖ Driving digital transformation: Reimagining the traditional banking business model
- ❖ The role of robotics in revolutionising banking
- ❖ The rise of conversational banking and chatbots
- ❖ Cloud computing: A game changer for future banking
- ❖ Blockchain technology: More than just a platform for cryptocurrency

RMAI Certificate Course on Risk Management

Join Today

Introduction

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

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

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

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

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

Realizing the imminent need for industry/organizations to have more employees who possess RISK LITERACY along with few experts, RMAI is committed to providing the right foundation of risk-knowledge and market-insights with global best practices.
This certificate Course is a Joint Certification programme of Risk Management Association of India and Association of Internal Control Practioners (THE AICP), London, UK. (https://theaicp.org)

Course Modules

Module -1- Introduction to Risk Management

Module -2- Understanding Environment and Stakeholders

Module -3- Risk Strategies and Corporate Governance

Module -4- Risk Management Framework

Module -5- Risk Management Process

Module -6- Emerging Risk

Module -7- Types of risks

Module -8- Models for Estimation of Risk

Module -9- Project and Assessment

Course Details

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

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

Course Methodology

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

ii) 8 Modules of three hours each Plus Project

iii) Quiz during each module to check understanding

iv) Query Management Sessions by Experts

v) Individual Project and Guidelines

vi) Course Completion Assessment

vii) Final Exam by Remote Invigilation

More about AICP London

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

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

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

Value-added Benefits

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

Payment Options:

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

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

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

RBI CIRCULAR

Declaration of dividends by banks

RBI/2021-22/23

April 22, 2021

1. Please refer to our circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020, and other associated circulars on the captioned subject.
2. In view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while allowing banks to pay dividend on equity shares, it has been decided to review the dividend declaration norms for the year ended March 31, 2021 as below.

Commercial Banks

3. In partial modification of the instructions contained in circular DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 4, 2005, banks may pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the said circular. Other instructions in the circular dated May 4, 2005 shall remain unchanged.

Cooperative Banks

4. Cooperative banks shall be permitted to pay dividend on equity shares from the profits of the financial year ended March 31, 2021 as per the extant instructions.

General

5. All banks shall continue to meet the applicable minimum regulatory capital requirements after dividend payment. While declaring dividend on equity shares, it shall be the responsibility of the Board of Directors to inter-alia consider the current and projected capital position of the bank vis-à-vis the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability.

(Usha Janakiraman)
Chief General Manager

Enhancement of limit of maximum balance per customer at end of the day from Rs. 1 lakh to Rs. 2 lakh – Payments Banks (PBs)

RBI/2021-22/20

April 8, 2021

1. Please refer to paragraph 3 of Statement on Developmental and Regulatory Policies dated April 7, 2021 on the above subject.
2. In terms of paragraph 4(i) of the 'Guidelines for Licensing of Payments Banks' (Licensing Guidelines) dated November 27, 2014, PBs were restricted to hold a maximum balance of Rs. 1 lakh per individual customer at the end of the day. It was also indicated in the guidelines that after gauging the performance of the PBs, RBI may consider increasing the maximum balance limit.

3. Considering the progress made by PBs in furthering financial inclusion and with the objective of giving more flexibility to the PBs, it has been decided to enhance the limit of maximum balance at the end of the day from Rs. 1 lakh to Rs. 2 lakh per individual customer of PBs with immediate effect.
4. The other terms and conditions of the Licensing Guidelines remain unchanged.

(Prakash Baliarsingh)
Chief General Manager

Framework for processing of e-mandates for recurring online transactions

RBI/2020-21/118

March 31, 2021

1. A reference is invited to our circulars DPSS.CO.PD.No.447/02.14.003/2019-20 dated August 21, 2019, DPSS.CO.PD.No.1324/02.23.001/2019-20 dated January 10, 2020 and DPSS.CO.PD.No.754/ 02.14.003/2020-21 dated December 4, 2020, wherein the framework for registering e-mandates for recurring online transactions using cards / wallets / Unified Payments Interface was put in place. The framework had ensured that changing payment needs of customers were accommodated by adequately balancing safety, security and convenience of such transactions. Stakeholders were given sufficient time to complete the process of migration to the framework by March 31, 2021.
2. It is, however, noted that the progress of onboarding existing as well as new mandates of customers as per the framework is not satisfactory. Keeping in view the requests of some stakeholders and to prevent any inconvenience to customers, it has been decided, as a one-time measure, to extend the timeline for ensuring full compliance to the framework till September 30, 2021. During the extended timeline, no new mandate for recurring online transactions shall be registered by stakeholders, unless such mandates are compliant with the framework.
3. Any further delay in ensuring complete adherence to the framework beyond the extended timeline will attract stringent supervisory action.
4. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(P. Vasudevan)
Chief General Manager

Guidelines on Regulation of Payment Aggregators and Payment Gateways

RBI/2020-21/117

March 31, 2021

1. We invite a reference to our circular DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 (as updated from time to time) and the clarification dated September 17, 2020 issued on the subject (Annex). Accordingly, neither the authorised Payment Aggregators (PAs) nor the merchants on-boarded by them can store customer card credentials within their database or server.
2. Based on the representations received from the industry seeking additional time for implementing the above instructions, it has been decided, as a one-time measure, to extend the timeline for non-bank PAs by six months, i.e., till December 31, 2021, to enable the payment system providers and participants to put in place workable solutions, such as tokenisation, within the framework set out in the circular dated March 17, 2020 cited above and our circular DPSS.CO.PD No.1463/ 02.14.003/2018-19 dated January 08, 2019 on "Tokenisation – Card transactions". All other provisions of the circular dated March 17, 2020 referred to above, shall remain unchanged.
3. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(P. Vasudevan)
Chief General Manager

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

(Rs. Crores)

Year (end-March)	Aggregate Deposits	Demand Liabilities			Time Liabilities			Invetsments in Government Securities	Bank Credit
		Total	Deposits		Total	Deposits			
			Inter-Bank	Others		Inter-Bank	Others		
1	2	3	4	5	6	7	8	9	10
1991-92	2576	2198	879	964	5548	3875	1612	1204	3363
1992-93	2831	2508	1363	823	6031	3957	2008	1437	4277
1993-94	3415	2031	688	956	8817	6272	2459	2564	3900
1994-95	3850	2216	772	1045	9395	6508	2806	2110	5310
1995-96	4286	2996	1248	1227	10287	7125	3059	2408	6318
1996-97	5377	3215	1150	1425	14199	10151	3952	2956	7207
1997-98	5628	3016	934	1334	18098	13671	4294	6252	7849
1998-99	7511	3630	1261	1603	22167	16109	5908	5780	9173
1999-00	8870	3345	1081	1693	25294	17960	7177	6758	10242
2000-01	9682	4700	1500	1990	27861	19960	7692	7537	12822
2001-02	12119	4888	1397	2245	30597	20320	9874	8321	13812
2002-03	12226	5583	1881	2251	33147	22905	9975	10135	14708
2003-04	13782	7441	3235	2679	35237	23810	11103	13639	15118
2004-05	14581	5627	1156	2861	37792	25740	11720	16476	14657
2005-06	15665	6065	1457	3101	38464	25561	12564	16472	15589
2006-07	17105	7324	1921	3571	39425	25540	13534	14149	16404
2007-08	20433	7804	2123	3843	48585	31456	16590	16956	17674
2008-09	23094	8587	2398	4135	61456	42009	18559	18763	18746
2009-10	26896	9746	2021	4887	71485	48489	22010	24896	19449
2010-11	28559	11672	1656	6234	65905	42724	22325	24508	24331
2011-12	31342	11840	1481	6698	70987	45262	24644	25152	30650
2012-13	35651	12717	2501	7014	80249	50696	28637	26928	36498
2013-14	41790	13970	2543	7618	89950	54140	34170	28940	38820
2014-15	42228	14809	3375	7770	85456	49916	34457	28237	42643
2015-16	49140	15540	3300	8230	88590	46700	40910	29110	48400
2016-17	50870	18140	4500	10440	93050	51260	40430	32710	45870
2017-18	57390	17060	5070	9220	91810	41820	48170	32540	51920
2018-19	61370	18020	5840	9590	97910	45480	51780	30700	59790
2019-20	123813	26008	5295	14317	167558	56564	109496	50627	110576

Note : Data for 2019-20 are provisional.

Also see Notes on tables.

Source : Reserve Bank of India.

LOANS AND ADVANCES OF PACS, SCARDBs AND PCARDBs

(Numbers in Lakh; Amount in Rs. Crores)

Year	PACS			SCARDBs			PCARDBs		
	Advanced		Amount	Advanced		Amount	Advanced		Amount
	No. of Borrowers	Amount	Outstan-ding	No. of Borrowers	Amount	Outstan-ding	No. of Borrowers	Amount	Outstan-ding
1	2	3	4	5	6	7	8	9	10
1991-92	190	5575	8177	---	300	30	---	444	2143
1992-93	240	6223	10245	---	415	1906	---	542	2480
1993-94	140	7158	9399	---	469	2091	---	612	2701
1994-95	170	8312	9996	---	566	2500	---	651	2709
1995-96	240	10552	12980	---	1798	6857	---	1219	4098
1996-97	390	11292	13345	---	2151	8016	---	1455	4936
1997-98	410	12137	13994	---	2295	9182	---	1593	5840
1998-99	440	12743	14894	---	2437	10442	---	1692	6819
1999-00	430	23662	28546	---	2532	11598	---	1818	7574
2000-01	470	25698	34522	---	2586	12596	---	1866	8276
2001-02	560	30770	40779	---	2746	14110	---	2045	10005
2002-03	640	33996	42411	---	2962	15333	---	2151	10809
2003-04	510	35119	43873	---	2942	16221	---	2197	11336
2004-05	450	39211	48785	---	2291	17404	---	2506	12633
2005-06	460	42920	51779	---	2907	17678	---	2296	12870
2006-07	480	49613	58620	---	2436	18644	---	1970	12179
2007-08	510	57643	65666	---	2221	18327	---	1822	11800
2008-09	460	58787	64045	---	2585	16279	---	2045	11229
2009-10	600	74935	76480	---	3205	16999	---	2465	11512
2010-11	520	91304	87768	40	3911	18457	40	3324	12003
2011-12	450	107300	91243	---	4159	19417	---	3341	12600
2012-13	500	161909	139400	---	3652	18744	---	3718	12976
2013-14	480	171420	130054	---	4924	20150	---	4372	13820
2014-15	500	159050	147225	---	5090	21218	---	5374	14812
2015-16	462	180823	158487	---	5237	20409	---	5642	14019
2016-17	520	200678	170459	---	4642	21208	---	4483	15064
2017-18	---	---	---	---	4422	20788	---	4475	15821
2019-20	---	---	---	---	4225	20651	---	4021	15485

PACS : Primary Agricultural Credit Societies
SCARDB : State Co-operative Agricultural and Rural Development Bank
PCARDB : Primary Co-operative Agricultural and Rural Development Bank

Notes : 1. Data upto 1991-92 relate to as at end-June, and as at end-March thereafter.
2. Not Available.

Source : National Bank for Agriculture and Rural Development (data as submitted by SCARDBs in ENSURE portal of NABARD with respect to SCARDBs/PCARDBs), National Federation of State Co-operative Banks with respect to PACS data.

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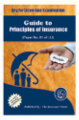
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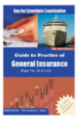
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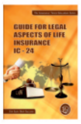
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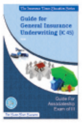
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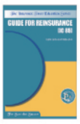
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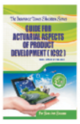
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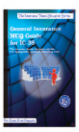
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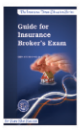
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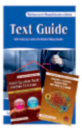
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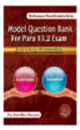
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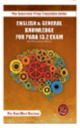
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