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Banking Finance

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In this issue

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"Family pension for bank employees is set to increase with a uniform payout of 30 per cent of the last salary."

Debasish Panda
Secretary
Department of Financial Services

"This will be the world's largest women-only factory and the only such automotive manufacturing facility in the world."

Bhavish Aggarwal
Chief Executive
Ola Electric

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From The Desk Of Editor-in-Chief

In a recent development in USA if the reconciliation bill of the House panel is cleared, Indians who have been held in green card backlog can obtain permanent visas by paying a supplementary fee of $5000, which is a positive development for Indian Job Seekers in USA.

High Court of Uttarakhand in a recent judgment observed that in case of any default of damaging tree can only be compensated by sowing the trees in other place.

The Finance Ministry has notified recently extending the date for filing Income Tax Return till December, 2021 without any penalty. There has been lot of issues with the Income tax portal and even with best efforts it has not been resolved. Government must ensure that the issues are sorted on a urgent basis as it affects the economy.

Supreme Court in a recent judgment ruled that mutation of property in the local Municipality does not quality to be owner of the property and other provisions of the Law of the land have to be complied with.

Airport Authorities of India recently cleared privatization of 13 additional airports in the country for better management. This will help to provide better infrastructure and facilities.

IRDAI has come out with guidelines for Trade Credit insurance by Non Life Insurers which will ease the confidence of the Traders activity specifically MSME Sector. ECGC has already been in the activity of guaranting the export realizations.

BSE and Nifty has been showing upward tendency in the sensex BSE for over 58000 as well as Nifty for over 17000 which shows the confidence of the market in the Economy but caution must be there that real value in reflected in the sensex to safeguard the invertors.

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Banking News

PNB gets approval to raise Rs. 6,000 crore through bonds

The board of Punjab National Bank has approved raising of capital through Basel III-compliant Additional Tier-1 (AT-1) bonds and Tier II bonds up to an amount of Rs 6,000 crore.

The plan approved by the lender's board includes raising of AT-1 bonds or AT-2 bonds or a combination of both. The capital would be raised in one or more tranches, the lender said in an exchange filing.

As AT-1 bonds are considered to be risky, the Securities and Exchange Board of India (Sebi) had earlier sought to value banks' deemed residual maturity of Basel III additional tier 1 (AT1) bonds as 100-year debt from April 1. However, after the finance ministry's opposition that such a move would increase borrowing costs for public sector banks, the regulator had relaxed the norms and said the maturity of such bonds would be 10 years until March 31, 2022, and would be increased to 20 and 30 years over the subsequent six-month period. From April 2023 onwards, the residual maturity of AT-1 bonds will become 100 years from the date of issuance of the bond.

Kotak cuts home loan rate to 6.5%

Kotak Mahindra Bank, said it would cut the interest rate on home loans from 6.65% to 6.5% - the lowest in the industry. This will be applicable for all loan amounts for salaried people, for both new and balance transfer cases and valid for two months from September 10 to November 8.

With system liquidity at its highest ever at more than Rs 9 lakh crore, banks are increasingly looking at low-risk lending products in which they could cut the rate of interest to get more customers. Kotak Bank continues to offer one of the most competitive rates in the home loan industry, the lender said through a release. "This special rate is available across all loan amounts and is linked to a borrower's credit profile," it said.

Kotak Bank, a relatively new entrant in the home loan segment, has been offering one of the lowest mortgage rates in the industry since it started.

Tamilnad Mercantile Bank files papers for Rs. 1,000-crore IPO

Tamilnad Mercantile Bank (TMB) has filed a draft red herring prospectus with the Securities Exchange Board of India to raise funds through an initial public offering. While the IPO comprises a fresh issue of 1.5827 crore shares, it also has an offer for sale of up to 12,505 shares from existing shareholders. The offer will constitute 10 per cent of the post-offer paid-up equity share capital. Proceeds from the IPO will be used for augmenting the lender's tier I capital base. The company had said that it was planning to raise more than Rs. 1,000 crore with an IPO.

UCO Bank out of Prompt Corrective Action Framework

The Reserve Bank of India on September 8 lifted Prompt Corrective Action Framework (PCA) on UCO Bank.

The performance of UCO Bank was reviewed by Board for Financial Supervision and it was noted that as per its published results for the year ended March 31, 2021, the bank is not in the breach of the PCA parameters, the central bank said in a release.

UCO Bank has provided a written commitment that it would comply with the norms of minimum regulatory capital, net NPA and leverage ratio on an ongoing basis, the central bank said.

Govt extends tenure of Canara, Bank of India EDs by two years

The government has extended the tenure of two executive directors of Canara Bank and Bank of India for two years, the state-run lenders said.

Canara Bank in a regulatory filing said that the central government has extended the term of office of A Manimekhalai, Executive Director, for a period of two years beyond her currently notified terms that expires on 10 February 2022, or until further orders, whichever is earlier.

Bank of India in a separate filing said that the term of office of P R Rajagopal, Executive Director, has been extended for a period of two years, beyond his currently notified term or until further orders, whichever is earlier. His current term was to expire on February 28, 2022, the bank said.

Harsha Bhupendra Bangari appointed as EXIM Bank MD

The government has appointed Harsha Bhupendra Bangari as the Managing Director (MD) of Export-Import Bank of India (EXIM Bank).

Bangari, who is presently the deputy managing director at EXIM Bank, would be at the helm for a period of three years or until further orders of the government, said a notification.

Banks Board Bureau (BBB), the headhunter for state-owned banks and financial institutions, had interviewed 10 candidates for the top post at EXIM Bank. In May, it had recommended Bangari as the EXIM Bank MD. The BBB had also suggested Samuel Joseph Jebaraj as the candidate on the reserve list for the position.

Former SBI chief Rajnish Kumar is HSBC Asia independent director

The Hongkong and Shanghai Banking Corporation (HSBC) said it has appointed former State Bank of India (SBI) chairman Rajnish Kumar as an independent director and a member of Audit Committee and Risk Committee of the Asian entity.

The Indian operation is a branch of this Asian entity. HSBC is also listed in the UK as a separate entity called HSBC Plc.

Rajnish Kumar retired in October 2020 after a 40-year career at the SBI. His international tenure included stints at SBI's UK and Canada operations.

Bank of India raises Rs. 2,550 cr via QIP issue

Bank of India announced the closure of its QIP issue and said that it has raised Rs 2,550 crore by issuing more than 40.5 crore shares to the qualified institutional buyers.

The capital issue committee at its meeting held on August 31, 2021 has approved the issue and allotment of 40,54,71,866 equity shares to eligible qualified institutional buyers (QIBs) at an issue price of Rs 62.89 per share, aggregating to Rs 2,550.01 crore, Bank of India said in a regulatory filing.

PNB reduces savings deposit rates to 2.9%

State-owned lender Punjab National Bank (PNB) has reduced savings deposit rates by 10 basis points to 2.90 per cent. This compares with deposit rate of 2.70 per cent and 2.75 per cent offered by State Bank of India (SBI) and Bank of Baroda (BoB), respectively.

The cut in the interest rate--effective from September 1--will be applicable on existing as well as new savings fund accounts, the lender said.

Bank officials said the decision is partly driven by huge liquidity that the bank continues to manage and also correction in rates vis-a-vis peers, especially public sector banks.

The lender has been offering 2.90 per cent to 5.25 per cent interest on term deposits with a period of 7 to 14 days and 5 to ten years, respectively from August 1. Deposit rates for senior citizens range from 3.40 per cent to 5.75 per cent.

Honda cars ties up with IndusInd Bank for vehicle financing

Honda Cars India (HCIL) partnered with IndusInd Bank to facilitate customers to avail custom-built financing solutions on purchase of Amaze and City such as low EMI, flexi term, up to 100 per cent ex-showroom funding and customised schemes for specific customer groups like farmers.

The partnership with IndusInd Bank is an extension of our efforts towards making personal mobility more accessible and affordable to a diverse set of customers, both salaried and self-employed.

Shanti Lal Jain takes charge as MD & CEO of Indian Bank

Shanti Lal Jain has assumed charge as

Managing Director and Chief Executive Officer of Chennai-headquartered Indian Bank from today.

Prior to this, he served as Executive Director of Bank of Baroda since September 2018, according to a statement.

A Post-graduate in Commerce, and a qualified Chartered Accountant, Company Secretary and CAIIB, Jain joined Allahabad Bank in 1993 in middle management cadre. In a career spanning more than 25 years in banking, he handled critical portfolios. Previously, he had worked in a range of industries for over six years.

Family pension for bank staff hiked to 30% of last pay

Family pension for bank employees is set to increase with a uniform payout of 30 per cent of the last salary, Debasish Panda, Secretary, Department of Financial Services, said.

"In continuation of the 11th bi-partite settlement on wage revision of public sector bank employees, which was signed by the Indian Banks' Association with the unions on November 11, 2020, there was a proposal for enhancement of family pension and also the employers' contribution under the NPS. This has been approved by the Finance Minister," Panda, who was accompanying Finance Minister Nirmala Sitharaman, said.

430 million Jan Dhan Accounts have Rs. 1.46 trillion

The PM Jan Dhan Yojana has about 430.4 million accounts with total deposits amounting to Rs 1.46 trillion as on August 2021. Of these, about 86%, or 368.6 million accounts, are operative.

Seven years after the initiative was launched, the average deposit per account is Rs 3,398, which has increased 2.7 times over August 2015. About 312.3 million Rupay cards have been issued to Jan Dhan accountholders.

The government has also launched the Jan Dhan Darshak - a mobile application to provide a citizen-centric platform to locate banking touch points such as bank branches, ATMs, bank correspondents, and post offices in the country.

The app uses geographic information system (GIS) mapping facility to identify inhabited villages that do not have a banking touch-point within a distance of 5 km. About 99.95 per cent villages are now covered either by a bank branch or bank correspondent within a 5-km distance.

Union territory govt stake in J&K Bank to go up to 74.2%

The Reserve Bank of India (RBI) has allowed the government of Jammu & Kashmir to acquire over 16.76 crore shares in Jammu & Kashmir Bank on a preferential basis. The J&K government's equity stake will rise to 74.24 per cent in the bank after the allotment. The issue follows a recent decision of the J&K government to transfer 8.23 per cent stake in the bank to the Union Territory of Ladakh.

"The RBI vide its letter dated September 2, 2021, has accorded approval to government of Jammu & Kashmir to acquire 16,76,72,702 fully paid-up equity shares on preferential basis, i.e., up to 74.24 per cent of the post issue paid-up voting equity capital of the bank subject to compliance of regulatory requirements," J&K Bank said in a filing with stock exchanges.

Earlier this week, the bank's board approved a fund raise of up to Rs 2,000 crore through a mix of debt and equity. This includes raising of equity share capital up to Rs 1,000 crore in one or more tranches and another Rs 1,000 crore by way of non-convertible Tier-2 bonds in the nature of debentures on a private placement basis. LIC and East Bridge Capital Master Fund hold around 2 per cent stake each in the bank.

NPS: Banks to make additional provision

Public sector banks will have to make an additional provision of over Rs. 21,300 crore annually on account of revision of norms to calculate family pension and higher contribution toward National Pension System (NPS).

"Keeping in view the requirements of the Accounting Standard (AS15R) issued by the Chartered Accountants of India and also as per the Companies Accounting Rules (2006), the incremental provision towards the Family pension as per the actuarial estimate is Rs. 20,302.9 crore," a note prepared for the proposal, said.

The note also mentioned that special dispensation will be sought from the Reserve Bank of India (RBI) to allow provisions over next five years to avoid any immediate adverse impact on the balance sheets of the banks. ❑

Reserve Bank News

RBI to banks: No a/c freeze till Dec for want of KYC

The Reserve Bank of India (RBI) reiterated that until December 2021, banks cannot freeze accounts if the customer has not done a periodic KYC (know your customer) update. The central bank said this while cautioning the public not to fall prey to fraudulent messages seeking bank details for KYC updation purposes.

The RBI said it has been receiving complaints/reports about customers falling prey to frauds being perpetrated in the name of KYC updation. The RBI asked the public not to share key information like account details or passwords with unidentified persons or agencies under threat of account freeze.

Many customers have avoided visiting branches during the pandemic, which has provided fraudsters an opportunity to use KYC as a reason to engage with customers.

The RBI also said that it has made the process of KYC updation much simpler.

RBI scraps one click purchases from Jan 1

The Reserve Bank of India (RBI) made it inconceivable for one-click purchases on service provider websites from January 1, because it refused to increase its deadline for card tokenisation past the agreed January 1, 2022 date.

Tokenisation is utilized in on-line transactions the place the precise card particulars keyed in are changed by random digits. This means, the client is protected by stopping leakage of delicate card particulars.

"With effect from January 1, 2022, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store the actual card data," the central financial institution stated in a statement, including, "any such data stored previously shall be purged".

In terms of the new guidelines for payment gateways and payment aggregators, online merchants will not be able to store credit card data, forcing customers to enter their 16-digit numbers manually.

RBI imposes Rs. 27.5L penalty on Dhanlaxmi Bank

The Reserve Bank of India today imposed a penalty of 2.75 mln rupees on Dhanlaxmi Bank for breaching norms pertaining to The Depositor Education and Awareness Fund scheme.

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

The central bank had conducted a statutory inspection for supervisory evaluation on the Kerala-based bank with reference to its financial position as on Mar 31, 2020. Based on the examination of risk assessments and inspection reports, the RBI found the non-compliance of certain directions of the norms.

RBI makes 3 officials executive directors

The Reserve Bank of India (RBI) has promoted three new officials to the post of executive directors (EDs), the central bank said in an internal circular.

According to this circular issued by RBI's human resources department, Ajay Kumar, A.K. Choudhary and Deepak Kumar are the three officers in Grade F who have been promoted as executive directors for the year 2021-22. Mint has reviewed a copy of the circular.

Before being promoted to the new post, Ajay Kumar was heading New Delhi regional office of RBI as regional director.

Choudhary was the chief general manager-in-charge of department of supervision in Mumbai and Deepak Kumar was the chief general manager in charge of department of information technology at RBI.

Among the three, Ajay Kumar has the longest residual service of 8 years before he attains 60 years, followed by Deepak Kumar who has 3 residual years and Choudhary of 2 years

Currently, RBI as 12 executive directors and 30 chief general managers, who come under 4 deputy governors.

RBI governor Shaktikanta Das' three-year term is coming to an end in December this year. Das had succeeded former RBI governor Urijit Patel who quit abruptly 3 years ago.

Reserve Bank gets 2 more applications for SFB licence

The Reserve Bank of India (RBI) said it has received applications from two more entities under the "on-tap" small finance bank licensing guidelines of 2019, taking the total number of applicants to six.

Cosmea Financial Holdings Pvt Ltd and Tally Solutions Pvt Ltd have applied to the RBI for a small finance bank licence, RBI informed in a statement.

Bengaluru-based Tally Solutions Pvt Ltd is a technology and innovation company, which, according to its website, delivers business software for small and medium businesses (SMBs). Established in 1986, Tally Solutions is headed by Tejas Goenka, with Sheela Goenka as the chairperson, and Bharat Goenka as the vice chairperson of the company.

On the other hand, Cosmea Financial Holdings Pvt Ltd is a Mumbai-based entity, which is involved in activities, which are auxiliary to financial intermediation. It has four directors namely, Soumen Ghosh, Lav Ramji Chaturvedi, Mihir Kanak Sundhani, and Amit Agarwal. Ghosh was previously associated with Reliance Capital as its executive director and chief executive officer for nine years.

RBI issues norms on incentives of private banks' top officials

The RBI said the fair value of the share-linked incentives paid to chief executive officers, whole-time directors and other key functionaries by the private banks should be recognised as an expense during the relevant accounting period.

The RBI has also asked all banks, including local area banks, small finance banks and foreign banks to comply with its directions for all share-linked instruments granted after the accounting period ending March 31, 2021.

The central bank had issued guidelines on the compensation of whole-time directors/ chief executive officers/ material risk takers and control function staff in November 2019.

Issuing a clarification in this regard, the RBI said, "the fair value (of share-linked incentives) ...should be recognised as expense beginning with the accounting period for which approval has been granted".

In terms of the extant guidelines, share-linked instruments are required to be fairly valued on the date of grant using the Black-Scholes model.

The RBI issued the clarification saying "it has been observed" that banks do not recognise grants of the share-linked compensation as an expense in their books of account concurrently.

RBI revamps loan transfer and securitisation rules

The Reserve Bank of India (RBI) has revamped loan transfer and securitisation rules that are expected to boost liquidity in the system further and improve transparency and corporate governance.

RBI allowed lenders to transfer their loan exposures classified as fraud to asset reconstruction companies (ARCs). It stressed on disclosures and told lenders to include the financial impact of any transfer into their profit and loss account for the period when the transfer is completed. It has also allowed lenders to securitise single loans and loans with bullet payments allowing more flexibility to them.

"These measures are far more relaxed than the previous guidelines and offer more bandwidth to lenders in their liquidity management. But we are a little surprised about the timing of it since most lenders, especially the large ones, are flush with liquidity at present," a senior official with a rating firm said.

The regulator has also offered relief to lenders by allowing them to shift the responsibility of reporting, monitoring, filing of complaints with law enforcement agencies and proceedings related to fraudulent loans to the ARCs.

These are part of the sweeping changes RBI announced in the loan transfer and securitisation rules. The regulator has mandated banks to follow a board approved policy on this subject. It has directed banks to ensure that arm's length distance is maintained between personnel involved in transfer/ acquisition of loans and the originator of the loan. ❑

Industry News

I-T returnsdeadline extended to Dec 31

The deadline for filing 2020-21 returns by those whose accounts are not audited has been extended to December 31 owing to glitches in the new taxpayer portal. The time limit, which in a normal year is July 31, had already been pushed back to September end because of the second wave. The last date for belated or revised returns for the last financial year will now be March 31, 2022.

Competition Commission slaps Rs. 200cr fine on Maruti

The Competition Commission of India has imposed a fine of Rs. 200 crore on car maker Maruti Suzuki India Ltd (MSIL) for indulging in unfair business practices.

The fine has been slapped for "indulging in anti-competitive conduct of Resale Price Maintenance (RPM) in the passenger vehicle segment by way of implementing Discount Control Policy vis-à-vis dealers," the regulator said in a release.

Besides, the watchdog has directed the company to cease and desist from indulging in anticompetitive practices.

The regulator found that MSIL had an agreement with its dealers whereby the dealers were restrained from offering discounts to the customers beyond those prescribed by the company, the release said.

Creditors cannot recover dues from bankrupt firms' revenues

Lenders managing the accounts of bankrupt companies cannot recover their dues from the revenues of these companies while efforts are on to stitch together a rescue package, according to a set of code of conduct for the committee of creditors proposed by Insolvency and Bankruptcy Board of India (IBBI).

IBBI said the panel of creditors that stays in control of the defaulting company during the bankruptcy resolution process should respect the moratorium on recovery of dues during this period.

SEBI tightens risk disclosure norms for MFs

SEBI has made it mandatory for mutual funds (MFs) to reveal the risk-o-metre and scheme performance against its benchmarking all disclosures, including promotional material wherever the scheme performance is highlighted.

"The disclosure needs to be included in the 'scheme information document' for new fund offers," it said. For international benchmarks, SEBI said risk-o-meter score can be in line with the score assigned to foreign securities as specified in the product labelling norms.

"MFs have to enter into arrangements with their selected Index to source risk-o-meter for their benchmarks within five days subsequent to the end of the month," it said. The norms will come into effect from October 1.

No online test to become Independent Director for specified persons: MCA

The Corporate Affairs Ministry (MCA) has specifically exempted certain individuals from taking the online proficiency self-assessment test for them to get into or retain their Board positions as independent directors in companies.

It has now specifically ruled that individuals who are or have been for at least 10 years an advocate of a Court; or in practice as a chartered accountant; or in practice as a cost accountant; or in practice as company secretary need not pass the online proficiency self-assessment test. It may be recalled that MCA had in October 2019 mandated that independent directors will have to take up an online proficiency self-assessment test if they have to get into or retain board positions.

75-plus need not file IT returns from AY22-23

In a big relief, senior citizens aged 75 or above can give a simple declaration to his/her bank to get exemption from filing the Income Tax Return (ITR), according to a new I-T Department rule.

The new rule will come into effect from April 1, 2021 and the exemption from ITR filing will be available from AY2022-23. This is a follow-up to the Budget announcement.

The Income-Tax Act classifies senior citizens into two categories - senior citizens (60-plus) and super-seniors (above 80 years).

According to experts, senior citizens account for approximately 11 per cent of the returns filed and very senior citizens for 0.66 per cent. Considering that in FY20 the total number of returns was 6.78 crore, number of senior citizens and very senior citizens would be around 74 lakhs and 4 lakhs, respectively.

GST amnesty scheme extended till November end

The government extended the end date for businesses to avail of an amnesty scheme offered to make good their past defaults in filing Goods and Services Tax (GST) return for the period between July 2017 and April 2021.

An official statement from the finance ministry said that the last date to sign up for the scheme has been extended from 31 August to 30 November. When the scheme was announced by the GST Council in May, the condition was that the returns for the period have to be filed between 1 June and end of August.

As part of the scheme, late fee was capped at Rs. 500 per return for tax payers who did not have a tax liability for the period and in other cases, at Rs. 1,000 per return.

Businesses will also be allowed to use electronic verification code in place of digital signature certificate for filing tax returns till October. This facility was earlier given till end of August.

300 tonnes gold smuggling cheats the government of Rs. 20,000 cr annually

The Indian Gold Policy Centre has estimated gold smuggling into the country at 300 tonnes per annum, leading to a revenue loss of Rs. 20,000 crore as high import duty has led to high unofficial gold trade.

The flourishing unofficial gold trade has cast a cloud on the government effort to organise bullion and jewellery trade, said the IGPC, a centre of excellence at the Indian Institute of Management-Ahmedabad, sponsored by World Gold Council.

Traditionally, lower duty leads to higher revenue collection. This fiscal, the Centre reduced the Customs duty to 7.5 per cent from 12.50 per cent in the Budget, but it levied an additional 2.5 per cent Agriculture Infrastructure Development cess and 10 per cent Social Welfare Surcharge on the customs duty.

This resulted in the duty being reduced by only two percentage points including GST compared with 16 per cent before the Budget.

GST collection dips to Rs. 1.12 trillion in August 21

GST revenue remained above Rs 1 trillion-mark for the second straight month in August at over Rs 1.12 trillion, 30 per cent higher than the collection in the year-ago period, the finance ministry said.

"The gross GST revenue collected in the month of August 2021 is Rs 1,12,020 crore of which Central GST is Rs 20,522 crore, State GST is Rs 26,605 crore, Integrated GST is Rs 56,247 crore (including Rs 26,884 crore collected on import of goods) and Cess is Rs 8,646 crore (including Rs 646 crore collected on import of goods)," the finance ministry said in a statement.

SEBI bans 85 entities for trade fraud

Sebi barred total 85 entities, including Sunrise Asian Ltd, from the capital markets for up to one year for manipulating the company's share price.

In its order, the regulator restrained Sunrise Asian and its then five directors from the capital markets for one year and the 79 connected entities for six months.

The Securities and Exchange Board of India (Sebi) had conducted an investigation in the scrip of Sunrise Asian for the period from October 16, 2012 to September 30, 2015, based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata.

The investigation was conducted to ascertain whether there was any violation of the provisions of the PFUTP (Prohibition of Fraudulent and Unfair

Trade Practices) Regulations by certain entities while trading.

Nod to Rs. 10000-crore PLI for textiles

The Union Cabinet approved the production-linked incentive (PLI) scheme for textiles for a budgetary outlay of Rs 10,683 crore to boost domestic manufacturing of man-made fibres (MMF), garments, and technical textiles.

Incentives worth Rs 10,683 crore will be provided over five years for manufacturing these products. The scheme is focused at expanding MMFs and technical textiles' value chain and will help India regain its dominant status in the global textile trade, at a time when India's share of global exports has gradually declined over the years.

AAI clears privatisation of 13 additional airports

The board of Airports Authority of India (AAI) has given the green signal to privatise 13 airports by early next year-six major ones and seven smaller ones that will be clubbed with the bigger ones. This is the first major asset monetisation initiative of the Centre as part of its ambitious National Monetisation Pipeline (NMP).

The government has set a target of bringing in private investment of Rs 3,660 crore in airports by the financial year 2024. The NMP aims to unlock investments in public sector assets spread across 13 sectors, from roads and railways to airports and urban real estate.

The AAI board has identified six major airports-Varanasi, Amritsar, Bhubaneswar, Trichy, Indore and Raipur-and seven smaller airports-Jharsuguda, Gaya, Kushinagar, Kangra, Tirupati, Jabalpur and Jalgaon to privatise. In an attempt to entice investors with high scale and size, the clubbing will be Varanasi with Kushinagar and Gaya, Amritsar with Kangra, Bhubaneswar with Jharsuguda and Indore with Jabalpur.

Govt to clear exporters' dues worth Rs. 56,027 cr

The government will clear all arrears under various export-incentive schemes to help exporters address their liquidity concerns. In pursuit of this, it will release Rs 56,027 crore this fiscal year, Commerce and Industry Minister Piyush Goyal said.

The claims include those pertaining to the Merchandise Exports from India Scheme (MEIS), Services Exports from India Scheme (SEIS), Rebate of State Levies (RoSL), Rebate of State and Central Taxes and Levies (RoSCTL), and other scrip-based schemes related to past policies.

Govt to reintroduce TMA scheme for farm exporters

The government is likely to re-introduce the transport and marketing assistance (TMA) scheme for the next two-three years, to support farm exporters at a time when exporters are grappling with challenges such as high freight costs and container shortage.

A person aware of the matter said that the decision was taken in a meeting on 'export logistics Issues and their resolution', where Commerce and Industry Minister Piyush Goyal, Minister of State for Commerce and Industry Anupriya Patel, and railway minister Ashwini Vaishnav were also present. "A notification is expected soon," the official cited above said. "Other measures to deal with the issue of container shortage were also discussed. It's an ongoing process," another official said.

Finance Ministry releases Rs. 9,871 crore to 17 states as revenue deficit grant

Union Finance Ministry released the sixth monthly installment of Post Devolution Revenue Deficit (PDRD) grant of Rs. 9,871 crore to the eligible states. With this, a total of Rs. 59,226.00 crore has been released as PDRD grant this financial year.

PDRD grant is released to the state under the Article 275 of the Constitution. The grants are released as per the recommendations of the Fifteenth Finance Commission in monthly installments to meet the gap in revenue accounts of the states post devolution.

Govt allows disinvested PSUs to set off previous losses

Ahead of the strategic disinvestment of Air India and BPCL, the government said losses incurred by disinvested public sector undertakings in previous years can be carried forward and set off.

"In order to facilitate the strategic disinvestment, it has been decided that Section 79 of the Income-tax Act, 1961, shall not apply to an erstwhile public sector company which has become so as a result of strategic disinvestment," the CBDT said. "Accordingly, loss incurred in any previous year prior to, and including, the previous year of strategic disinvestment shall be carried forward and set off by the erstwhile public sector company."

"The above relaxation will cease to

apply from the previous year in which the company, that was the ultimate holding company of such erstwhile public sector company immediately after completion of the strategic disinvestment, ceases to hold, directly or through its subsidiary or subsidiaries, 51 per cent of the voting power of the erstwhile public sector company"it said. Necessary legislative amendments shall be proposed in due course of time, CBDT said.

10,000 women to run Ola e-scooter factory

Ola Electric said a team of 10,000 women will exclusively operate its upcoming factory in Tamil Nadu by the time it runs at full scale.

Chief executive Bhavish Aggarwal claimed this will be the world's largest women-only factory and the only such automotive manufacturing facility in the world. He said the company is upskilling its workforce as its factory is far more advanced than what most of the automotive workforce is used to right now. "This is the first in a series of initiatives we are undertaking at Ola to create a more inclusive workforce and provide economic opportunities for women across the board. We have invested significantly to train and upskill them in core manufacturing skills, and they will be responsible for the entire production of every vehicle manufactured at Ola Future Factory," Aggarwal said in a blog post.

The ride-hailing company, which has been aggressively promoting its upcoming consumer electric scooters, announced a Rs. 2,400 crore investment last year to set up what it calls a Future Factory. In the first phase, the factory is expected to start with an annual production capacity of 1 million units and will double it to 2 million if demand grows. It is expected to have a capacity of 10 million units, according to Ola.

The company's website claims the factory is highly automated. It has over 3,000 robots powered by artificial intelligence (AI), which enable it to make each scooter in just "2 seconds".

IRCTC's i-PAY gains traction, introduces autopay feature

The in-house payment gateway of Indian Railway Catering and Tourism Corporation (IRCTC), i-PAY, is now processing more than 125,000 transactions every day. A statement from IRCTC said that i-PAY facilitates payments for booking railway tickets, air tickets and tour packages on the IRCTC website and mobile app.

It is one of the multiple payment gateways available to users on the IRCTC website and mobile apps.

"When launched in the month of Apr-2019, i-PAY did only 5.8 per cent of total online rail ticket booking, which has increased to 13 per cent. At present, i-PAY has been made live in various business verticals of IRCTC such as Air ticketing, Tourism, i-mudra and e-ticketing," a IRCTC statement said.

PHDCCI identifies 75 potential products for $750 bn export boost

Industry chamber PHDCCI said it has identified as many as 75 potential products from nine sectors, including agriculture and minerals, and as many markets like the US and Europe, which can help take India's exports to USD 750 billion by 2027.

Sanjay Aggarwal, President, PHDCCI, said that the US, Canada, Germany, France, UK, Japan, UAE, China, Mexico, Australia, among others would be the major focused markets in the next 75 months to achieve the goods export target of USD 750 billion by 2027.

Income tax refunds worth Rs. 70,120 crore issued till 6 Sep

The Income Tax Department said it has issued refunds of over Rs 70,120 crore till September 6 this year.

Of this personal income tax refunds of Rs 16,753 crore have been issued in over 24.70 lakh cases and corporate tax refund of Rs 53,367 crore have been issued in 1.38 lakh cases.

"CBDT (Central Board of Direct Taxes) issues refunds of over Rs 70,120 crore to more than 26.09 lakh taxpayers between 1st April, 2021 to 6th September, 2021, the Income Tax Department tweeted.

India sending 109 ambulances to Bangladesh as a goodwill gesture

In early July, Bangladesh Prime Minister Sheikh Hasina had sent 2,600 kg mangoes for the President, Prime Minister of India and several CMs, including Bengal chief minister Mamata Banerjee. In a reciprocal gesture, the Narendra Modi government is sending 109 ambulances to Dhaka to fight the third wave of the Covid pandemic.

In the first phase, 30 air-conditioned ambulances with all live-saving devices will move to Bangladesh from the Petrapole border. During his trip to Dhaka in March, Modi had promised to provide the ambulances to help ferry patients in crisis and sent vaccines to Bangladesh soon after inoculations started in India. ❑

Mutual Fund News

Sebi rolls out swing pricing to protect debt mutual fund investors

Sebi has introduced the concept of 'swing pricing' to protect investors in debt mutual funds (MFs) in the event of a market dislocation or large redemptions.

In a circular issued recently, the regulator said initially the mechanism will be made applicable only during net outflows. This framework shall be applicable with effect from March 1, 2022.

Swing pricing is a mechanism used to ensure that long-term investors in debt schemes are not adversely impacted during big-ticket redemptions, typically by large investors.

At times, a fund house is forced to liquidate their good quality papers to meet redemption requests. This sparks a fall in net asset value (NAV), impacting those who remain invested. Swing pricing allows a fund house to adjust the NAV of a scheme at times when there are large outflows in such a way that there is little or no erosion in value and the redeeming investors don't get any unfair advantage.

"The framework shall be a hybrid framework with a partial swing during normal times and a mandatory full swing during market dislocation times for high risk open-ended debt schemes," the circular said.

Sebi has directed industry body Association of Mutual Funds in India (Amfi) to determine thresholds for triggering the mechanism. In addition, fund houses will be allowed to introduce other parameters.

The market regulator will define 'market dislocation' based on Amfi's recommendation or take a suomoto call. Once market dislocation is declared, it will be notified by Sebi that swing pricing will be applicable for a specified period.

SEBI clears way for launch of silver exchange-traded funds in India

SEBI in its board meeting on September 28 approved the idea of launching silver exchange-traded funds (ETFs) in India.

At present, Indian mutual funds are allowed to launch ETFs tracking only one commodity - gold. Gold ETFs together manage assets worth Rs 16,349 crore as on August 31, 2021, as per data released by the Association of Mutual Funds in India. This is in addition to the money invested in sovereign gold bonds that track gold prices and are issued by the Reserve Bank of India on behalf of the Government of India. Precious metals, especially gold and silver, are an important asset class for many Indians.

The launch of ETFs tracking prices of silver and crude oil has been a long-standing demand of investors and the mutual fund industry. Silver has been an integral part of investors' commodity portfolio globally. As per etfdb.com, five silver ETFs account for assets worth USD 13.7 billion. iShares Silver Trust is the largest ETF tracking silver prices, managing assets worth USD 12.4 billion. The ETF has lost 1.69 percent over the last one year. The expense ratio of these ETFs tracking silver ranges between 30 and 95 basis points.

Meanwhile, gold ETFs too have benefitted from the gold price rise in recent years; barring recent volatility where it has lost 8.69 over the last one year. Overall though, smart investors have benefited by gold price movements, but in a paperless way that gold ETFs and sovereign gold bonds offer, without the botheration of holding and storing physical gold.

Sebirevises risk management framework for mutual funds

In order to ensure mutual funds maintain high standards, exercise due diligence, ensure proper care in their operations and to protect the interest of investors, market regulator securities and exchange board of India (Sebi) has come up with a revised risk management framework for fund houses.

The said framework will be effective from January 01, 2022, and asset management companies (AMCs) must perform a self-assessment of their RMF and practices and come up with a roadmap for implementation of the framework.

Sebi says AMCs must establish a RMF for its mutual fund business and that will be an integral part of the mutual fund's processes and governance framework, at both the operational and strategic level.

The objectives of RMF, according to Sebi, should assist the management and the Board of Directors of both AMC and Trustees in demonstrating high standards of due diligence in daily management, promoting proactive management and early identification of risk.

The market regulator has also said risk management will be an independent and specific function of the AMC.

"There should be at least one CXO level officer identified to be responsible for the risk management of specific functions of the AMC/Mutual Fund. Forinstance, there should be dedicated risk officers for various key risks such as Investment Risk (by Chief Investment Officer), Compliance Risk (by Chief Compliance Officer), Operational Risk (by Chief Operating Officer or similar functionary responsible for the respective functions overseen), Cyber Security (by Chief Information Security Officer)," said the circular issued by the regulator.

ICICI Prudential Mutual Fund launches NASDAQ 100 Index Fund

ICICI Prudential Mutual Fund has announced the launch of ICICI Prudential NASDAQ 100 Index Fund, an open-ended index fund replicating the NASDAQ-100 index®. The scheme provides exposure to 100 largest globally leading non-financial companies and aims to track returns of the NASDAQ-100 Index®, subject to tracking error.

Speaking on the launch of the product, Mr. Chintan Haria, Head- Product Development & Strategy, ICICI Prudential AMC said, "ICICI Prudential NASDAQ 100 Index Fund is the first global based offering in our passive universe. It is an open ended index fund that aims to track the NASDAQ-100 index® and replicate the performance of its constituents. Nasdaq-100 Index® mainly includes innovation led technology and communications services companies; many of which are part of our day to day lives like Apple, Microsoft, Facebook, Alphabet, Facebook, Netflix, Starbucks. This offering is suitable for investors looking for geographical diversification in their equity allocation in Index Funds."

Mutual fund industry to see many mergers in next couple of years, says Aditya Birla Sun Life AMC's CEO

The Rs. 36 trillion mutual fund industry, in India, with 44 players may see onsolidation happening in the next couple of years considering the majority of the market is held by the country's top 10 fund houses.

As of June quarter 2021, the top 10 mutual fund companies held 82% of the market share, as per Association of Mutual Funds in India (AMFI) data.

The fourth largest mutual fund (MF) company Aditya Birla Sun Life AMC, which opened its IPO on September 29, alone holds over 8% market share.

Commenting on the increasing competition as new players are entering the industry, A Balasubramanian, managing director and chief executive officer at Aditya Birla Sun Life AMC said in conversation with Business Insider that, "The MF industry will witness consolidation in the next 3-4 years of players who won't be able to survive." ❑

'Buy now pay later' loans to disrupt mkt

Buy now pay later or BNPL loans are set to disrupt the credit market, with technology making it easy for lenders to provide sachet-ticket loans, without the risks or costs associated with lending to this category. BNPL refers to the techenabled credit that is extended to borrowers at the point of sale as a payment option. Unlike credit cards, the credit decision is taken on the spot using technology for the sale amount. "With BNPL, banks and other lenders can reimagine credit. It is like providing sachet-sized credit lines to customers without having to bear the cost of credit-card infrastructure or the extensive process related to personal loans," said Yezdi Lashkari, founder Flexmoney Technologies — a company that enables BNPL loans for top banks in the country.

Co-Operative Bank News

RBI panel pushes for merger of weaker Urban co-operative Banks

Weak urban co-operative banks (UCBs) could get a regulatory nudge to explore voluntary merger or conversion into a non-banking society at an early stage, going by the recommendations of the Reserve Bank of India's Expert Committee on UCBs. Else, the powers for mandatory resolution would be employed.

The committee, headed by NS Vishwanathan, a former Deputy Governor of the RBI, emphasised that all-inclusive directions (AID) should be treated on a par with moratorium under Section 45 of the Banking Regulation Act.

If AID is imposed, a bank should not continue thereunder beyond the time permitted to keep a bank under moratorium - three months extendable by a maximum of another three months.

Karnataka co-operative bank scam

While the Rs 1,500 crore irregularities in Sri Guru Raghavendra Sahakara Bank Niyamitha (SGRSBN) in Bengaluru has pushed about 38,000 customers to hardship, the audit of the bank's sister concern shows that loans worth Rs 60 crore were released to 90 accounts on a single day.

Sri Guru Sarvabhauma Souharda Credit Co-operative Society, a sister concern of the bank, has lost about Rs 284 crore to adjust to the bad loans of the bank illegally. In 174 cases, it was seen that Rs 149 crore benami loans were given without collecting any documents. In a response given by Cooperative Societies Minister ST Somashekar to BJP MLA Ravi Subramanya, it shows that the irregularities of the society were parallelly being carried out with the bank.

The forensic auditing of the financial year 2015-16 showed that Rs 64 crore was misappropriated in one year.

An official from the society said, "the audit report says during 2015-16 we observed that on 27 November 2015, 90 loans against deposits (LDA) accounts were created by extending a loan amounting to Rs 60 crore without any documentation, that is loan applications, KYC and other documents. as per the policy of the society, these loans should be granted by creating a loan against deposits. However, our verification revealed that there were no deposits kept by these applicants. Interestingly, Rs 60 crore was transferred into loan accounts including premature closure of 49 fixed deposits of the society on the same day."

WhatsApp to help rural, cooperative banks accelerate digital banking

WhatsApp had gone live with its UPI payment service in November last year, after receiving a nod from the National Payments Corporation of India(NPCI) nearly two years after its initial pilot.

WhatsApp will work with rural and cooperative banks to accelerate the adoption and usage of digital banking for their underserved customer base, India head Abhijit Bose said on September 28.

"Last year, we had highlighted mobile banking services from leading banks which had reached meaningful numbers; however for us, banking via WhatsApp could only be achieved and be inclusive if we could replicate successful mobile banking templates with rural and cooperative banks," Bose said at Global FinTech Fest 2021.

Bose said that the first deployments have begun with small finance banks such as AU Small Finance Bank and Equitas Small Finance Bank. "This is a specific segment of banking created by

RBI with an objective of financial inclusion for the un-served and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised entities," Bose added.

In July last year, WhatsApp had announced a pilot project with HDFC Pensions and their tech partner pinBox to enable people to sign up for micro pensions. Bose said the process has now been made more simple and is powered by the integration of both Aadhaar and UPI systems, enabling people to fund micro pensions for themselves or for others.

WhatsApp had gone live with its UPI payment service in November last year, after receiving a nod from the National Payments Corporation of India(NPCI) nearly two years after its initial pilot. However, the service is still restricted to 20 million users and currently has less than a 1% volume share in the market.

Protest by Urban cooperative banks

Urban cooperative banks (UCB) have strongly protested against what they called a "concerted effort" to defame them by the Union government. Vidyadhar Anaskar, president of the Maharashtra State Urban Cooperative Banks Federation, said this effort was to scare off the depositors of the UCBs, seemingly with the indirect support of the Reserve Bank of India (RBI).

Anaskar pointed to the annual report of the RBI as well as the reply given by the Union Finance Minister Nirmala Sitharaman to a question asked by Rajya Sabha member M Shanmugam. RBI in its annual report 2020-21 mentioned the number of frauds that had happened in UCBs but had not mentioned the quantum of money involved in the frauds. The RBI's report said scheduled commercial banks had reported 7,363 frauds involving Rs 1,38,422 crore.

Similarly, in her reply, Sitharaman stated UCBs had reported 323 cases of fraud while the district central cooperative banks and the state cooperative banks had reported 482 cases. However, the reply has been silent about the money involved, Anaskar said.

Cooperative bank fined by RBI

The Reserve Bank of India (RBI) has imposed a fine of Rs 11 lakh on The Jammu and Kashmir State Co-operative Bank Limited, Srinagar on September 23, 2021, for disobeying Section 23 read with Section 56 of the Banking Regulation Act, 1949. The Reserve Bank says that the penalty is imposed in exercise of the powers conferred on RBI under the provisions of Section 47A(1) (C) read with Section 46 (4) (i) Section 56 of the Banking Regulation Act, 1949.

This action is based on deficiencies in regulatory compliance, which is not intended to question the validity of any transactions or agreements made by the bank with its customers. The statutory inspection report conducted by the NABARD on 31st March 2019 in the context of its economic condition has revealed that the bank has violated Section 23 with Section 56 of the Banking Regulation Act, 1949, as the bank has opened branches without seeking prior approval of the RBI.

On the basis of the said, a notice has been issued to the bank asking them to give reasons as to why they should not be punished for violating the said directions. After considering the bank's reply, RBI has come to the conclusion that violations of Section 23 read with Section 56 of the Banking Regulation Act, 1949 have proved the above allegations.

DICGC to pay upto Rs 5 lakh to depositors of 21 insured co-op banks

Deposit Insurance and Credit Guarantee Corporation (DICGC) will pay the depositors of 21 insured cooperative banks, including Punjab & Maharashtra Co-Op Bank (PBC Bank) and City Co-operative Bank, upto Rs 5 lakh in 90 days.

These banks have been placed under direction with restrictions on withdrawal of deposits. Out of the 21 banks, 11 are from Maharashtra, 5 from Karnataka and one each from Uttran Pradesh, Kerala, Rajasthan, Madhya Pradesh and Punjab.

In June, the Reserve Bank of India gave "in-principle" approval to Centrum Financial Services Ltd (CFSL) to set up a small finance bank, which will take over the beleaguered Punjab and Maharashtra Cooperative Bank (PMC Bank).

DICGC in a statement said only those depositors who have given willingness to the insured banks would get money. The depositors should submit the declaration of willingness and also update any other documents/information to help banks to include their claims in list by October 15, 2021.

These banks shall submit a claim list by October 15, 2021 and update the position as on November 29, 2021 (with principal and interest). This will enable DICGC to settle the claim and discharge its insurance liability in full as per norms. DICGC will do the verification and settlement of the claims within 45 days (November 29, 2021). ❑

Legal Cases

Employee can challenge terms of service in some cases, says SC

An employer is always in a "dominating position" but it is open for the employee to challenge the terms and conditions of service if it is not in conformity with the statutory requirement under the law, the Supreme Court said.

The top court made the remarks in its judgment while setting aside the August 2013 verdict of the Uttarakhand High Court which had dismissed the plea filed by teachers of department of pharmaceutical sciences of a university questioning the process of holding open selection pursuant to an August 2011 advertisement and also the alleged arbitrary conditions incorporated in their appointment order.

"It goes without saying that employer is always in a dominating position and it is open to the employer to dictate the terms of employment. The employee who is at the receiving end can hardly complain of arbitrariness in the terms and conditions of employment. This court can take judicial notice of the fact that if an employee takes initiation in questioning the terms and conditions of employment, that would cost his/her job itself," said a bench of justices U U Lalit and Ajay Rastogi.

It said that submissions of the university's counsel that the petitioners had accepted the terms and conditions contained in the letter of appointment deserves rejection for the reason that it is "not open" for a person appointed in public employment to ordinary choose the terms and conditions of which he is required to serve.

Rights of tenant cannot be compromised under SARFAESI Act proceedings

If a bank has lent against the security of a building, and if the loan becomes an NPA, then the bank can take possession of the building under the SARFAESI Act. However, there is a big 'but'.

But if the building is occupied by a tenant who has been paying rent, the tenancy cannot be disturbed by the bank, by taking possession of the building. In the case of Bajrang Shyamsunder Agarwal Vs Central Bank of India, a 3-member bench of the Supreme Court had held that "the rights of a rightful tenant cannot be compromised under the SARFAESI Act proceedings."

Now, in another case, Hemraj Ratnakar Salian Vs HDFC Bank, it appears that the borrowers tried to prevent the bank from taking possession of a building by bringing in a 'tenant' (Hemraj Ratnakar). It did not work out for them.

Supreme Court judges, S Abdul Nazeer and Krishna Murari, have viewed Ratnakar's claim with suspicion, noting that "there is a serious doubt as to the bona fide of the tenant, as there is no good or sufficient evidence to establish the tenancy."

In any case, the ploy tripped over a point of law. The Supreme Court said, citing previous judgments, if a tenant claims entitlement to the possession of a property for over a year, his claim has to be supported by the execution of a registered instrument. If there is none, and the tenant relies on an unregistered instrument or an oral agreement - sorry!

In the Hemraj Ratnakar Vs HDFC Bank case, all that the 'tenant' could produce was some xerox copies of rent receipts. Also, the borrowers never claimed there was a tenant. "Therefore, he is not entitled to any protection of the rent," the verdict said. ❑

Axis Bank Commits to Positive Climate Action and Sustainable Development Goals

Axis Bank, India's third largest private sector bank, announced a series of commitments aligned to achieving the Sustainable Development Goals (SDGs), supporting India's commitments under the Paris Agreement. As part of its commitments, the Bank has set a target of incremental lending Rs. 30,000 crore over the next 5 years, under Wholesale Banking towards pertinent sectors included in its Sustainable Financing Framework.

Axis Bank has now become the first financial institution in India to have set up a standalone Environmental Social and Governance (ESG) Committee at the Board level, underscoring the Bank's strong intent to adopting ESG as a strategic driver for the organization's plans and performance. The Bank has also established an ESG Steering Committee at the Management level, comprising senior business leaders to champion ESG integration across the organization.

The Bank has announced its commitments ahead of the upcoming 2021 United Nations Climate Change Conference (COP26) at Glasgow, UK from 31 October - 12 November, where the Parties are expected to talk about enhancing their commitments made at COP21 at Paris in 2015.

The Bank's commitments include:

- ❖ Incremental financing of Rs. 30,000 Crores under Wholesale Banking to sectors with positive social and environmental outcomes, by FY 2026
- ❖ Scaling down exposure to carbon-intensive sectors in its Wholesale banking business portfolio
- ❖ Expanding ESG risk coverage in credit appraisal under its ESG Policy for Lending
- ❖ Building and deploying an ESG risk assessment toolkit, with ESG stress testing and ESG scenario analysis, for its Large Corporate, SME and Agri-business verticals by FY 2023
- ❖ Making 5% of its retail Two-Wheeler loan portfolio as electric by FY 2024, and offering 0.5% interest waiver on new EV loans, effective immediately
- ❖ Incremental disbursement of Rs. 10,000 crores by FY 2024 under Asha Home Loans for affordable housing, and increasing share of women borrowers
- ❖ Reaching 30% female representation in its workforce by FY 2027, aligned to the Bank's #ComeAsYouAre Diversity Charter
- ❖ Planting 2 million trees by FY 2027 across India towards contributing to creating a carbon sink
- ❖ Achieving carbon neutrality in its business operations

Commenting on this announcement, Mr. Rajesh Dahiya, Executive Director, Axis Bank said, ''As a financial institution, we are aware of our responsibility towards helping India move on the path of equitable and sustainable economic growth. Over the past two years, we have been working relentlessly on bolstering our holistic strategy, governance, and performance benchmarks around ESG. These commitments are part of our longer term ESG strategy woven around our purpose of 'Banking that leads to a more inclusive and equitable economy, thriving community and a healthier planet'. We would like to think of this as only the beginning and we shall continue to explore scaling and strengthening our commitments over time.''

Recently, the Bank launched its Sustainable Financing Framework that articulates the Bank's strategy for financing ESG-aligned sectors and defines the project categories that the Bank shall consider to be eligible as 'Sustainable'. The Framework has received a Second Party Opinion from Sustainalytics, thus providing the highest level of confidence on its alignment to global sustainable finance best practices. The Bank has also set up an ESG Working Group towards managing the Bank's obligations and commitments under the Framework.

In line with its ESG strategy, Axis Bank has successfully raised India's first Sustainable USD AT1 notes of $ 600 million in the overseas markets on September 1, 2021. With this issuance, India is now only the second jurisdiction in Asia with an ESG AT1 issuance. The offering witnessed an overwhelming response from the investors, especially high-quality real money investors, with the order book being 3.8 times oversubscribed ahead of the Final Pricing Guidance announcement. Global investors, with their participation in this marquee transaction, have demonstrated confidence in the Bank's ability to positively impact India's socio-economic and environmental landscape. ❑

AntPay, a neo banking super app, integrates banking, loans, ATM card, investments, etc., on one platform

AntPay's zero balance Mobile wallet activates instantly and also doubles up as a virtual Rupay prepaid card. In addition, AntPay's ATM card is set to be a game-changer as it seamlessly integrates with a mobile wallet and can be controlled through App. This provides complete freedom to users to use a single AntPay Wallet both for Ecom, POS, and ATM transactions.

In addition, all AntPay users will be able to avail discounts on over 200 top brands at various Ecom platforms as part of its Social Reward Club Program. AntPay will soon allow the opening of Savings Bank Account of users on its App in tie-up with a leading Private sector Bank. With these innovative products and value propositions, AntPay enables people who are new to banking, to have a simplified experience.

AntPay's USP lies in the Social quotient it brings to Neo banking services. Until now, banking is considered a documentation-heavy and cumbersome process. AntPay works like a super app that eliminates the need to visit a physical bank branch altogether.

AntPay is also one of the first players to offer a Social lending feature where anyone can borrow from a social network of lenders available within the app. AntPay provides a bridge between lender and borrower, eliminating all third parties, resulting in more savings for the borrower and income for the lender. In addition, AntPay has tied up with Banks, NBFCs, and MFIs to offer wide-ranging loan offers and credit card options to its users.

AntPay App will be focussing on the financial wellness of users and have built several products and features within the App to promote financial wellness amongst its users. This includes credit counseling, insurance, and investment planning, and expense management reports. AntPay will also offer its users free doctor consultations, discounts not only at IPD/OPD but also at more than 10000 pharmacies and diagnostic centers across India.

For Corporate users, AntPay's proprietary AI and Machine Learning tools enable loan solutions, along with a unique initiative named HR Advantage Club where Corporate can avail exclusive benefits for their employees in form of financial planning, investment, health, and life insurance, along with shopping and rewards. Corporates will also be able to directly transfer salaries and Reimbursements, into employees' AntPay Mobile Wallets using AntPay HR Advantage Club.

Antworks has also undertaken a unique socio-economic initiative called Project Graam Uthaan, in West Bengal. This program is running in partnership with local MFI and NBFCs where Antworks helps villages to become self-reliant by facilitating small business loans to its community. The loans are facilitated in order to either start a new business or support an existing business for further growth. The company plans to extend this program through the AntPay app in other states as well in a phased manner with the participation of local MFIs and NBFCs.

"Antworks is an Indian fintech company with Global aspirations and the successful launch of AntPay is a major milestone in Antworks' growth journey. With the successful launch of AntPay App, we would strive to usher in a new era of Digital Social banking through our focus on financial wellness and Socially Responsible Financial Products," said Mr. Rajeev Mahajan, Founder, and CEO of Antworks.

Antworks was started by Rajeev Mahajan and Subhayu Ghose, both professional bankers with over 20 years of individual experience in setting up and scaling successful financial services businesses in India. While Rajeev has worked with the likes of ICICI Bank, Yes Bank, etc., in senior leadership positions; Subhayu has been in the Senior leadership Roles in the banking and financial consulting domain, with IDBI Bank, SBICAPs, etc.

Antworks, the Indian financial Services, the name behind AntPay, is a digital financial services platform based out of Gurgaon. Antworks also has an RBI Registered P2P Financing Company and IRDA registered Insurance Broking Company within its Group. The digital platform has over 3 million registered users and over 25000 paid subscribers for its various products. ❑

ARTIFICIAL INTELLIGENCE AND INTELLIGENT BANKING

Is artificial intelligence less than our intelligence? - Spike Jonze

Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. The term may also be applied to any machine that exhibits traits associated with a human mind such as learning and problem-solving.

The ideal characteristic of artificial intelligence is its ability to rationalize and take actions that have the best chance of achieving a specific goal. It was in the mid-1950s that John McCarthy, widely recognized as the father of Artificial Intelligence, coined the term "Artificial Intelligence" which he would define as "the science and engineering of making intelligent machines".

Researchers, scientists, engineers, linguists, domain experts are working continuously and passionately to evolve the A.I. As technology advances, previous benchmarks that defined artificial intelligence become outdated. For example, machines that calculate basic functions or recognize text through optical character recognition are no longer considered to embody artificial intelligence.

AI is continuously evolving to benefit many different industries. Machines are wired using a cross-disciplinary approach based on mathematics, computer science, linguistics, psychology, health care, sales retails, operations, ecommerce and more. Coming to financial industry, where it is used for fraud detection, trade and sales forecasting ease of operation, voice assisted banking.

Artificial Intelligence (AI) Overview

A thorough and hype-free review of AI in business was published recently by Deloitte, Demystifying Artificial Intelligence, suggesting the term "cognitive technologies" to encourage focus on the specific, useful technologies that emerge from the broad field of AI.

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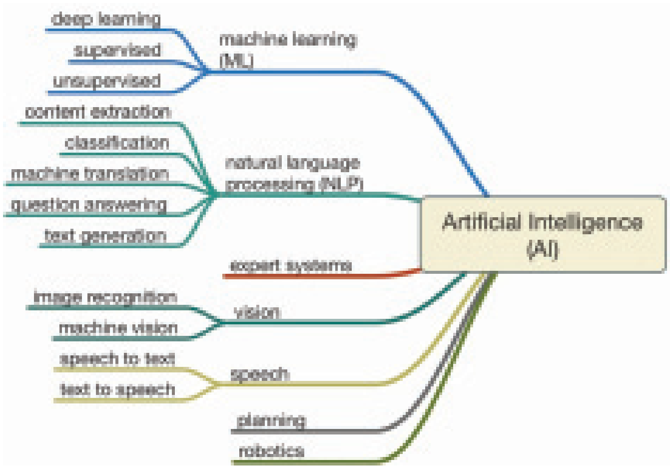
However labelled, the field has many branches, with many significant connections and commonalities among them. The most active today are shown here:



Analytics is subset of A.I. which falls under supervised learning in machine learning segment. Analytics is the systematic computational analysis of data or statistics. It is used for the discovery, interpretation and communication of meaningful patterns in data. It also entails applying data patterns towards effective decision making.

It can be valuable in areas rich with recorded information; analytics relies on the simultaneous application of statistics, computer programming and operations research to quantify performance.

Organizations may apply analytics to business data to describe, predict, and improve business performance. Specifically, areas within analytics include predictive analytics, prescriptive analytics, enterprise decision management, descriptive analytics, cognitive analytics, Big Data Analytics, retail analytics, supply chain analytics, store assortment and stock-keeping unit optimization, marketing optimization and marketing mix modelling, web analytics, call analytics, speech analytics, sales force sizing and optimization, price and promotion modelling, predictive science, graph analytics, credit risk analysis, and fraud analytics.

Since analytics can require extensive computation (see big data), the algorithms and software used for analytics harness the most current methods in computer science, statistics, and mathematics.

Difference between Analytics, AI, NLP, ML, NN and DL

- **AI or Artificial Intelligence:**
  Building systems that can do intelligent things.

- **NLP or Natural Language Processing:**
  Building systems that can understand language. It is a subset of Artificial Intelligence.

- **ML or Machine Learning:**
  Building systems that can learn from experience. It is also a subset of Artificial Intelligence.

- **NN or Neural Network:**
  Biologically inspired network of Artificial Neurons

- **DL or Deep Learning:**
  Building Systems that use Deep Neural Network on a large set of data It is a subset of Machine Learning.

- **Analytics or Data science:**
  The systematic computational analysis of data or statistics

Types of Artificial Intelligence (AI)

There are 3 types of artificial intelligence (AI):

- Narrow or weak AI,
- General or strong AI
- Artificial superintelligence

- **ANI - Artificial Narrow Intelligence:** It has a narrow range of abilities.
  It comprises of basic/role tasks such as those performed by chatbots, personal assistants like SIRI by Apple, Cortana by Microsoft, IBM's Watson, Image / facial recognition software, Disease mapping and prediction tools, Manufacturing and drone robots, Email spam filters / social media monitoring tools for dangerous content, Entertainment or marketing content recommendations based on watch/listen/purchase behaviour.

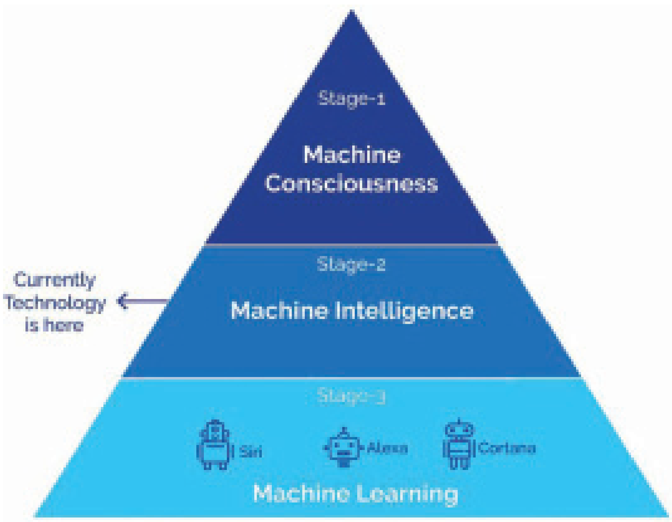
- **AGI - Artificial General Intelligence:** It is on par with human capabilities.

Artificial General Intelligence comprises of human-level tasks such as performed by self-driving cars by Uber, Autopilot by Tesla. Fujitsu-built K, one of the fastest supercomputers, is one of the most notable attempts at achieving strong AI, but considering it took 40 minutes to simulate a single second of neural activity, it involves continual learning by the machines.

- **ASI - Artificial Super Intelligence:** It is more capable than a human.
  Artificial Super Intelligence refers to intelligence way smarter than humans. ASI would have a greater memory and a faster ability to process and analyse data and stimuli. Consequently, the decision-making and problem solving capabilities of super intelligent beings would be far superior to those of human beings.

Stages of Artificial Intelligence (AI)

- **Stage 1 - Machine Learning**
  It is a set of algorithms used by intelligent systems to learn from experience.
- **Stage 2 - Machine Intelligence**
  These are the advanced set of algorithms used by machines to learn from experience. eg - Deep Neural Networks. Artificial Intelligence technology is currently at this stage
- **Stage 3 - Machine Consciousness**
  It is self-learning from experience without the need of external data.



Stages of Artificial Intelligence

Artificial Intelligence (AI) industry in India - The current status

According to a source, around 500 start-ups and businesses are using AI domains. Most of the growth in AI in India can be seen in the private sector. The government sector in the NITI Aayog plan developed a National level Strategy for bringing Artificial Intelligence in India. Even though the private sector has the major share of AI services in the industry but the government sector is still the largest customer for data science in terms of the Indian economy.

There are several start-ups that are based in cities such as Bengaluru, New Delhi, Mumbai and Hyderabad which work on artificial intelligence principles to serve consumers better. Their product range varies from multi-lingual Chatbots to online shopping assistance and automated consumer data analysis. The companies have been working in areas such as e-commerce, healthcare, edtech, fintech etc. Though in their nascent stage, the performance of these companies have been promising.

India is third in terms of investment, just lags behind U.S.A. and China. With a copious pool of STEM talent and with growing population of youngsters, India will be banking on AI for its economic growth and improvement in quality of life of its citizens.

The challenges Facing India's Artificial Intelligence (AI) Development

1. AI-based applications to date have been driven largely by the private sector and have been focused primarily in consumer goods. The emergent scale and implications of the technology make it imperative for policymakers in government to take notice.
2. Early lessons of AI success in the United States, China, South Korea, and elsewhere offer public and private funding models for AI research that India should consider.
3. The sequential system of education and work is outdated in today's economic environment as the nature of jobs shifts rapidly and skills become valuable and obsolete in a matter of years.

Indian Banks and the Technology

The balanced approach followed by Indian central bank, Reserve Bank of India, is another major factor in any new technology adoption in Indian banking sector. In the last few years-RBI has taken a cautious but pragmatic view of embracing new technologies, often forcing technology adoption on banks through regulation, wherever it has seen scope to enhance customer experience and efficiency using a particular technology. RBI's proactive push of new technology adoption has not just been restricted to creating policy frameworks. It has also used a mix of regulatory frame work, various initiatives and even worked with the industry to make things easier and effective.

The creation of National Payment Corporation of India (NPCI) which has significantly brought down the cost of electronic transactions is a paradigm shift in Techno Ambience. The regulator also has an academic/research unit, Institute of Development and Research in Banking Technology (IDRBT) which keeps studying the opportunities and challenges in new technology areas. It is not a coincidence that both these units have been actively involved in testing out blockchain as a proof of concept.

India's position is quite unique here. It is a fact that India is a tech-hub. Apart from being a large technology outsourcing destination, India is also the home to vendors with a large core banking market share globally. Two of the top three core banking solution vendors-Infosys and TCS-are headquartered in India. Of late, India has also seen a lot of activity in the Fintech arena. The country has become one of the global fintech hubs. While in many developed markets, Fintechs and banks have enjoyed an uneasy relationship, in India, private banks like ICICI Bank, Axis Bank and HDFC Bank have proactively gone to Fintechs, creating contests and hackathons to get the best of innovations, sometimes even sharing their APIs with these Fintechs.

BankChain was announced on 8 February 2017 by SBI, India's largest bank. It's a 30+ member consortium led by SBI, the country's largest lender, and includes banks, NBFCs and the National Payments Corporation of India (NPCI), an organization set up by Indian banks to support retail payments. Simply put, BankChain is a community of banks for exploring, building and implementing Block Chain solutions. Bank Chain is supported by Pune-based Startup Prime Chain Technologies to create these solutions. Currently, it has 37 members and 24 live projects.

Artificial Intelligence (AI) Technology in Banking and Finance

About 32% of financial service providers are already using AI technologies like predictive analytics, voice recognition among others, according to joint research conducted by the National Business Research Institute and Narrative Science. Artificial intelligence in banking is used to establish more meaningful conversations with customers by solving real problems and managing finances. According to a report 2018 published by the World Economic Forum, in collaboration with Deloitte, 76 per cent of decision making authorities in the banking industry agree that AI is a top priority because it is critical for differentiation.

Even older consumers, who may not be as tech-savvy, will be able to process their banking transactions quickly and easily via a smooth online experience. AI can be used to create a smarter, personalised user experience.For instance, it can be used to track data such as a customer's spending and purchase history over a period of time to help the bank send relevant information regarding budgeting and saving. By offering consumers an individualised service, the bank is able to increase customer satisfaction and retention, creating mutual value for the customer and the bank.

Successful AI applications in banking means putting to good use the massive amounts of data collected, no matter which channel it comes through, even if it's via ATMs, web channels, digital wallets, point of sale activity or mobile devices.It allows for personalisation; digitally transforming a mass service into an individualised and customised one, based on a customer's unique behaviour, preferences, and requirements. This is what also gives banks a competitive differentiation - improving compliance, increasing customer engagement and optimising the overall operational efficiency including:

Personalized Financial Services

Personalized connect will reach new heights as automated financial advisors and planners provide expertise in making financial decisions. They analyze market temperament against the user's financial goals and personal portfolio, and offer recommendation regarding stocks and bonds.

Smart Wallets

Digital wallets are touted as the future of real-world payment technologies, with major players like Google, Apple, Paypal and others, jumping on the bandwagon and developing their own payment gateways. This decreases the dependence on physical cash, thereby expanding the reach of money to greater levels.

Underwriting

The insurance sector is also coming up with a storm as they are moving towards congruent automation. By utilizing AI systems that automate the underwriting process, the organizations come armed with more granular information to empower their decisions.

Voice Assisted Banking

Physical presence is slowly fading away as technology empowers customers to use banking services with voice commands and touch screens. The natural language technology can process queries to answer questions, find information, and connect users with various banking services. This reduces human error, systemizing the efficiency.

Data-driven AI applications for lending decisions

Applications embedded in end-user devices, personal robots, and financial institution servers are capable of analyzing a huge volume of data, providing customized financial advice, calculations and forecasts. These applications can also develop financial plans and strategies through research, regarding various customized investment opportunities, loans, rates, fees, etc and track the progress.

Digitalization instead of branch lines

Banking is a lengthy process, with past records of long queues and sluggish response marring the productivity. Even opening a bank account was viewed in negative terms as harried consumers would run pillar to post, while getting the necessary documentation complete. Digitization of documentation eases that pain and creates a comprehensive platform, where the consumers and providers connect.

Block Chain hastening payments

The customer base that banks serve is going through a major shift in terms of buying behaviours and preferences, driven by the digital revolution, particularly social media and mobile. An increased demand for more choice and control in how they interact with a bank is on a rise. Sluggish payment processes will be a thing of the past as Blockchain is set to inculcate the advantage of real-time payment process, hastening up the procedure of payment, thereby increasing support and satisfaction.

Sales and Trade Forecasting

Through history of data, by using the predictive analytics we can forecast the sales and future stock prices related to funds, banks and equities. Then deduce a decision for investment and other financial activities.

Customer support

As speech processing and natural language processing technologies mature, we are drawing closer to the day, when computers (Chatbots) could handle most customer service queries. This would mark an end to waiting in line and hence result in happier customers.

Artificial Intelligence (AI) in Indian Banks

Consumers are not realising their full saving potential because banks are generally still learning to understand their customers' needs. With most banks still running on legacy systems, it can prove a struggle to complete complex transactions beyond money transfers and deposits.AI, however, will allow banks to focus on their customers by leveraging the data that they own to gain essential insights. This will in turn allow banks to personalise and enhance the customer journey, making it as frictionless as possible, by manipulating the data to offer real-time recommendations.

Amongst many Indian banks, there are 12 banks which have gained continuous media attention for their AI initiatives over the last few years. The list includes:

1. SBI
2. Bank of Baroda (BoB)
3. Allahabad Bank
4. Andhra Bank
5. YES Bank
6. HDFC
7. ICICI
8. Axis

9. Canara Bank
10. City Union Bank
11. Punjab National Bank
12. IndusInd Bank

Smart use of AI means viewing banking operations through both an automation and augmentation perspective. Banks can use the insights gained from the deployment of their Chatbots to improve bankers' productivity and their interactions with customers. Banks using AI can achieve a more informed banking environment that not only provides customers with assistance and insights, which in turn gives them greater control over their personal finances, but also an added sense of financial security. Chatbots have evolved to a point where they have developed a level of human intelligence. As a result, they can offer an emotionally connected experience for customers who are in the process of making important life decisions.

With increasing consumer expectation, the use of artificial intelligence, machine learning and Chatbots in banking is also of great utility. Banks & Credit Unions worldwide are testing new application and deploying new solutions to improve overall digital experience of customers. Chatbots have already begun to make their mark in Indian banking industry. Chatbots nowadays combines benefits of virtual and human assistance and provide a differentiated customer experience.

Chatbots have begun to mark their presence in Indian banking sector.Kotak Mahindra bank is first to launch voice Chatbot "Keya". HDFC Bank EVA's (Electronic virtual assistance) is largest AI powered Chatbot which has already answered 5 million queries with 85% accuracy.Chatbots can analyse and understand not only the content but also the context of customer's question. The history of Chatbot started with "Elisa", first ever Chatbot started in 1966. It was a very basic bot providing some basic information related to entertainment, sports and price regulation of stock market as well.With the development of smart phones and the applications these Chatbots have turned all the more smarter .With AI progression's and voice recognition the application of Chatbot is increasing day by day.Union virtual assistance (Chatbot) being able to provide customer delight and study of pattern of Chatbot usage in union bank is also encouraging.

The Techno savvy customers prefer self-service and they want quick and easy ways to get their queries responded. Chatbot conduct conversation to respond queries and deliver meaningful offer and make everyday banking easier, faster and convenient. Some of the salient features of Chatbot are that they can handle omni-platform concurrent queries, humanistic approach, predictive in nature, they conduct short and simple interaction with easy text driven conversation and also having simple user interface. They are at customer service 24*7*365 i.e. all the time.

Progress made by the Banks in this regard:

State Bank of India (SBI): SBI is currently using an AI-based solution that captures the facial expressions of the customers and helps them in understanding the behaviour of its customers developed by Chapdex. On the front desk, it uses SIA Chatbot, an AI-powered chat assistant developed by Payjo, a Startup based in Silicon Valley and Bengaluru. It addresses customer enquiries instantly and helps them with everyday banking tasks just like a bank representative.

Chatbot of SBI i.e. "SIA" (Sales intelligence Assistant), facilitates customer with numerous consumer banking actions. It is setup to handle nearly 10000 enquiries per second which according to Payjo is 25% of queries processed by google every day. SBI claims SIA continuously learns with each interaction and gets better over time. It is a machine learning based product. Currently SIA can address enquiries on banking products and services .It is trained with set of past consumer questions and is said to handle frequently asked questions aptly. Payjo developed SIA after studying how other banks were changing their customer service business models and basing their ideas on what they thought would succeed the most in the future.

Bank of Baroda: BoB has set up hi-tech digital branch equipped with advanced gadgets like artificial intelligence robot named Baroda Brainy and Digital Lab with free Wi-Fi services.

Allahabad Bank: In a media statement earlier, the Allahabad bank said that its app 'emPower' is scheduled to get major enhancements like Chatbot and artificial intelligence-based ecommerce payments.

YES Bank: It has partnered with Gupshup, a bot platform, to launch 'YES mPower' - a banking Chatbot for its loan product. Another AI product YES ROBOT is equipped to answer consumer's banking related queries anytime, anywhere, without the hassle of waiting for on-call or searching online. Also, YES BANK was the 1st Bank in India to introduce Chatbot based banking with the launch of YES TAG in April 2016 which allows customers to perform banking transactions on various social messengers and enables transactions through 5 messaging apps. Customers can carry out a wide range of activities, such as check balance, FD details, status of cheque, transfer money, etc.

HDFC Bank: It has developed an AI-based chatbot, "Eva", built by Bengaluru-based Senseforth AI Research. Eva can assimilate knowledge from thousands of sources and provide simple answers in less than 0.4 seconds and has in the first few days of its launch answered more than 100,000 queries from thousands of customers from 17 countries. It has addressed over 2.7 million customer queries, interacted with over 530,000 unique users, and held 1.2 million conversations. Going forward, Eva would be able to handle real banking transactions as well. HDFC is also experimenting with in-store robotic applications and launched a prototype robot IRA ("Intelligent Robotic Assistant").

"EVA" (Electronic virtual assistant) the AI based Chatbot is aimed to serve customer better and faster, by leveraging technology.EVA uses latest AI and natural language processing to understand user queries and fetch relevant information from thousands of possible sources .By conversing with EVA customer can get various information. EVA has already answered more than 5 million queries from around a million customers with 85% accuracy. EVA holds more than 20000 conversation per day.EVA can be connected on all digital channel of HDFC bank i.e. website,mobile site and dedicated portals of bank customers.She is also available on voice via Google assistant .If you just say "ok Google, talk to HDFC Bank" into your Google assistant you can talk to EVA. EVA can also be connected through amazon echo devices, just say "Alexa, open HDFC bank to connect with EVA. Also many questions can be asked such as

1) "Tell me IFSC code of ------ branch",
2) "Current FD rates"
3) "Give me the address of ---- branch"
4) "Rates and charges of ----------"
5) "Documents required for ----------- loan"
6) "How can I get -------- loan"

ICICI Bank: It has deployed software robotics in 200+ business processes across various functions of the company, created mostly in-house using AI features such as facial and voice recognition, natural language processing, machine learning and bots among others. The software robots at ICICI Banks are configured to capture and interpret information from systems, recognize patterns and run business processes across multiple applications to execute activities. One such product is its AI-based Chatbot, named iPal, which helps in answering queries, helping in financial transactions and discovering new features.The bank claimed to be 1st among country and among a few globally to deploy this technology that emulates human actions to automate and perform repetitive and high volume and time consuming business task. iPAL Chatbot of ICICI, since its inception till February 2020 has attended 3.1 million customers and their 6 million queries along with 90 percent accuracy rate. iPAL is divided into three categories-

1) First category involves FAQ, which are simple questions which you may want to ask your bank executives, for which there are simple structured answers.
2) Second category,It involves financial transactions ,where in you can make fund transfer from person to person ,pay your bill or recharge your bills using queries.
3) In third category it involves helping people discover

new features.These answers simple how to tasks such as how to reset ATM Pin,which is a bit more evolved and is like interacting with your bank executive.

The bank is currently in process of integrating iPAL with existing voice assistant such as Cortana, Siri and assistant. Axis Bank: It launched an AI-enabled app that uses natural language processing to enable conversational banking that helps consumers with financial and non-financial transactions, queries and product information.Innovation lab launched by Axis Bank called "Thought Factory" last year to accelerate the development of innovative AI technology solutions for the banking

Canara Bank: It launched Mitra, a humanoid robot developed by Bengaluru-based Invento Robotics which helps customers navigate the bank. Another one Candi, which is slightly smaller than Mitra is supplementing the human resource.

Punjab National Bank: In 2018, the bank announced its plan to implement AI in account reconciliation as well as using analytics to improve its audit systems. The move came in after the infamous debilitating fraud of approximately INR 20K Cr, took place in February 2018, which almost paralysed the bank's operation for a short time.

IndusInd Bank: It has launched Alexa Skill, 'IndusAssist', using which bank account holders can conduct financial and non-financial banking transactions with Alexa, Amazon's virtual assistant.

City Union Bank: It launched the banking robot, 'Lakshmi'. The robot can interact with customers on more than 125 subjects. Apart from answering generic questions, the robot is also programmed to connect with the core banking solution including balance, interest rates and transactional history.

Andhra Bank (Now amalgamated entity of Union Bank of India): Bengaluru-based AI Startup, Floatbot has launched AI Chatbot integrated with Core Banking Servers of Andhra Bank, to digitally engage and automate customer support for its 5 Cr customers. Floatbot will also develop a Chatbot for 20K+ internal employees of Andhra Bank to automate on boarding and training.

Union Bank of India: It launched the banking robot, 'UVA'. The robot can interact with customers on multiple subjects and product information. Chabot by Union Bank of India (Union Virtual Assistant) is an artificial intelligence (AI) software that can simulate a conversation or chat with a human user in natural language through messaging application (text chats) or voice commands or may be both, which may be through Website, Social media platform or mobile apps.UVA (Union bank of India's Virtual assistant) help in redefining customer experience by (ASK UVA).The features offered are-

1) EMI CALCULATOR
2) CALL CENTRE EXECUTIVE
3) DEPOSITS
4) LOANS
5) GOVERNMENT SCHEMES
6) INTEREST RATES
7) OTHERS

As Union Bank already effected the amalgamation, it plans to upgrade the analytics centre of excellence and launch many digital banking products.

Both challenger and traditional banks are growing their focus on helping consumers save money. As customers increasingly look to save money for a rainy day and become more fiscally responsible, many banks have reacted by providing a variety of services. Traditionally, these services included basic budgeting apps or digital tools, but AI is now being deployed to help segment different payments, provide suggestions to customers based on payment history, offer a source of advice, and a resource for answering common customer queries via Chatbot.

When a human point of contact isn't always available, AI-driven virtual assistants or Chatbots are able to respond to customers' simple banking needs. From identifying funds in a customer's cash flow that can be automatically moved to a savings account, and alerting customers to any unusual activity in their accounts, to providing personalised financial management insights and advice.

AI-based decision making can ultimately help banks expedite workflow, reduce the volume of customer calls coming into the call centre, and improve customer service.

Benefits of AI for banking sector

Fraud detection: Anomaly detection can be used to increase the accuracy of credit card fraud detection and anti-money laundering.

Customer Support and Helpdesk: Humanoid Chatbot interfaces can be used to increase efficiency and reduce cost for customer interactions.

Risk Management: Tailored products can be offered to clients by looking at historical data, doing risk analysis, and eliminating human errors from hand-crafted models.

Security: Suspicious behaviour, logs analysis, and spurious emails can be tracked down to prevent and possibly predict security breaches.

Digitization and automation in back-office processing: Capturing documents data using OCR and then using machine learning/AI to generate insights from the text data can greatly cut down back-office processing times.

Wealth management for masses: Personalized portfolios can be managed by Bot Advisors for clients by taking into account lifestyle, appetite for risk, expected returns on investment etc.

ATMs: Image/face recognition using real-time camera images and advanced AI techniques such as deep learning can be used at ATMs to detect and prevent frauds/crimes.

In order to provide a sustainable high-level of customer engagement, banks need to gain full visibility of a customer's history to understand their personal banking habits and needs. Banks therefore require an integrated enterprise system that consolidates customer data from all sources, from apps and APIs to third parties, which can then use AI to provide real-time recommendations to increase loyalty, retention, and value.

This combination of AI and omni channel decision making can add value to the overall customer experience.Real-time transaction analysis is crucial, it enables banks to collate data and track transactions at low latency. This not only gives banks a better view of their customers, it would also give them the dataset required to apply AI and deep learning to provide personalised, value-added products to customers as it learns about spending habits over time.

With all this information, banks can now deliver organized financial services and advice better than ever before with the help of AI-based decision making. By tapping into customer profiles and preferences, banks can package products and services together based on personalised needs.Banks can now develop more products affiliated with greater customer loyalty and lifetime value. Whereas, for consumers, they can benefit from the convenience of working with a trusted organisation that understands their personal requirements.

As the adoption of AI-based decision making tools grow, relationship managers will be able to more accurately and consistently assist a customer with the best products and services for managing personal finances.Relationship managers will also be able to analyse a customer's banking experience on existing channels. Doing so will allow banks to determine how effectively their current processes operate, whether there are any impediments for instance. They will then be able to model and implement process optimisation across their entire physical, web, digital, and mobile channels to serve customers more effectively, and provide an enhanced customer experience.

Starting from computerization, the Indian Banking System has transformed radically and witnessed a gigantic leap from Paper Banking to Palm Banking. With the introduction of advance technology like AI in banking arena, there is no iota of doubt that the same can revolutionize the way of Banking in the days to come. However, looking to the manifestations of bottlenecks at different juncture, this may take significant amount of time to reap the benefits of AI in banking and brick-and-mortar banking may still continue for some more years.

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TIGHTENING THE SCREWS

Non-Banking Financial Corporations (NBFCs) due to their magnitude, intricacy and inter-connectedness are revolving systematically over the years. NBFCs are the greatest net debtors of funds from the financial system and procured more than fifty percent of their funding from scheduled commercial banks. As a result, considering the topical strain in the sector and being stuck in inter-connections between NBFCs and banks, the stock markets, and other monetary sector units, the Reserve Bank of India (RBI) has sought to reassess NBFCs' governing framework, embracing a scale-based tactic.

Subsequent to its declaration in the December 2020 policy, in January 2021, the RBI has unconfined a discussion paper on the amended regulatory charter for NBFCs. The RBI in its discussion paper on "Revised Regulatory Framework for NBFCs - a Scale-Based Approach" mentioned its suggested framework could be envisaged as a pyramid, covering NBFCs classified in four coatings - Base Layer (BL), Middle Layer (ML), Upper Layer (UL) and a possible Top Layer (TL). The discussion paper contains rules about capital requirement, concentration norms, governance rules and disclosure obligations for every layer. The RBI has recommended stringent standards and the formation of a multilayer model to safeguard financial solidity and diminish systemic jeopardies

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Although there will be minimum controlling interference for NBFCs in the Base Layer, as one marches up the pyramid, the regulatory system will get hard and stricter. The framework proposes to stipulate Bank-like protocols for the top 25 to 30 NBFCs in India. To facilitate the NBFCs to design a plan for execution, a time-period of eight weeks will be offered to them. According to the RBI, within the assigned duration, the NBFCs should put in place a board-authorized strategy towards the implementation of the enhanced supervisory outline and such NBFCs should also be subject to obligatory listing requirements.

Four shades of pyramid

In preceding five years, size of balance sheet of NBFCs has more than doubled from Rs. 20.72 lakh crore (2015) to ?49.22 lakh crore (2020). Due to marvelous progress in the NBFC sector in recent years, the RBI has proposed a stiffer monitoring plan for the sector by creating a four-tier configuration with a progressive increase in concentration of directive.

Base Layer (BL): As per the discussion paper, the nature of activity will be the base for determining the base layer NBFCs. Therefore, NBFC-BL will consist of NBFCs which are presently categorized as non-systemically important NBFCs (NBFC-Non deposit taking), besides Type I NBFCs which do not have either access to public funds or customer interface, Peer to Peer lending platforms (NBFC P2P), Non-Operative Financial Holding Company (NOFHC), Account Aggregators (NBFC-AA) and NBFCs up to Rs. 1,000 crore (raised from Rs. 500 crore) asset size.

Around 9,209 NBFCs will be in the BL. Low level admission spot norms increase the likelihoods of failure resulting from weak governance of non-serious players, the central bank intends to amend these norms for NBFC-BL from Rs. 2 crore to Rs. 20 crore. The RBI suggests regularizing the existing non-performing asset grouping norm of 180 days to 90 days for NBFC-BL. The RBI mentioned that these NBFCs are dubious to pose any systemic risk on account of their activities and hence they can be controlled comparatively lightly.

Middle Layer (ML): This layer contains of NBFCs which are currently grouped as Non-Deposit taking-Systemically Important (NBFC-ND-SI), Deposit-taking NBFCs, Housing Finance Companies, Infrastructure Finance Companies, Infrastructure Debt Funds, Standalone Primary Dealers and Core Investment Companies. Although no amendments are prescribed in capital requirements for NBFC-ML the Apex bank has mentioned that connection of their exposure limits are planned to be altered from Owned Funds to Tier I capital, as is presently relevant for banks. The existing credit concentration limits suggested for NBFC-ML for their advancing and investment can be combined into a single exposure threshold of 25 per cent for the single borrower and 40 per cent for a group of borrowers attached to the NBFC's Tier 1 capital.

Bearing in mind the misuse of the system by NBFCs in Initial Public Offer (IPO) financing the discussion paper recommended to fix a top limit of Rs. 1 crore per individual for any NBFC. However, they are allowed to choose more conservative bounds. Further, a sub-ceiling within the commercial real estate exposure limit should be set inside for funding the land purchase. As per the paper, a few curbs are extended to NBFCs in ML, including not permitting them to offer finances to corporate entities for buy back of shares or securities and rules on sale of strained assets by NBFCs will be altered on parallel lines as that for banks. The framework proposed that NBFCs with ten and more branches shall compulsorily be required to embrace Core Banking Solution. The paper suggested an unchanging term of three successive years applicable for statutory auditors of the NBFC and functionally autonomous Chief Compliance Officer should be employed.

Upper Layer (UL): This layer will be a new layer for regulation and consists of NBFCs which are recognized as systemically significant among them and will invite a new supervisory framework. This layer will be filled by NBFCs which have a large capacity of systemic spill-over of risks and can influence fiscal constancy. It is projected that a total of not more than 25 to 30 NBFCs will fill this layer and monitoring structure for NBFCs falling in this layer will be bank-like with proper adjustments.

It is sensed that Common Equity Tier (CET) 1 capital could be announced for NBFC-UL to improve the worth of regulatory capital and it is advised that Common Equity Tier may be stipulated at 9 per cent within the Tier I capital. With an intention of tweaking regulatory charter for NBFC-UL to larger sensitivity, the discussion paper recommended that NBFCs in this layer should be imposed differential normal asset provisioning at par with the banks and intends to extend suitable version of the Large Exposure Framework as pertinent to banks. As a result, the top NBFCs will move to distinguished standard provisioning norms as against the fixed 0.4% on par with banks. Consequently NBFCs with greater exposure to commercial real estate, may have to carry upper provisioning than before.

Considering the ability of NBFCs lying in this layer to produce hostile systematic risks the Central bank is of the opinion that the governing outfits can be adjusted at par with the private banks and NBFCs should be subject to the obligatory listing condition and should follow the consequential Disclosures Requirements and Listing Obligations.

This layer will be formed based on a variety of factors such as size, inter-connectedness, intricacy and managerial inputs which includes type of liabilities, group structure and segment penetration. 35%, 25%, 10% and 30% weightage will be given to these parameters respectively. As per the RBI, top ten NBFCs such as Bajaj Finance, LIC Housing Finance etc will spontaneously fall in this class. NBFCs in this layer will also have to obey with the leverage requirement. The leverage ratio is calculated as Tier 1 capital divided by the bank's exposures and therefore an increase in exposure would lead to a reduction in LR. The RBI proposes an appropriate limit to be laid down for this layer.

Top Layer (TL): At present this layer will remain vacant. Careful administrative decision must push few NBFCs to this layer from upper layer of the systemically significant NBFCs for superior control or supervision. Thus, if there is a systemic risk observed from particular NBFCs in the UL, the Central Bank can force few NBFCs to enter the TL.

Nip in the bud

The Central Bank's framework to constrict inspection of large NBFCs is crucial for fiscal steadiness. Shift from a common line of light touch control to one that screens larger players almost as closely as it does banks is a welcome move. This could be the biggest refurbishment of the governing

structure for such finance companies or shadow banks in over twenty years, if executed effectively.

Easier and liberal regulations have given NBFCs the elasticity to meet a series of financial requirements such as housing loans, micro finance and huge infrastructure plans and as a result the sector has witnessed tremendous growth. However, it has also manifested into a systemic risk and the risk was visible when one of the major infrastructure investment-centered NBFC players, IL&FS, tattered in 2018, with its payment evasions catalyzing a disaster for the whole sector. Due to this NBFCs could not nurture funds easily and confronted liquidity burdens that worsened solvency concerns in some illustrations.

Therefore, the RBI's planned supervisory reaction to NBFC sector letdowns is most wanted step which targets to strike a balance among the need to be nimble and mollify systemic risks, with a four-tiered regulatory outline. Due to anguishes of banking sector over the past two years, an all-inclusive reboot of the supervision system for NBFCs is essential to recollect the confidence and preserve financial solidity. It is wished that the blueprint for the supervision of NBFCs which can advance for activities banks habitually do not aid, is sanctified soon. This would guarantee the fledgling economic retrieval is not hindered by funding restraints.

Even though the proposal is positive for the sector better implementation will ensure the efficient outcome. So the RBI needs to improve its supervision competences and needs to nip in the bud the extreme interconnectedness between NBFCs and banks which is the root cause of a potentially much more hazardous virus. ❑

SIMPLIFYING 'SARFAESIA, 2002'

To expedite recoveries by the Banks, the law called as Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, 2002, popularly called as SARFAESIA has been enacted. A secured creditor Bank can enforce its securities without intervention of courts and by following the procedure as prescribed under the said Act. Similar power was given earlier to the State Financial Corporations, under Section 29A of the State Financial Corporations Act, 1953.

"Without intervention of the courts" though appears to be simple but in actual practice, it is a challenge. This article discusses the practical difficulties of enforcement of securities and the need for more simplification of the Act so that Banks can find it easy to enforce the securities.

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Chapter III of the Act and "Enforcement of The Security Interest (Enforcement) Rules, 2002" deals with the procedure of Enforcement of Secured assets by the Secured Creditors.

Section 13(2) provides that to proceed under the Act, the account should have been classified as Non-performing Asset (NPA). What is a non-performing asset is explained by the RBI prudential norms. As per the said guidelines, NPA is a loan or an advance where interest and/or installment of principal remain overdue for a period of more than 90 days in respect of term loans.

Similarly the account remains out of order in respect of an overdraft/cash credit (OD/CC) if the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power, there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period. Prior to 31.03.2004, more particularly from the year ending 31.03.1995 onwards a loan would be treated as NPA if interest remains 'past due' for two quarters. With a view of moving towards globally adopted best practices in the matter of identification of NPAs, the '90 days overdue' norm was made effective from 31.03.2004 in the matter of classification of account as a NPA.

Therefore, a Secured Creditor Bank should wait for a period of 90 days after the initial default to issue notice under Section 13(2) of the Act. Section 13(2) provides that to initiate action, a notice, called as "Demand Notice" should be issued to the borrower calling upon him to pay up the dues within 60 days from the date of the notice. Therefore, before enforcement of security, Banks have to wait for 150 days. If a suit has to be filed before the DRT or a Civil Court, the issue of NPA is not there and a bank can file suit before the DRT or Civil Court as soon as there is a default by the borrower.

Therefore, the SARFAESIA is required to be amended to enable the banks to issue demand notice, contemplated under Section 13(2), during the said period of 90 days itself and action of enforcement action could follow at the end of 90 days if the account turned NPA. In fact, in this mechanism, the borrower would get time of 90 days to settle or regularize the account. If not, the notice period under Section 13(2) should be curtailed from 60 days to 30 days to avoid delay in recovery since the borrower anyway gets time of 90 days before the account declared as NPA.

As stated earlier, similar power has been given to the State Financial Corporations to enforce the securities in the event of default by an Industrial Concern. However, no such issuing of notice has been envisaged therein before enforcement of security interest. Similarly, at least in the case of industrial/company properties, Banks should also be allowed to enforce the security interest immediately after

the account turning NPA. The elaborate procedure as to issue of notice for 60 days etc., may be made to be applicable only in respect of the personal properties and for personal loans like Home Loans, educational loans etc.,

Demand Notice:

The rules framed under the Act called Security Interest (Enforcement) Rules, 2002 provided various standard forms like Possession Notice, Panchnama, Sale Notice, Sale Certificate etc., But, the format of the "Demand Notice" which has to be issued under Section 13(2) has not been prescribed in the Act or the Rules. The Secured Creditors have been issuing such notices by devising their own formats. Borrowers have been challenging the said notices on the ground that the notice issued to them is not in accordance with the Act. There are several instances where the courts had quashed the said notices issued by the Secured Creditors. In the case of P.N.B. Housing Finance Ltd. Vs. M.C. Gupta, the DRT, Delhi had quashed the notice issued on the ground that the date of NPA was not mentioned.

In the case of Indiabulls Housing Finance Ltd. Vs. Mahendra K. Modi [MANU/DD/01777/2011], the DRAT, Delhi had quashed the notice on the ground that the demand notice under Section 13(2) of the SARFAESI Act did not mention the details of the amount, separate details regarding principal and interest. In the case of Kotak Mahindra Bank Vs. Marvel Industries Ltd. [MANU/DM/0004/2010], the DRT, Mumbai held that since the said Bank failed to provide facility wise details, the notice was quashed.

Section 13(3) of the Act provides that the demand notice must contain the details of the amount payable by the borrower and the secured assets intended to be enforced by the secured creditor in the event of non-payment of secured debts by the borrower. Therefore, the notice must contain the details of the amount payable and assets intended to be enforced for realization of the debt. The language of the section is plain and simple that the notice is required to let the borrower know the amount payable and the secured assets intended to be enforced. However, different principles are being laid down by different courts as to the contents of the notice. Hence, there is a need for amending the rules to provide for a Standard Format of the "Demand Notice" to avoid litigation on this score.

Representation to demand Notice:

In the case of Mardia Chemicals Ltd. Vs. Union of India

[(2004) 4 SCC 311], the Hon'ble Supreme Court had made it mandatory to reply to the objections, if any, raised by the borrower on receipt of the notice issued under Section 13(2) though there was no such provision under the statute. Thereafter, Section 13(3A) was inserted by the Parliament, w.e.f. 11.11.2004, requiring the banks to reply to the representation, if any, received from the borrower raising objections to the notice, within 7 days of the receipt of the said reply. Subsequently, the said time period for replying to the same has been enlarged to a period of 15 days, w.e.f. 15.1.2013. However, no time period has been fixed by the said provision for replying to the said notice by the borrower. There are some instances where courts had quashed the action of the Banks even when the borrower had represented to the notice after 60 days of receipt of notice. In the case of Prabir Chakraborty Vs. LIC Housing Finance Ltd., Calcutta High Court had held that such reply/ representation shall be made within 60 days from the date of receipt of the notice.

However, in the case of Alphine Pharmaceuticals Pvt. Ltd. and Ors. vs. Andhra Bank [2020(2)ALD391], it was held by the High Court of Telangana that there was no merit in the submission that the objection/representation of a debtor to the demand notice issued under sub-section (2) of Section 13 of the Act should be given before the expiry of 60 days from the date of receipt of notice under sub-section (2) of Section 13 of the Act and that in the absence of any such stipulation in the statute, such a stipulation cannot be inferred by the Court. Similar view was taken by the Mumbai High Court in its order dated 23.3.2016 M/s. Blue Coast Hotels Ltd. v. IFCI Limited. The Mumbai High Court held that there was no specific provision and/or mandate in Section 13(3-A) of the Act that the representation of the borrower to the demand notice under Section 13(2) of the Act should be filed within the period of sixty days from the date of the notice.

Since there is no time limit mentioned in the Act, some unscrupulous borrowers, to buy time, reply after the period of 60 days thereby causing delay in enforcement of securities by the Bank. Therefore, the said Section 13(3A) should be amended to provide for representing to the notice by the borrower, say, within 15 days of receipt of the demand notice from the bank. Further, instead of 15 days time for replying to the representation of the borrower, it may be provided that a Secured Creditor Bank cannot take further steps for enforcement of security without replying to the

representation of the borrower as entire action is being set aside in case of any delay by the Secured Creditor in replying to the representation beyond the said period of 15 days.

Assistance by the District Magistrate/ Chief Metropolitan Magistrate

Taking physical possession of the property is the key to enforcement of securities. However, generally no borrower comes forward to hand over peaceful and vacant possession of the secured assets nor make payment of the amount. To avoid law and order situation, the Act provided for availing of the assistance of the District Magistrate in non-metropolitan area and Chief Metropolitan Magistrate (CMM) in a Metropolitan area and when an application filed by a secured Creditor, the DM/CMM should pass orders for assistance within a maximum period of 60 days of filing of such application. However, in practice, such orders for assistance would take more than 60 days and this is where the intention of the legislature for speedy resolution of NPA is being defeated. Hence, effective mechanism needs to be evolved to assist the Authorised Officers to take physical possession of the secured assets without loss of time.

Possession of the Property where Tenancy is Created:

Unscrupulous borrowers create sham tenancies to somehow wriggle out of the enforcement of security interest. It was held by the Supreme Court in the cases of Harshad Govardhan Sondagar Vs. International Asset Reconstruction Company [(2014) 6 SCC 1], Vishal N. Kalsaria Vs. Bank of India, [AIR2016SC530] and Bajrang Shyamsunder Agarwal

Vs. Central Bank of India [(2019)9SCC94] that SARFAESIA cannot override rent control legislations, the import of which is that a tenant can be evicted as per the rent control legislations alone which is time consuming and expensive.

However, Parliament had not provided for determination of tenancy, whether created before or after creation of mortgage, on issuance of notice under Section 13(2) and it is because of such lacuna that the Supreme Court had held that SARFAESIA did not override rent control legislations. [refer to the decision of Harshad Govardhan Sondagar cited above]. Further, instead, Parliament amended SARFAESIA and inserted Section 17 (4A) providing thereby that where a person claims tenancy may approach Debt Recovery Tribunal and the DRT has been empowered to verify as to whether the lease or tenancy (a) had expired or stood determined, (b) is contrary to Section 65-A of the Transfer of Property Act, 1882, (c) is contrary to the terms of mortgage or (d) is created after issuance of notice under Section 13(2) of the Act; and pass orders as it may deem fit. Therefore, in cases where the issue of enforcement of security by Banks and lease/tenancy of lessees/tenants is involved, the jurisdiction of rent control courts is now vested in DRT instead of rent control/civil courts.

But, Section 17 (4A) provides that the DRT has been empowered to examine about the genuineness or otherwise of the tenancy/lease of the tenants/lessees on filing of application before the DRT by any person who claims such rights upon the secured assets, i.e., tenants/lessees. But, there is no provision in the Act for the Secured Creditor Banks to file application against a tenant or alleged tenant for determination of his tenancy rights. If a tenant/lessee does not approach the DRT nor handover possession of the property, the secured creditor has no other remedy but to wait indefinitely for him to adopt such measures and since the jurisdiction about tenancy is now vested with the DRT, the CMM/DM or Civil courts cannot exercise jurisdiction to decide about tenancy wherever claim of tenancies are involved. This would indefinitely delay the proceedings. Therefore, Section 17 (4A) of SARFAESIA may be amended to enable a secured creditor also to move the DRT against the tenant/lessee for adjudicating their tenancy/lease rights.

Security Interest (Enforcement) Rules, 2002 :

In aid of the Act, elaborate rules have been framed detailing the procedure of enforcement of securities. In the case of Mathew Varghese Vs. M. Amritha Kumar [2014 (2) SCALE 331], and GM Siddeshwara Cooperative Bank Ltd. Vs. Iqbal [2013(4)CDR989(SC)], Supreme Court held that compliance with these rules are mandatory in nature and violation of the same renders the enforcement action to be null and void.

These rules are very intricate and ambiguous. It is interesting to note that the proviso to Rule 9(2) states that no sale shall be confirmed if the amount offered by sale price is lesser than the reserve price whereas the second proviso states that if the authorized officer fails to obtain a price higher than the Reserve Price, such sale can effected with the consent of the borrower and the Secured Creditor. Hence, it is not clear whether a tender/bid received exactly matching the reserve price can be given effect to or not. In the case of K. Ramaselvam Vs. Indian Overseas Bank [AIR 2010 MAD 93] and in the case of A. Varalaxmi Vs. Punjab National Bank, it was held by the Madras High Court that in the event of acceptance of bid on exactly Reserve price, the consent of the borrower was necessary.

However, in the case of Varghese Ukken Vs. State Bank of India [AIR 2011 KER.41], Kerala High Court and in the case of K. Sundar Babu Vs. Union of India, Karnataka High Court had held that no such consent of the borrower was necessary. The decision of the Karnataka and Kerala High Courts appears to be sound. It is very difficult to get bids for the secured assets and as such following Madras High Court's decision would further stall and delay the recovery action of the Banks. Therefore, there is a case for amendment of the rule 9(2) to provide for that only when a bid is not equal to or higher than the Reserve Price that the consent of the

borrower is necessary to sell the property at below the Reserve Price.

Rule 8 (6) provides for issuing of notice of sale informing the borrower of intended sale of the property. As per Rule 9(1), if such sale is first time, 30 days notice, and 15 days notice, where auction is required to be conducted again due to failure of first auction, is required to be given to the borrower. Since Sub-rule (5) has been inserted in Rule 3 whereby attention of the borrower is invited to the Section 13(8) of the Act as to the time available to redeem the secured assets in the demand notice itself, the requirement as to issue of notice once again to the borrower may be superfluous. (Section 13(8) restricts the right of redemption only till publication of sale notice). Further, the formats of Panchnama [Appendix I] and Possession Notice [Appendix IV] have also been amended w.e.f. 4.11.2016 to provide a notice therein to the borrower as under:

"The borrower's attention is invited to provisions of sub-section (8) of Section 13 of the Act, in respect of the time available, to redeem the secured assets".

Since the borrower is aware of the impending action by way of demand notice and possession notice, there is no reason as to why such notice is required to be given to the borrower once again at the stage of sale as it would delay the recovery action of the banks. Further, since these rules have been held to be mandatory, any lapse in observance of these pre-requisites would render the action of the banks invalid.

In the case of Canara Bank v. M. Amarender Reddy and Anr., [(2017) 4 SCC 735], Supreme Court held as under, by its order dated 01.11.2018, approving the action of the Bank to issue simultaneous notice to the Borrower and publication of the Sale notice in newspapers.

"14. The secured creditor, after it decides to proceed with the sale of secured asset consequent to taking over possession (symbolic or physical as the case may be), is no doubt required to give a notice of 30 days for sale of the immovable asset as per Sub-rule (6) of Rule 8. However, there is nothing in the Rules, either express or implied, to take the view that a public notice Under Sub-rule (6) of Rule 8 must be issued only after the expiry of 30 days from issuance of individual notice by the authorised officer to the borrower about the intention to sell the immovable secured asset. In other words, it is permissible to simultaneously issue notice to the borrower about the intention to sell the secured assets and also to issue a public notice for sale of such secured asset by inviting tenders from the public or by holding public auction. The only restriction is to give thirty days' time gap between such notice and the date of sale of the immovable secured asset."

Therefore, Banks could issue simultaneous notice to the borrower in compliance of Rule 8(6) and publishing of sale notice in newspapers for sale of the property. Parliament had amended Section 13(8) of the Act, w.e.f. 01.9.2016 to restrict the right of redemption only till publication of the sale notice as there have been instances where the borrowers had come forward to pay the dues even after conclusion of sale and the courts have allowed them to redeem the secured asset even after issuance of sale certificate. However, this amendment has caused confusion as Rule 8(6) of the Rules has not been amended.

A combined reading of amended Section 13(8) and Rule 8(6) appears to be that Bank has to issue 30 days notice before sale of the property and only after the said 30 days that the Bank could publish sale notice in newspapers for sale of the property nullifying the effect of the benefit of the above said Supreme Court. But, the Proviso to Rule 8(6) of the rules have been amended, w.e.f. 18.10.2018, and inserted a format, Appendix IVA, for publication of sale notice (hitherto there was no standard format for the sale notice). Therefore, any sale notice has to be published in the same format which reads as under:

"Notice is hereby given to the public in general and in particular to the borrowers and guarantors"

This is a sufficient notice to the borrower to redeem the secured assets and there is no need for a separate notice once again for 30 days or 15 days. Therefore, it appears from the above said amendments, it appears that the

Government intended to allow secured creditors to issue simultaneous notice. But, the Rule 9(1) had also been amended providing for issuing of 30 days notice of sale to the borrower at the first instance of sale and in case of failure thereof, 15 days for any subsequent sale, which is again contradictory and ambiguous.

After amendment of Section 13(8) of the Act, in the case of Sri Sai Annadhatha Polymers Vs. Canara Bank [2018(5)ALT207], the High Court for the State of Telangana and Andhra Pradesh had held that the borrower should be issued clear 30 days notice separately before publishing the sale notice under Rule 9(1) and held as under:

"13. Therefore, even after the amendment of Section 13(8) of the SARFAESI Act, a secured creditor is bound to afford to the borrower a clear thirty day notice period under Rule 8(6) to enable him to exercise his right of redemption. In consequence, a notice under Rule 9(1) of the Rules of 2002 cannot be published prior to expiry of this thirty day period in the new scenario, post-amendment of Section 13(8) of the SARFAESI Act, as such right of redemption would stand terminated immediately upon publication of the sale notice under Rule 9(1) of the Rules of 2002. The judgment of the Supreme Court in CANARA BANK v. M.AMARENDER REDDY MANU/SC/0271/2017 : (2017) 4 SCC 735, which was rendered in the context of the unamended provisions, would therefore have no application to the post-amendment scenario in the light of the change brought about in Section 13(8).

To sum up, the post-amendment scenario inevitably requires a clear thirty day notice period being maintained between issuance of the sale notice under Rule 8(6) of the Rules of 2002 and the publication of the sale notice under Rule 9(1) thereof, as the right of redemption available to the borrower in terms of Rule 8(6) of the Rules of 2002, as pointed out in MATHEW VARGHESE MANU/SC/0114/2014 : (2014) 5 SCC 610, stands extinguished upon publication of the sale notice under Rule 9(1)."

However, in the case of Adhya Industries Vs. Vijaya Bank [2020(2)ALD298], High Court for the State of Telangana held that the statute nowhere required that there should be a 30 days gap between service of notice on the borrower and the date fixed for sale of the immovable secured assets and that there need not be a clear 30 days notice period between issuance of notice under Rule 8(6) and issuance of notice under Rule 9(1) of the Rules and it would suffice if there is 30 days gap from the date of publication of public notice in newspapers of sale and the date of sale. The Court further held that the contrary view taken in Sri Sai Annadatha Polymers, (cited supra), did not represent the correct legal position.

Therefore, these rules are contradictory to each other and ambiguous and there is a case for further amending Section 13(8) and the rules 8(6), 9(1) and 9(2) to provide for issuing of simultaneous notice to the borrower of the sale of the property and publication of sale notice for general public.

Time taken for enforcement of securities:

As stated above, the Secured Creditor Bank should wait for 90 days before issuing notice under Section 13(2). When notice is issued, Bank has to allow 60 days time to see if the borrower makes payment or not. Where a borrower, after completion of 60 days, neither makes payment of the money nor hands over physical possession of the property, a Bank has to apply to the District Magistrate/CMM for assistance who has to pass order for assistance to take possession within 60 days of filing of such application.

The borrower has to be informed about the sale by issuing 30 days notice. The sale has to be conducted 30 days after publishing sale notice in two leading newspapers. The auction purchaser can deposit the sale consideration within 90 days. Therefore, it takes a minimum of 360 days for enforcement of security which is 30 days more than the time taken under Insolvency and Bankruptcy Code, 2016 for resolution of the insolvency of the Corporates. This is assuming that the District Magistrate/Chief Metropolitan Magistrates issues orders within the mandated 60 days whereas in actual practice it takes more time.

Conclusion:

The SARFAESI Act is a very effective tool in the hands of Banks to recover the dues of the Banks speedily. However, in view of ambiguity in various provisions of the Act as discussed above, the efficaciousness of the Act is being affected. Therefore, there is a need for removing the bottlenecks without curtailing the rights of the borrowers by overhauling the Act and removing the ambiguity. The notice under Section 13(2) should be allowed to be issued immediately on default and enforcement action could follow only if the account turned NPA which could cut down two months time. The borrower should be allowed to file application before the DRT only on limited grounds to make it more effective for speeding up of recoveries of the Banks and to ensure that the purpose of enactment of SARFAESIA is not defeated.

The views expressed in this article are personal. ❑

ROLE OF HR AS A STRATEGIC PARTNER

Strategic human resource management involves a future focused goal-oriented process of developing and implementing HR programs and initiatives that will address and solve business problems and directly contribute in achieving major long-term business objectives of the organization.

Gone are the days when HR management was seen as an administrative function focused on daily responsibilities such as employee recruiting and selection and managing employee benefits. Changing market conditions and new business thinking call for HR business strategies that include recruiting and retaining the right people, as well as providing ethical and cultural leadership.

Strategic planning presents great challenges and plethora of opportunities for HR professionals. Nearly all HR leaders in the largest global companies are involved in strategic decision-making and are member of the organization's strategy team, and a majority of HR professionals have strategic planning as part of their core job. In contrast, HR professionals in many medium and small organizations are not often involved in organizational or functional strategic planning.

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Consequently, to achieve long-term strategic HR objectives that are set by HR and to be a key player in the organization's strategic planning process, some HR departments may need to strive and justify to senior management about the value and contribution they can provide , and in overall organizations strategy.

How to develop a strategic HR plan?

Developing a strategic HR plan is an art as well as it needs scientific approach. HR's role includes developing a plan of HR initiatives to achieve and promote the behaviors, culture and competencies needed to attain and achieve organizational goals.

Results-oriented goals broadly include the following:

1) Correctly assessing staff requirement, skill set, job role requirements.
2) Developing and maintaining competitive pay and benefits at par with industry standards.
3) Managing performance and designing a rewards system that keeps employees motivated and developing yardsticks to measure and quantify performance.
4) Knowing about strategies and techniques competitors are using to recruit and retain talent.
5) Providing training, including ethics, which reinforces corporate values and instill a sense of responsibility towards corporate goals.

The strategic planning process begins with some critically analytical questions like:

1) Where is the organization now? - Reply to this question is expected to assess the current situation.
2) Where do we want to be? - Reply to this question is expected to Envision and articulate a desired future.
3) How organization will get there? - Reply to this question is expected to Formulate and implement a strategy and strategic objectives.
4) How will we know if we are on track toward our intended destination - Reply to this question is expected to establish a mechanism to evaluate progress in allotted task or project.

How to assess current situation?

Being a strategic business partner means carrying out HR activities with perspective of attaining long-range goals of the organization in mind. To do this following below mentioned strategies can be helpful:

1) Try to clearly understand how the various organizational components interact and recognize the long-term implications of HR decisions. The impact of HR decisions must be thoroughly researched and analyzed before changes are implemented.
2) Have a deep insight of business basics, including finance, marketing, sales, operations and IT and all other back office or key tasks. These skills help with budgeting and with maintaining a workforce with the correct mix of skills.
3) Develop and exercise analytic skills directed at answering "the why and the what." This may mean spending more time on so-called translational work like training business leaders, planning and implementing HR practices that effectively execute strategy, and helping teams manage change and then on transactional work like recruitment, training, human resource information systems and other traditional HR functions
4) Conduct a strengths, weaknesses, opportunities and threats (SWOT) analysis of their organizations. The SWOT approach offers a clearer picture of customers, markets and competitors.

How to align hr function with organizations business strategy?

For HR departments of organization , intradepartmental strategic planning can be a good way to start the functional alignment process. However, regardless of whether strategic planning begins in the HR department or in another department, or is managed on an organization wide scale, the actions of the HR department will be integral to the success of the strategic plan. Thus, HR professionals must take care to align the HR function with every aspect of the strategic plan, even if the strategic plan does not explicitly address HR issues.

Recent SHRM research reveals that HR professionals foresee significant workplace challenges, including rising health care costs, the retirement of large numbers of Baby Boomers and the increased demand for work/life balance. Retention programs, work/life programs, succession planning, and health, safety and security programs are among the HR efforts that are viewed as key workplace challenges through

which HR can strategically contribute to organizations. The HR alignment process is often driven by workforce composition issues. Although every organization's particular strategic plan is unique, the demographics and other characteristics of the available workforce have a major effect on the way businesses are staffed. In turn, the way organizations are staffed has a significant impact on the execution of the organization's strategy.

HR professionals should monitor and respond accordingly to factors that may affect workforce composition, including the following factors mainly:

1) **The Age Factor:** The age of the existing employees, the age of the available workforce and the patterns of retirement for older workers and for the entrance of younger workers can significantly affect workforce availability.
2) **Current economic Scenario:** Like Unemployment rates, natural disasters and political changes can also have an impact the availability of workers.
3) **Diversification:** Key aspect of globalization that will affect almost all organizations is the increasing diversity of the workforce. Another aspect of globalization is the economic incentive to outsource labor and production activities to wherever such costs are lower. A third, and related, aspect is immigration, both legal and illegal, in the United States and abroad.

SWOT analysis as a strategic tool of decision making in HR -

Assessment of the current situation or scenario can be understood for strategic decision making by conducting a SWOT analysis. This analysis includes an internal assessment of the organization's capabilities and limitations as well as an external environmental scan to review its customers, markets and competitors, and to forecast to external opportunities and threats.

Major areas to consider during an external scan include economic, demographic, political, social and technological trends. An analysis of customers, markets and competitors is used to determine how the market is changing, to predict who the future customers will be and to analyze competitors in the marketplace.

When conducting a customer/market/competitor analysis, HR professionals should answer the following questions like

1) What business are we doing?
2) What is approach and trends in the world which are been followed in sort of business, which we are doing?
3) What business strategies can be changed or needs to be changed?
4) What are our resources?
5) What are our core competencies?
6) Who all are our competitors?
7) How will we compete?

Setting HR objective as a part of strategic planning -

Setting strategic objectives is most important part of the strategic planning process. Therefore, these objectives must be aligned with the organization's mission, vision and overall strategy. Strategic objectives will vary from organization to organization.

To identify whether strategic objectives lays a solid foundation for success, HR should consider the following questions before formulating any plan or strategy:

❖ Have we communicated the benefits of obtaining the defined objectives?

❖ Are the strategic objectives relevant to the organization's position in the external market? For example, do they consider competitor positions, organizational size and financial strength?

❖ Do the strategic objectives recognize the organization's strengths and weaknesses?

- Do employees throughout the company understand how these objectives affect them and how they contribute independently and collectively to the defined objectives?
- Are the strategic objectives realistic and feasible? Unrealistic objectives typically result in disappointment for all involved.
- Have timelines for benchmarking progress and targets for completed objectives been set?
- Will the organization realistically be able to identify the success or lack of success in the accomplishment of strategic objectives in some quantitative fashion?
- Can the strategic objectives be linked back to the organization's overall strategy?

For example, A Company X , may identify in its strategic planning analysis a need to improve the talent acquisition process. The strategic objective to address this issue is to design selection criteria to ensure best-fit hiring while reducing the time-to-fill positions.

Once a key initiative is identified, the organization should do the following:

A) Continuously ensure that the objective and action plan are aligned with the organizational and HR strategy.

B) Identify the primary actions required to achieve the objective.

C) Set milestones for each action, and plan for contingencies.

D) Identify the required resources, including budget and staff.

E) Establish success measures.

F) Communicate key messages.

Ultimately, a strategic objective is only as good as the overall strategic plan.

At this step of the strategic planning process, the focus is on specifying short-term answers to the question "How do we get there?" Specific, concrete short-term objectives that can be completed within six months to a year should be established to answer this question.

Although many organizations engage in strategic planning, very few of them believe they are highly successful at strategy execution. According to a survey by the American Management Association and the Human Resources Institute, only 3 percent of executives polled said their organizations were very successful at executing corporate strategy, whereas 62 percent stated their organizations were moderately successful. However, the companies that reported relatively high success in strategy execution were more likely to realize favorable revenue growth, market share, profitability and customer satisfaction.

Though every organization has its own strategy execution challenges, this study found that mastering the following areas is essential to successfully implement strategic plans:

1) Clarity of communication.
2) Alignment of practices.
3) Leadership.
4) An adaptive organizational infrastructure.
5) Resource management.

The single greatest barrier to executing strategy is the lack of adequate resources, the study found.

Monitoring and Evaluation

The final step should be establishing a mechanism to monitor and evaluate progress toward the achievement of strategic objectives. Most organizations conduct annual or quarterly strategic reviews for this purpose. These reviews do the following:

1) Determine whether the organization is on track to achieve key objectives.
2) Provide the opportunity to identify and adapt to significant internal or external changes that affect the strategic plan.
3) Update annual action priorities.

Some organizations may find that systems or tools such as balanced scorecards, benchmarking and dashboards are helpful for keeping focus and monitoring results which are found as output.

Conclusion

Thus, it is needless to mention that role of HR as a strategic partner is critical and inevitable in success of any organization and the organization failing to take strategic HR decisions are bound to fail or even they can succumb to survive.

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REDEFINING FARMERS INTEREST

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 was promulgated on June 5, 2020. It provides a framework for the protection and empowerment of farmers with reference to the sale and purchase of farm products. The provisions of the Ordinance will override all state APMC laws. National Agriculture Policy has recognized contract farming as an important aspect of agri-business and its significance for small farmers to allow accelerate technology transfer, capital inflow and assured market for crop production.

History of contract farming in India

Contract farming in India was introduced in India in late19th century where Indian farmers produced Indigo under British Government. Mahatma Gandhi's remarkable 'Champaran Satyagraha' had historical milestone in fair contract farming in India but the contract farming came to limelight in the late 1990s with the entry of PepsiCo. In 1997, it set up a tomato processing plant in Punjab and started tying up with local farmers to grow tomato varieties needed for ketchup. In India, contract farming was regulated under Indian contract Act, 1872. The model APMC Act, 2003 provides specific provision for contract farming. The Department of Agriculture and Farmers Welfare had released Model Contract Farming Act, 2018. The key proposals of model contract farming act includes setting up a state-level agency called Contract Farming (Development and Promotion) Authority.

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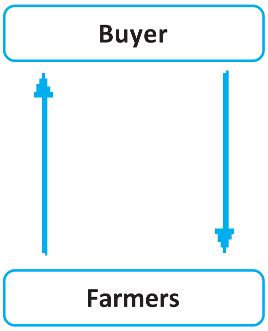
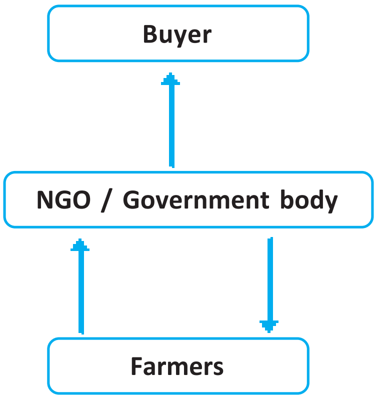
Diagram-1 Contract Farming Model-I



Explanation of Model I:

In this model the farmers are directly dealing with the buyer. This model can be implemented for small scale of operations. The price of the commodity is fixed with the mutual agreement with the farmer and buyer. Generally buyer is not providing any services unless and until it is agreed upon in the agreement.

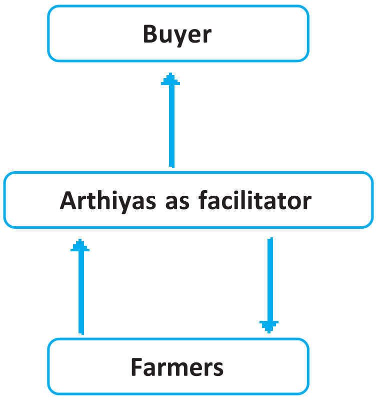
Diagram-2 Contract Farming Model-II



Explanation of Model II:

In this model NGO or Government agency is involved as an intermediary between farmer and buyer. Extension services and other services are provided to the farmers at the discretion of the NGO/Government body or as agreed in the contract terms. There is no intention to make any profit hence this model is considered a transparent contract farming model.

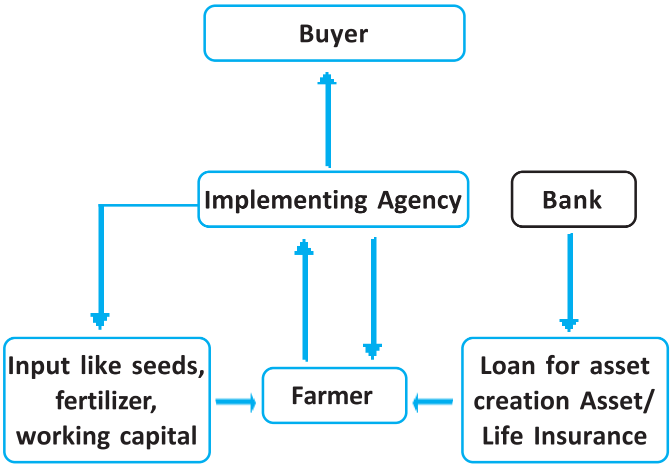
Diagram-3 Contract Farming Model-III



Explanation of model III:

In this model traditional channels like Arthiyas are working as an intermediaries. The scale of operations is comparatively large where arthiyas are providing extension services and other services like loans and other inputs as per the agreement terms. However there is lack transparency for price fixation and exploitation of farmers may be possible.

Diagram-4 Contract Farming Model-IV



Explanation of Model IV:

In this model the buyers are corporates and they appoint implementing agency to conduct the overall operations effectively. The operational cost is very high due to engagement of channel partner. Wide range of extension services and other inputs are being provided by the implementing agency to farmers as per the agreement terms. Farmers are availing financial services from the banks for creation of assets, getting asset insurance and life insurance (in case animal husbandry like dairy business). Contract farming practices followed by the corporates are quite standard however there is always a question of transparency as many times farmers interest is overlooked for earning the profit for corporate.

Current Ordinance

Farming Agreement: The Ordinance provides for a farming agreement prior to the production or rearing of any farm produce, aimed at facilitating farmers in selling farm produces to sponsors. A sponsor includes individuals, partnership firms, companies, limited liability groups and societies. Such agreement may be between: (i) a farmer and a sponsor, or (ii) a farmer, a sponsor, and a third party. The role and services of any third party, including aggregators (one who acts as an intermediary between farmer(s) and sponsor to provide aggregation related services), involved will have to be explicitly mentioned in the agreement. State governments may establish a registration authority to provide for the electronic registry of farming agreements.

The farming agreement may stipulate the timely supply of inputs by the sponsor to the farmer before the start of cropping season to carry out farming operations, the farmer will supply the products at the farm gate or mutually agreed other place at agreed price.

Farming agreements can be agreements for purchase of future farming produce with risk of production remaining with the farmer or for payment of service charges to farmers where risk of production is borne by the sponsor/buyer. There can be a combination also. The sponsor may also agree to supply inputs or technology during the process of production.

Farming agreement usually specifies the price to be paid to the farmer, the quantity and quality of the product demanded by the Sponsor, and the date for delivery to buyers. The agreement may also include more detailed information on how the production will be carried out or if any inputs such as seeds, fertilizers and technical advice will be provided by the Sponsor to the farmer.

Duration of agreement: The minimum period of an agreement will be one crop season, or one production cycle of livestock. The maximum period will be five years. For production cycle beyond five years, the maximum period for the agreement will be mutually decided by the farmer and the sponsor.

Exemptions from existing laws: Farming produce under a farming agreement will be exempted from all state Acts aimed at regulating sale and purchase of farming produce. These produce will be exempted from provisions of the Essential Commodities Act, 1955 and will not have any stock limit obligations.

Pricing of farming produce: The price to be paid for the purchase of a farming produce will be mentioned in the agreement. In case of prices subjected to variations, the agreement must include: (i) a guaranteed price to be paid for such produce, and (ii) a clear reference for any additional amount over and above the guaranteed price, including bonus or premium. The price references may be linked to the prevailing prices or any other suitable benchmark prices. The method of determining any prices including guaranteed prices and additional amount will be provided in the farming agreement.

Delivery and payment: The Ordinance provides that the sponsor will be responsible for all preparations for the timely acceptance of deliveries and will take deliveries within the agreed time. In case of seed production, the sponsor will pay at least two-third of the agreed amount at the time of delivery. The remaining amount can be paid after due certification within 30 days from the date of delivery. For all other cases, the entire agreed amount must be paid at the time of delivery and a receipt slip must be issued with the details of sales proceeds. The state government will prescribe the payment modes.

Dispute Settlement: The Ordinance requires a farming agreement to provide for a conciliation board as well as a conciliation process for settlement of disputes. The Board should have a fair and balanced representation of parties to the agreement. At first, all disputes must be referred to the board for resolution. If the dispute remains unresolved by the Board after thirty days, parties may approach the Sub-divisional Magistrate for resolution. Parties will have a right to appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the Magistrate. Both Magistrate and Appellate Authority will be required to dispose a dispute within thirty days from the receipt of application. The Magistrate or the Appellate Authority may impose certain penalties on the party contravening the agreement. However, no action can be taken against the agricultural land of farmer for recovery of any dues.

How it is different from existing contract Farming Law 2018?

The agriculture ministry had released a model law to govern contract farming in 2018, but it was a little too prescriptive. It allowed contract farming, but only in notified commodities; the price was determined by government rules; and each contract had to be registered with a district authority. In contrast, the ordinance allows contract farming in any agricultural product, leaves pricing to the parties, and allows for a central e-registration of contracts.

How it is beneficial to farmers?

Earlier, contract farming has been in existence for decades. However, the farming agreement is to be made popular because of its uniqueness with reference to i) Equity or inclusiveness (to attract more investments in the agriculture sector and promote inclusiveness) ii) Public Accountability (introducing system of e-registration and dispute resolution) and iii) Innovation (as both the market and inputs will be available to the farmer at farm gate level).

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance 2020, enables farmers to mitigate the production risk and price risk by the farming agreement with the buyer before sowing stage. Farming agreements can be made between farmer and sponsor/buyer for purchase of future farming produce with risk of production remaining with the farmer or with the payment of service charges to farmers where risk of production is borne by the sponsor/buyer. There can be a combination also as per mutually agreed terms between farmer and sponsor/buyer. The sponsor may also agree to supply inputs or technology during the process of production to ensure the quality aspects of the farm produce.

Farming agreement gives small and marginal holding farmers the possibility of knowing in advance when, to whom and at what price they will sell their products. This helps to reduce the unpredictability of agriculture and allows them to better plan their production. When sponsor also provide access to inputs including technical assistance, farming agreement can lead to significantly increased yields and profits.

The farming contract gives win-win situation for farmers/ FPO and sponsors. The farmers/FPO gets easier access to inputs, services and credit improved production and management skills, secure market, more stable income whereas the products purchased by sponsor from buyer conform to quality and safety standards. Under farming agreement niche product clusters can be developed. This ordinance safeguards farmers by providing fair trade practices, good dispute resolution mechanism, and provision of penalties for misconduct by buyers.

Opportunity for private investment

The existing legal framework of contract farming never gains confidence of private investors. This Ordinance provides a uniform framework for private investment in market, without challenging a farmer's ownership right or right to cultivate which will provide farmers three benefits.

i) **Risk mitigation and greater predictability of income.** Farmers will have the option to enter into agreement with buyers before sowing, securing the price for their sale. The farmers may be able to enter into agreement that protect them from harvest losses as well as they can insure against output risk. In scenarios like crop output or market prices are highly variable, farmers can take a risk to grow the commercial crops where risk is more.

ii) **Access to market intelligence.** Due to lack of forward linkages farmers are unable to access the consumer demand trends at micro level and hence not able to optimize crop and varietal mix. This Ordinance will enable stronger linkage with both domestic and export markets.

iii) **Access to better technology and knowledge for farm management.** Private sector have a better framework and infrastructure to integrate the modern farming practices and hence they can engage expertise in farming as well as make direct technology investment like use of IoT, Artificial intelligence etc. for driving higher yield and promoting sustainable agriculture over long term.

Concerns

1. Government interference challenges the Privity of Contract

The ordinance is a positive move towards freedom of contract farming in India, it leaves the scope for government interference particularly in sou moto litigation and Executive adjudication.

The ordinance creates a window for reintroducing government interference by giving the executive powers to adjudicate disputes through suo moto cases. These are cases where neither of the parties to a farming contract has raised a dispute, but the authority still can enter into the contract and make changes. This violates a fundamental principle of contract law: If the parties to a contract are not complaining, third parties should not interfere in the contractual relationship (called 'privity of contract'). Violating this principle undermines the commercial relationship between the parties. If the government intervenes in contract farming agreements frequently, buyers may back out.

The ordinance delegates dispute resolution to the executive (Sub-Divisional Magistrate), who will not be bound by rules of procedure. This gives the government more powers than the parties in the case. That would not happen if disputes were required to go to the judiciary. Also it seems likely that individual farmers might not find themselves equipped or powerful enough to negotiate with big corporates or sponsors to ensure a fair price for their produce. Approaching the office of Sub-Divisional Magistrate might be a hurdle for millions of small and marginal farmers who might get into a farming agreement with a powerful entity.

2. Ordinance could lead to disruption of ongoing practice of Informal Agreements.

Giving legal sanction to contract farming would help corporates enter the agriculture sector and may increase productivity. But would it help the tenant farmers and share croppers? The ordinance has little to offer to the millions of farmers who are currently engaged in contract farming through informal agreements.

Some form of registration of these tenant farmers without threatening landowners would have been a huge land reform waiting to happen. Instead, the new ordinance could lead to disruption in this ongoing practice of contract farming. The absentee landlord would now prefer to deal with written contracts of a company over the hassle of dealing with local tenants.

3. Design of contract needs to relook

The farm-gate pick-up of produce by buyers has been made mandatory, which was unnecessary. The parties should be able to decide themselves whether the farmer will deliver the produce at factory gate, collection centre, or whether the buyer would pick up the produce from the farm.

The ordinance says that the quality parameters can be mutually decided by the two parties in the agreement. But the quality aspect will become crucial when a few corporates will try to usher in uniformity which might end up adversely impacting the already skewed agro-ecological diversity in the country.

In the event of a force majeure and/or the change in the policy of government, the affected party, to the extent of adverse impact, shall not be bound to honour the agreement and can accordingly alter the terms with mutual consent or terminate the agreement. However the Ordinance leaves out many sophisticated aspects of modern contract farming practices, like delayed deliveries or purchases, and damage therein.

4. Inefficient price discovery as ordinance links the price with APMC mandi price

The ordinance links the contract price with the APMC mandi price or electronic market price, which is anti-contract farming in nature. The price, like many other basic aspects of contract, should be left to the parties to negotiate and shouldn't be tied to any other channel, especially the APMC price, as the very rationale for bringing this law was to provide alternative channels to farmers and create competition in APMC markets, as price discovery was not efficient. Now, going back to the same mandi does not speak very well of the Ordinance.

Conclusion

This farming agreement Ordinance is a bold step by the government towards agricultural development. By providing the legal framework to contract farming enables to solve many agricultural related issues. This Ordinance provides a uniform framework for private investment in market, without challenging a farmer's ownership right or right to cultivate. This reform has a great potential to improve farmers conditions and contribute to achieve our Prime Ministers ambitious target to double the farmers income by 2022. There are certain concerns in the ordinance in respect of dispute resolution and inefficient price discovery, however government is confident that the Ordinance definitely will bring new revolution in agriculture sector in coming years.

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WOMEN AND MONEY MATTERS

We are part of a society that continues to view women as the weaker section. The age-old practices and norms always tended to give little importance to women down on the scale of progress. Gender inequality is so entrenched in families and society, maybe on a differentiated scale across the country, influenced by the factors like literacy and affluence. The chain of patriarchy, which prevails in different forms like the caste-based panchayats in certain parts of the country, pushes her down with minimal recognition in the society all along her life span. Even from a global perspective, women have often been regarded as subservient to their male counterparts. Across the world, the subordinate status of women has had a deleterious impact on society's overall growth.

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Despite the intellectual, economic, and material progress that happened post the Second World War, a woman's role continues to be restricted to the household- rearing children and taking care of all the household chores, even when employed the family's finances. However, managing finances continues to be the sole preserve of men. However, with the enhancement in literacy standards and improved access to formal education, the situation is changing, even though at a slow pace.

The lack of access to finance and the discrimination towards providing enablers to the women in financial management has negatively affected societal growth. The vast unbanked women population accentuated this. There, if we look at every country's demographic profile, it can be observed the most potent factor influencing financial stability is the empowerment of women in fiscal matters.

A vast large majority of women are unaware or ignorant of the benefits of financial stability. They are oblivious to the role played by the banks in reaching out to the last mile of the society, especially women, and the wide-ranging opportunities a finance institution opens up for the upliftment, empowerment, and development of women. Data from the 2017 report on the gender gap in financial literacy by the Global Financial Literacy Excellence Center showed that only 20 percent of women recognized the economic concept (offset of 8 percentage over male). In most developed countries that had high overall financial literacy, the difference was higher. Financial literacy makes people effective at budgeting, saving, spending control, debt management, participating in financial markets, planning for retirement and accumulating wealth, and considering the humongous role played by women in anchoring families.

There are a variety of possible explanations why women are not generally comfortable with finance. Primarily, the peer group and social pressure may not encourage them to engage in investment-related discussions. Secondly, from the role models they see, they seem to believe that financial management is the domain of men. Even when women know about financial products, they may not invest appropriately. Part of that has to do with the fact that women always look at wealth differently.

For instance, they may perhaps be more attentive towards saving than investing. Some do not trust the information provided by financial institutions or feel secure about transactional services. More often, the advice generally is essentially geared towards men. For example, studies in developed countries have found that the language used by investment enablers was more focused on returns-oriented (which suits men) rather than risk-mitigation (the concern of women).

Further, women may find themselves late in investing due to the multitude of family pressure situations and get into the picture mostly when they are vulnerable. For example, when the spouse is not in good health or when a crisis occurs, the responsibility might get delegated to them, but that is not by choice but through compulsion. They are also at risk of being misdirected by commission-based advisors who do not have the best advice suited for women's financial knowledge and risk-taking ability. Stereotypes can also be at play, which can lead women to get ultra-conservative advice. Consequently, though they have the potential to take risks early in their careers, they may stick to low-risk instruments that yield low returns.

We also find that women are a significant segment of society that works mainly in an unorganized environment. The Periodic Labor Force Survey (2018-2019) found that there had been an unequal distribution of gender in domestic activities. The lockout imposed by COVID-19 further compounded the situation. Women come to retain risky, unsafe, and stigmatized jobs as front-line health workers, waste pickers, domestic workers concerning regular employment, but the government-mandated minimum wage wasn't paid to them.

These could shallow their development, personally, professionally, and financially. Although women are getting opportunities to move beyond household activities, their personal and professional development is still undermined.

In addition to being treated with low pay, they are often subject to oppressive working conditions, less or no benefits, and unsafe environments. Industries and cooperative societies leverage a large population of women and add them to their workforce because it involves minimal spending.

Of course, with the evolution of many professional educational institutions and campus placements, there is a paradigm shift in the employment and growth potential for women in highly paid jobs, that too at an early age. Nevertheless, interactions with financially well-placed young women employees in different sectors throw a similar pattern. Investment decisions other than linear are left to their male support system.

Financial service providers need to take time to communicate with women, both as customers and employees, to relate and interact with them from their respective perspectives. With the Kantar study touching women's opportunity costs, financial service firms risk losing $782 billion in women's potential investable assets. Inside the retail walls, the ambeance, lighting, and the usual banking jargon can have an intimidating effect on women customers.

However, women are far more receptive to advertising that shows diverse groups of people than only one group, with emotional messages and showcasing women as role models for investing and financial planning. Hence, probably, the optimal approach that financial service providers can leverage to develop lasting relationships with women customers is by engaging more women in this sector.

Thus, from a deeper understanding, overall financial stability could only be accomplished by a substantial rise in women's income and investment-related freedom. To a great extent, this would reduce all gender inequality and open a gateway to a more inclusive society. Interestingly, an honest and highly beneficial endeavor towards this is seen in the financial sector.

Most of the MFIs/SFBs are focusing exclusively on JLGs/SHGs that comprise women members only. They also encourage small savings and micro-insurance, which, over some time, make them stand on their feet. To conclude, considering the multiple roles women play in life and the myriad expectations, the gender disparity still prevailing in the society in financial matters deserves a far more significant and deeper look.

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Monetary policy tightening by RBI is several quarters away: Former Dy Guv

The Reserve Bank of India (RBI) is expected to continue with its current accommodative stance to maintain sufficient liquidity in the system and monetary policy tightening is several quarters away as the economic revival has not reached the pre-Covid level, the apex bank's former deputy governor R Gandhi claimed. He said the low-interest rate regime will continue to support the economic activities. "In my assessment, normalisation or monetary policy tightening in India is several quarters away. Definitely, not in the current fiscal. Economy is reviving but we have not reached the absolute pre-Covid level of 2019-20," Gandhi said at an event organised by the Bengal Chamber of Commerce and Industry.

"RBI will do (monetary policy tightening) when the economy will be growing sustainably," he said. The central bank had on August 6 kept interest rates unchanged at a record low as it chose to support economic revival over inflation. The six-member Monetary Policy Committee (MPC) voted in favour of retaining the main repurchase rate at 4 per cent but was split on continuing with the lower-for-longer stance.

The RBI had last revised its policy rate on May 22, 2020, in an off-policy cycle to perk up demand by cutting the interest rate to a historic low. This was the seventh straight meeting when it maintained the status quo. But traders and analysts are seeing hints that India's central bank is seeking to drain record liquidity from the banking system, as it is increasingly shifting its forex intervention to the forwards market.

Earlier this month, the apex bank governor Shaktikanta Das had said, "As markets settle down to regular timings and functioning and liquidity operations normalise, the RBI will also conduct fine-tuning operations from time to time as needed to manage unanticipated and one-off liquidity flows so that liquid conditions in the system evolve in a balanced and evenly distributed manner." The next meeting of the MPC is scheduled from October 6 to 8. Gandhi acknowledged that NBFCs will gradually garner larger banking market share with more technological interventions. He also said low-interest rate regime will continue even though common people suffer due to decreasing deposit rates from banks.

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RBI CIRCULAR

Tokenisation – Card Transactions: Permitting Card-on-File Tokenisation (CoFT) Services

RBI/2021-22/96

September 07, 2021

1. We invite reference to our circular DPSS.CO.PD No.1463/02.14.003/2018-19 dated January 8, 2019 on "Tokenisation – Card transactions", permitting authorised card networks to offer card tokenisation services subject to the conditions listed therein. Initially limited to mobile phones and tablets, this facility was subsequently extended to laptops, desktops, wearables (wrist watches, bands, etc.), Internet of Things (IoT) devices, etc., vide our circular CO.DPSS.POLC.No.S-469/ 02-14-003/2021-22 dated August 25, 2021 on "Tokenisation – Card Transactions : Extending the Scope of Permitted Devices".
2. Reference is also invited to our circulars DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 (as updated from time to time) and CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021 on "Guidelines on Regulation of Payment Aggregators and Payment Gateways", advising that neither the authorised Payment Aggregators (PAs) nor the merchants on-boarded by them shall store customer card credentials [also known as Card-on-File (CoF)].
3. On a review of the tokenisation framework and to enable cardholders to benefit from the security of tokenised card transactions as also the convenience of CoF, it has been decided to effect the following enhancements –
   a. Extend the device-based tokenisation1 framework referred to at paragraph 1 above to CoF Tokenisation (CoFT) as well.
   b. Permit card issuers to offer card tokenisation services as Token Service Providers2 (TSPs).
   c. The facility of tokenisation shall be offered by the TSPs only for the cards issued by / affiliated to them.
   d. The ability to tokenise3 and de-tokenise card data shall be with the same TSP.
   e. Tokenisation of card data shall be done with explicit customer consent requiring Additional Factor of Authentication (AFA) validation by card issuer.
   f. Additional requirements relating to CoFT are listed in the Annex.
4. Further, in the interest of clarity, the following points may be noted –
   a. With effect from January 1, 2022, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store the actual card data. Any such data stored previously shall be purged.
   b. For transaction tracking and / or reconciliation purposes, entities can store limited data – last four digits of actual card number and card issuer's name – in compliance with the applicable standards.
   c. Complete and ongoing compliance with the above by all entities involved, shall be the responsibility of the card networks.
5. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(P Vasudevan)
Chief General Manager

Application for Aadhaar e-KYC Authentication Licence

RBI/2021-22/98

September 13, 2021

1. In terms of Section 11A of the PML Act, 2002, entities other than banking companies may, by notification of the Central Government, be permitted to carry out authentication of client's Aadhaar number using e-KYC facility provided by the Unique Identification Authority of India (UIDAI). Such notification shall be issued only after consultation with UIDAI and the appropriate regulator.

   A detailed procedure for processing of applications under the aforementioned Section for use of Aadhar authentication services by entities other than banking companies has been provided by the Department of Revenue, Ministry of Finance vide their circular dated May 9, 2019.

2. Accordingly, Non-Banking Finance Companies (NBFCs), Payment System Providers and Payment System Participants desirous of obtaining Aadhaar Authentication License - KYC User Agency (KUA) License or sub-KUA License (to perform authentication through a KUA), issued by the UIDAI, may submit their application to this Department for onward submission to UIDAI. The applications can also be forwarded over email. The format of the application is provided in the Annex to this circular.

(Prakash Baliarsingh)
Chief General Manager

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

RBI/2021-22/99

September 13, 2021

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on May 10, 2021, in terms of which "Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC)."

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

   Note SC/14622 dated 06 September 2021 regarding removal of one individual QDi.253 Name: 1: KHALIFA 2: MUHAMMAD 3: TURKI 4:AL SUBAIY] from UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List.

   The UNSC press release concerning amendments to the list is available at URL:
   https://www.un.org/securitycouncil/sanctions/1267/press-releases

3. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:
   http://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

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

4. The details of the sanctions measures and exemptions are available at the following URL:
   https://www.un.org/securitycouncil/sanctions/1267#further_information

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

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

(Vivek Srivastava)
General Manager

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

(Rs. Crores)

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

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

Notes : 1. Data for 2019-20 are provisional

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

Also see Notes on Tables.

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

SCHEDULED COMMERCIAL BANKS' ADVANCES TO AGRICULTURE - OUTSTANDING

(Rs. Billion)

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

PACS : Primary Agricultural Credit Societies, FSS : Farmers' Service Societies

LAMPS : Large-sized Adivasi Multipurpose Societies

Notes : On account of revised guidelines on PSA lending w.e.f. September 2007 and revised reporting system w.e.f. April 1, 2013 break- up of indirect finances is not available.

Also see Notes on Tables.

Source : Reserve Bank of India.

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