A leading monthly journal on Banking & Finance

Banking Finance

₹85/-

VOL.XXXV - NO.02 - February 2022 - ISSN-0917-4498

In this issue

"We will continue to work with more NBFCs in order to reach out to maximum customers in far flung areas and provide last mile banking services."

Dinesh Khara
Chairman
SBI

"By bringing banking at the doorsteps of customers, IPPB is steadily transforming and reshaping the financial inclusion landscape across the country."

J Venkatramu
Managing Director & CEO
India Post Payments Bank

BANKING FINANCE

A LEADING MONTHLY JOURNAL ON BANKING & FINANCE

VOL. XXXV NO. 02
February 2022, ISSN - 0971-4498

Correspondence Address
25/1, Baranashi Ghosh Street,
Kolkata- 700007, India
Phone : 033-4007 8378/2218 4184/2269 6035
E-mail : insurance.kolkata@gmail.com
Website : www.sashipublications.com
Portal: www.bankingfinance.in

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

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

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

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

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

From The Desk Of
Editor-in-Chief

The year 2022 started with third wave of Covid-19 along with one more variant 'Omicron' and taken the whole of the country under its grip. However this time the wave is not that deadly as in 1st and 2nd wave. The economy was recovering well in end of 2021 but this intermittent wave disrupts the whole eco system and pushes the economy back.

Banking Ombudsman all over the country are getting complaints in large numbers within F.Y.2021 of which 42.7% complaints were related to ATM – Debit Cards as well as Credit Cards apart from e-banking.

In a recent report Pakistan Govt. lobby has given signal for better ties with its neighboring countries including India which if materialized export and import with India may reopen in the interest of both the neighboring countries.

India's exports and imports are significantly showing upward tendency during last few months whereas Gold and silver prices are varying in narrow lane.

RBI has finally given the 'bad bank' the green signal. The essence of the altered arrangement is a principal-agent relationship between the National Asset Reconstruction Company (NARCL) and the India Debt Resolution Company (IDRCL) under which an entity legally appoints another entity to act on its behalf. The NARCL will acquire and aggregate the NPA accounts from banks while the IDRCL will take care of the debt resolution process; final approvals and ownership for the resolution shall lie with NARCL as the principal.

Reserve Bank of India (RBI) recently issued a public notice asking people to follow safe digital banking practices to prevent any possible financial loss.

Observing that unscrupulous elements are defrauding people by using innovative modus operandi, including social media techniques and mobile phone calls, the RBI urged the members of public to take all due precautions while carrying out digital financial transactions.

Contents

Articles

Banking News

Global vendors refusing credit cards issued by Indian Banks

Even as the Reserve Bank of India's deadline to adopt tokenisation for cards nears and start-ups continue to find alternative ways to make payments, global vendors have started taking the extreme step of not accepting cards issued by Indian banks.

Recently, Chennai-based entrepreneur Nalin Narayan came in for a shock when Heroku, a platform-as-a-service (Paas) solution offering, announced discontinuing services to Indian customers citing issues with accepting subscription fee through Indian credit and debit cards.

Narayan is currently working on his CRM and marketing SaaS app for his stealth mode start-up and he had subscribed to Heroku for deploying his app and back-end infrastructure support.

"Thank you for your patience while we worked through the RBI regulation changes. Unfortunately, because of these new regulations, Heroku is unable to verify and process India issued credit cards for Heroku online customers," Heroku said in an e-mail to Narayan. A copy of the e-mail was reviewed.

The e-mail continued, "Effective December 15, 2021, Heroku is no longer accepting credit cards issued from India banks. Customers who are unable to utilise a different credit card will have until end of January 2022 to download their data, at which point their account will be suspended and then deleted."

RBL Bank depositors protected, unanswered questions remain: AIBEA

Depositors of the RBL Bank Ltd need not worry about the safety of their money as Section 45 of Banking Regulation Act will protect their interests, said a top leader of All India Bank Employees' Association (AIBEA).

He also said the branch expansion by RBL Bank within a short span of time -- from 92 branches in 2010 to 196 in 2015 and 462 in 2021 -- resulted in increased operational expenses, deposits as well as loans and finally the non-performing assets (NPA).

Allaying fears of RBL Bank depositors on the safety of their money C.H. Venkatachalam, General Secretary, AIBEA told IANS: "Section 45 of the Banking Regulation Act gives the depositors the necessary protection."

As per Section 45 of the Banking Regulation Act, the Reserve Bank of India (RBI) has the power to apply to the Central Government for suspension of business by a banking company and to prepare a scheme of reconstitution of amalgamation.

It may be recalled, sometime back, Tamil Nadu based Lakshmi Vilas Bank (LVB) was amalgamated with DBS Bank when the former's financial position went bad.

While the LVB shareholders did not get anything, the funds of the depositors were safe.

"The RBI may impose a moratorium and some other conditions on withdrawal of deposits when it amalgamates a weak bank with another. But the depositors will not lose out," Venkatachalam said.

The RBI on its part said the bank's financial condition is stable.

HDFC Bank ties up with IPPB to serve semi-urban, rural areas

HDFC Bank has tied up with India Post Payments Bank (IPPB) to offer its banking services to the unbanked and underserved segments in semi-urban and rural areas.

A memorandum of understanding was signed between HDFC Bank and IPPB to cater to the majority of over 4.7 crore customer base of IPPB.

About 90 per cent of IPPB customers reside in rural areas, which may benefit from this tie-up.

HDFC Bank said the strategic alliance will enable IPPB to provide affordable and diversified offerings, including access to finance, to its customers through its innovative Doorstep Banking Service.

With nearly 2,00,000 postal service providers (Postmen and Gramin Dak Sevaks) equipped with micro ATMs and biometric devices, IPPB caters to the needs and requirements of various customer segments.

With this partnership, HDFC Bank aims to further strengthen its financial inclusion drive by leveraging the robust and extensive distribution network of IPPB's 650 branches and over 136,000 banking access points across India, the bank said.

"By bringing banking at the doorsteps of customers, IPPB is steadily transforming and reshaping the financial inclusion landscape across the country.

SBI inks pact with Adani Capital for co-lending to farmers

State Bank of India (SBI) has signed a master agreement with Adani Capital for co-lending to farmers for purchase of tractor and farm implements, to increase efficiency in farm operations and productivity of crops.

Adani Capital is the non-banking finance company (NBFC) arm of Adani Group.

SBI, in a statement, said with this partnership, it would be able to target farmer customers in the interior hinterland of the country looking for adoption of farm mechanisation to enhance productivity of crops.

India's largest bank underscofed that it is actively looking at co-lending opportunities with multiple NBFCs for financing farm mechanisation, warehouse receipt finance, Farmer Producer Organisations (FPOs) etc., for enhancing credit flow to double the farmers' income.

Dinesh Khara, Chairman, SBI said "This partnership shall help SBI to expand customer base as well as connect with the underserved farming segment of the country and further contribute towards the growth of India's farm economy.

"We will continue to work with more NBFCs in order to reach out to maximum customers in far flung areas and provide last mile banking services."

Gaurav Gupta, MD & CEO, Adani Capital said, "Through this partnership our aim is to contribute to farm mechanisation and play a role in improving productivity and income of the farm segment."

State-backed bad bank to commence operation in Jan

The long-awaited state-sponsored bad bank is set to kick off its business just in time for the banking industry to dress up its balance sheet as the fiscal year comes to an end in a quarter. Banks may generate one-off gains as they have already fully provided for those sticky loans estimated at about Rs 82,000 crore in 22 accounts.

The bad bank plans to recruit as many as 50 professional executives for the asset management company (AMC) - India Debt Resolution Company Ltd (IDRCL) - to begin with, said people familiar with the matter. The bad bank's regulatory framework is being worked out.

"We are currently busy setting up the infrastructure as we aim to generate write-backs for lenders by the end of this financial year," one of the senior executives involved in the matter told.

RBL Bank, Bajaj Finance extend co-branded credit cards tie-up

RBL Bank announced the signing of an agreement with Bajaj Finance Ltd (BFL) for the extension of the partnership of co-branded credit cards for 5 years to December 2026.

In FY2018, the Bank had entered into a partnership with Bajaj Finance, launching a series of co-branded credit cards.

Per the Bank's FY2019 annual report, FY2019 also saw the RBL Bank - Bajaj Finance co-brand portfolio cross the 10 lakh cards mark, making it one of the largest co-branded card partnerships in the country.

Banks may clock 36% rise in Q3 net profit

The listed banks are likely to post a 36.3 per cent year-on-year (YoY) rise in net profit at Rs 38,153 crore for the December quarter (Q3FY22), helped by a lower provisioning burden for stressed loans. Sequentially, net profits may decline 2.2 per cent from Rs 39,022 crore in Q2FY22, according to Bloomberg's estimates.

The projection is based on analysts' assessments covering 19 lenders - six public sector and 13 private banks. Domestic brokerage Motilal Oswal said earnings of private as well public sector banks are likely to pick up.

Goel takes charge as 'OSD' in PNB

Punjab National Bank said Atul Kumar Goel has taken charge as an 'officer on special duty', before taking over as its new MD and CEO next month.

Pursuant to the Department of Financial Services, Ministry of Finance, Government of India Notification dated December 28, 2021, Atul Kumar Goel has assumed office as Officer on Special Duty in Punjab National Bank, with effect from January 1, 2022, PNB said in a regulatory filing.

Axix Bank issues LC on Govt's SLDE platform

Axis Bank issued industry's first letter of credit (LC) on the Secured Logistics Document Exchange (SLDE), a government-backed blockchain-enabled platform, in what could be a signal that the regulator and the government are adopting a positive stance on blockchain technology though they are averse to cryptocurrencies.

The deal involved ArcelorMittal Nippon and the bank's client Lalit Pipes & Pipes Limited (LPPL).

The bank released an LC on behalf of LPPL, which required such a non-fundbased credit line for a business transaction with ArcelorMittal Nippon Steel, India (AM/NS). The entire deal was executed digitally on the platform.

In July last year, the commerce ministry launched such a digital platform, which was primarily aimed at replacing the manual process of generation, exchange and compliance of logistics documents with a digitised and secure document exchange system.

"Our bank is aiming to support our clients digitise their entire supply chain," said Vivek Gupta, head-wholesale banking products at Axis Bank. "We just initiated the process with SLDE. This helps our clients not only to minimise risk elements with a foolproof blockchain system, but also it optimises working capital."

Execution of transactions on the SLDE platform addresses all historic issues with paper-based trade transactions such as limited transparency, sluggish speed of transfer of physical documents and lack of audit log.

Federal Bank launches online lending platform

Federal Bank has launched an online lending platform, federalinstaloans.com, to facilitate quick and hassle-free credit approvals of up to Rs. 50 lakh for Micro, Small & Medium enterprises (MSMEs) across India.

The platform enables borrowers to avail loans in less than 30 minutes digitally by uploading their income tax returns, bank account statement and online verification of GST details, per the private sector bank's statement.

The platform also uses algorithms to read and analyse data points from various sources such as I-T returns, GST data, bank statements, Credit Bureau, capturing the borrower's basic details using analytics, said the statement.

"Most importantly, clients can avail business loan approvals from the comfort of their home without visiting the bank's branches.

Data entry by the client is kept minimal, as majority of the details are auto populated from the uploaded documents, i.e., GST, ITR & Bank account statements," the bank said. After a suitable product is identified for the borrower in the platform, an in-principle offer letter will be issued, the statement added.

Loan will be made available after the documentation process gets completed. For completing the documentation, the borrower needs to visit the bank branch.

The MSME borrowers also have the liberty to choose their Federal Bank branch while applying for the loan approval.

'Public sector banks' profitability improved post-merger

The Finance Ministry informed the Rajya Sabha that, post-merger, the profitability of public sector banks (PSBs) has improved. It also said that growth in Currency in Circulation (CiC) decelerated sharply in November.

In a written reply, Minister of State in the Finance Ministry, Pankaj Chaudhary, said that as per Reserve Bank of India (RBI) data, the profitability of the PSBs that have amalgamated/merged during the last five years has improved on a consolidated basis. For example, State Bank of India (SBI), in which five associate banks of SBI and Bharatiya Mahila Bank merged with effect from April 1, 2017, recorded a profit of over Rs. 20,000 crore in FY 2020-21 as against a loss of over Rs. 1,300 crore in FY 2016-17.

Similarly, Bank of Baroda, in which Vijaya Bank and Dena Bank were amalgamated w.e.f. April 1, 2019, improved from a loss of Rs. 8,339.27 crore in FY 2018-19 to a profit of Rs. 828.96 crore in FY 2020-21. Punjab National Bank, in which Oriental Bank of Commerce and United Bank of India were amalgamated w.e.f. April 1, 2020, improved from a loss of Rs. 8,310.93 crore in FY 2019-20 to a profit of Rs. 2,021.62 crore in FY 2020-21.

He also mentioned that the government has proposed the privatisation of two PSBs. However, "decision by the cabinet committee/cabinet has not been taken in this regard," he said.

DICGC mops up Rs. 9,561 cr premium in first halt of fiscal

The Deposit Insurance and Credit Guarantee Corporation (DICGC), which provides insurance cover to depositors of banks, has collected deposit insurance premium of Rs 9,561 crore from banks during the six months ended September 2021, of which 93.5 per cent was contributed by commercial banks and the rest by co-operative banks.

With this, the Deposit Insurance Fund (DIF), built out of the premia paid by insured banks and coupon income received on investments in government securities, swelled to Rs 1.41 lakh crore as of September 2021, yielding a reserve ratio (ratio of DIF to insured deposits) of 1.81 per cent, up from Rs 1.29 lakh crore in March 2021, the RBI said in the Financial Stability Report (FSR).

The settlement and recovery of claims from banks in the first half of 2021-22 was significantly higher than a year ago, the central bank said. As on December 20, 2021, DICGC has paid Rs 1,374 crore in respect of 1.09 lakh depositors of 16 out of 21 troubled banks - including PMC Bank - that were eligible to receive such pay-outs, it said.

DICGC, headed by RBI Deputy Governor Michael Patra, pays out a maximum of Rs 5 lakh as insurance to the depositor of a troubled bank irrespective of the total amount that the customer has deposited in the bank. It paid Rs 393 crore to depositors in the first six months of the half-year ended September 2021, a rise of 1,334 per cent when compared to Rs 27.4 crore in the same period of last year.

India Post Payments partners HDFC Bank for services in semi-urban, rural areas

India Post Payments Bank (IPPB) and HDFC Bank have signed a memorandum of understanding for offering latter's various banking products and services to customers of the payments bank in semi-urban and rural areas, focussing on unbanked and underserved segments.

Over 4.7 crore customers of IPPB of whom nearly 90 per cent are residing in rural areas are expected to benefit from this partnership.

The strategic alliance will enable IPPB to provide affordable and diversified offerings, including access to finance, to its customers through its innovative Doorstep Banking Service. With nearly 2 lakh postal service providers (Postmen and Gramin Dak Sevaks) equipped with microATMs and biometric devices, IPPB caters to the needs and requirements of various customer segments but is also committed to making digital adoption easier at the last mile by enabling an assisted banking model. With this partnership, HDFC Bank aims to further strengthen its financial inclusion drive by leveraging the robust and extensive distribution network of IPPBs 650 branches and over 136,000 banking access points across India.

Commenting on the MoU, J Venkatramu, Managing Director & CEO, India Post Payments Bank, said, "By bringing banking at the doorsteps of customers, IPPB is steadily transforming and reshaping the financial inclusion landscape across the country. Our endeavour is to build a unified platform offering various citizen-centric services including, credit at the doorstep by leveraging digital technologies and alternate data sources in collaboration with lending partners. This important partnership with HDFC Bank is a step in that direction of promoting an inclusive, digitally-driven and social banking ecosystem."

Govt asks Banks to lend only on negotiable warehouse receipts

The government may have backtracked on agricultural laws but it has begun taking small steps for formalisation of the sector.

It has nudged banks to finance warehouses only against negotiable warehouse receipts (NWRs) and electronic-NWRs, a move aimed at getting more warehouses in the ambit of formal finance.

"At present only 10% of the warehouses in the country are registered because banks are continuing to extend pledge finance against local warehouses receipts or storage receipts," a government official aware of the deliberations said on condition of anonymity.

That is why it has been suggested to banks that they finance only against eNWRs, the official said. "This will encourage more warehouses to seek WDRA (Warehouse Development Regulatory Authority) registration and help in rapid development of the warehousing ecosystem." ❑

Reserve Bank News

Co-op societies can't use 'bank' in their names: RBI

The RBI cautioned the public against co-operative societies using 'bank' in their names as well as accepting deposits from people who are not their members.

After the amendment in the Banking Regulation Act, 1949, effective September 29, 2020, co-operative societies cannot use the words "bank", "banker" or "banking" as part of their names, except as permitted under the provisions or by the Reserve Bank of India (RBI).

In a statement, RBI said it has come to notice that some cooperative societies are using the word 'bank' in their names in violation of the Banking Regulation Act.

It has also come to the notice of RBI that some co-operative societies are accepting deposits from non-members/ nominal members/ associate members which is tantamount to conducting banking business in violation of the provisions.

"Members of the public are hereby informed that such societies have neither been issued any licence under BR Act, 1949 nor are they authorised by the RBI for doing banking business," RBI said.

Further, the insurance cover from Deposit Insurance and Credit Guarantee Corporation (DICGC) is also not available for deposits placed with these societies.

Members of the public are advised to exercise caution and carry out due diligence of such co-operative societies if they claim to be a bank, and look for banking license issued by RBI before dealing with them, the central bank said.

RBI imposes Rs.1.8 crore penalty on Punjab National Bank

The Reserve Bank of India (RBI) imposed Rs.1.8 crore monetary penalty on Punjab National Bank (PNB) for 'deficiencies in regulatory compliance'.

"The Reserve Bank of India (RBI) has, by an order dated December 15, 2021, imposed a monetary penalty of Rs.1.80 crore on Punjab National Bank (the bank) for contravention of sub-section (2) of section 19 of the Banking Regulation Act, 1949 (the Act), the RBI said in a statement.

"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," it added.

The Statutory Inspection for Supervisory Evaluation (ISE) of Punjab National Bank was conducted by RBI with reference to its financial position as on March 31, 2019 and the examination of the Risk Assessment Report, the Annual Review of implementation of Exposure Management Measures for Financial Year 2019-20 carried out by RBI during July 2020 and all related correspondence pertaining to the same, revealed, inter-alia, contravention of sub-section (2) of section 19 of the Act to the extent the bank held shares in borrower companies, as pledgee, of an amount exceeding thirty per cent of paid-up share capital of those companies.

RBI goes slow on liquidity OPS

The Reserve Bank of India (RBI) positively surprised the bond markets by going slow on its liquidity absorption mode, possibly indicating its readiness to not rush towards normalisation amid a pandemic scare. Generally, the central bank has been rolling over its variable rate reverse repo (VRRR) auctions in order to remove excess liquidity from the banking system. It was widely expected that the RBI would be announcing a three-day reverse repo auction of Rs 2 trillion.

RBI approval not needed for property deals by NRIs

The Reserve Bank of India (RBI) has said that non-resident Indians (NRIs) and Overseas Citizens of India (OCIs) do not require prior approval from the central bank for acquisition and transfer of immovable property. The central bank's clarification comes in the wake of the February 2021 Supreme Court order, which said that any sale or gift of property by a foreigner without prior permission from the RBI would be invalid.

The order had quoted Section 31 of the Foreign Exchange Regulation Act, 1973. The court was dealing with a property that was transferred by the widow of a foreigner and owner without obtaining prior permission of the RBI. The apex court had set aside a Karnataka high court order.

"The concerned Supreme Court judgment dated February 26, 2021 in Civil Appeal 9546 of 2010 was related to provisions of FERA, 1973, which has been repealed under Section 49 of FEMA, 1999," said the RBI in a press release. "At present, NRIs/OCIs are governed by provisions of FEMA 1999 and do not require prior approval of the RBI for acquisition and transfer of immovable property in India, other than agricultural land/farm house/plantation property," the central bank said.

RBI may raise reverse repo rates

A reverse repo rate hike in the coming monetary policy is a fait accompli given that the overnight call rates have surged past the rate the RBI provides banks for parking their excess funds. If the budget deficit numbers are more than 6.5 percent of the GDP, then even the repo rate hike may be on the table.

The Reserve Bank of India's monetary policy committee (MPC) which is expected to give its verdict on the rates in less than a fortnight on February 09, will hold its meeting amidst waning concerns over the impact of the rise in Omicron infections on India's revival story and rising worries on retail inflation levels crossing the upper end of the mandated band of 2-6 per cent.

Given this backdrop the MPC is most certain to raise the benchmark policy rates. " With the Indian economy sustaining a strong recovery, the RBI will be more amenable to raising interest rates in response to the persistence of high inflation" said Prasanjeet Basu, chief economist at ICICI Securities. "" We expect the policy rate to rise by 50bp over the course of 2022?. The repo rate the rate which the central bank lends is unchanged at 4 percent and the reverse repo rate the rate at which it borrows from banks is unchanged at 3.35 per cent since May 2020.

RBI imposes restrictions on Indian Mercantile Co-operative Bank Ltd

The Reserve Bank said it has imposed several restrictions on Indian Mercantile Cooperative Bank Ltd, Lucknow, including a cap of Rs 1 lakh on withdrawals.

The restrictions came into force recently. In a statement, RBI said the Lucknow-based co-operative bank will not, without its prior approval, grant or renew any loans and advances, or make any investment.

"In particular, a sum not exceeding Rs 1 lakh of the total balance across all savings bank or current accounts or any other account of a depositor, may be allowed to be withdrawn...", subject to certain conditions, it added.

The central bank, however, added the directions should not per se be construed as a cancellation of the banking licence by the RBI.

"The bank will continue to undertake banking business with restrictions till further notification from RBI. The Reserve Bank may consider modifications of these Directions depending upon circumstances," it noted.

The restrictions would remain in force for six months and are subject to review.

RBI sets up fintech dept to focus on the fast-growing segment in India

The Reserve Bank of India (RBI) has set up an internal fintech department to focus on the dynamically changing financial landscape in the country. As per a recent internal RBI circular, the fintech department was created on January 4, 2022.

"With a view to give further focus to the area and innovation in the fintech sector in keeping pace with the dynamically changing landscape, it was decided to set up a fintech department in the bank," states the circular.

The circular further states that the new department will not only promote innovation in the sector but also identify the challenges and opportunities associated with it and address them in a timely manner.

"The department will also provide a further framework for further research on the subject that can aid policy interventions by the Bank. Accordingly, all matters related to the facilitation of constructive innovations and incubations in the fintech sector, which may have wider implications for the financial sector/markets and falling under the purview of the Bank, will be dealt with the Fintech Department. All matters related to inter-regulatory coordination and internal coordination on fintech shall also be dealt with by the Department," the circular read further.

RBI measures helped Indian economy step out of oblivion

Measures implemented by Reserve Bank of India (RBI) through the COVID-19 pandemic since March 2020 have contributed significantly in engineering the turnaround of the Indian economy in spite of the pandemic impact, Deputy Governor of the banking regulator in the country Michael Debabrata Patra has said.

Delivering the 18th C.D. Deshmukh Memorial Lecture on "RBI's Pandemic Response: Stepping into Oblivion" organised virtually by the Southern Regional Centre, Hyderabad, of Council for Social Development (CSD) on Friday, he said India was now placed much better to face the future waves of the pandemic in the economic as well as health sector. C.D. Deshmukh was the first Indian Governor of RBI during 1943-49 period.

The RBI's response starting from within a week of WHO declaring Covid-19 as the global pandemic in 2020 and its impending impact across the world had been passionate woven around self-belief and resilience of the Indian economy. Over 100 conventional and above the board measures had been initiated to structure the institutions and financial markets since March 27, 2020, Mr. Debabrata Patra responsible for monetary policy, financial markets, deposit insurance in RBI said.

Dwelling into the actions of banking regulator during the pandemic, he said the focus was on mitigation of sector-specific liquidity constraints as the economies contracted badly with the pandemic. The central bank had rushed to frontline to stabilise the sinking economy with various measures pumping in about ?17.2 lakh crore into the system, which accounted for 8.7% of the GDP, he noted.

RBI asks people to follow safe digital banking practices amid rising cyber frauds

Worried over rising incidence of cyber frauds, the Reserve Bank of India (RBI) on Friday issued a public notice asking people to follow safe digital banking practices to prevent any possible financial loss.

Observing that unscrupulous elements are defrauding people by using innovative modus operandi, including social media techniques and mobile phone calls, the RBI urged the members of public to take all due precautions while carrying out digital financial transactions.

"... the Reserve Bank cautions members of public to be aware of fraudulent messages, spurious calls, unknown links, false notifications, unauthorised QR codes, etc. promising help in securing concessions/ expediting response from banks and financial service providers in any manner," the central bank said.

Fraudsters attempt to get confidential details like user id, login/ transaction password, OTP (One Time Password) as well as debit/ credit card details and other personal information.

The RBI has highlighted some of the typical modus operandi being used by fraudsters like Vishing, Phishing, and Remote Access.

"RBI urges the members of public to practice safe digital banking by taking all due precautions while carrying out any digital (online/ mobile) banking/ payment transactions. These will help in preventing financial and/ or other loss to them," the notice said. ❑

Govt asks Banks to lend only on negotiable warehouse receipts

The government may have backtracked on agricultural laws but it has begun taking small steps for formalisation of the sector. It has nudged banks to finance warehouses only against negotiable warehouse receipts (NWRs) and electronic-NWRs, a move aimed at getting more warehouses in the ambit of formal finance.

"At present only 10% of the warehouses in the country are registered because banks are continuing to extend pledge finance against local warehouses receipts or storage receipts," a government official aware of the deliberations said on condition of anonymity. That is why it has been suggested to banks that they finance only against eNWRs, the official said. "This will encourage more warehouses to seek WDRA (Warehouse Development Regulatory Authority) registration and help in rapid development of the warehousing ecosystem."

Industry News

Govt moving to ban all private CRYPTO

The Bill to ban all private cryptocurrencies and facilitate introduction of the Central Bank Digital Currency (CBDC) tops the government's busy agenda for the Winter Session of Parliament.

The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 along with the Banking Laws (Amendment) Bill, 2021, that paves the way for privatisation of two public sector banks, the PFRDA (Amendment) Bill, 2021 that fulfils the Budget 2019 announcement on separation of the National Pension System Trust from the pension regulator and the Bill to repeal all the three farm laws are among the most significant of the total 26 Bills listed for debate and passage by the government in the upcoming session.

GST mop-up hits Rs.1.31 trillion in November, second highest ever

Goods and services tax (GST) collection grew about 25 per cent year-on-year to Rs.1.31 trillion in November, the second-highest mop-up ever, the official data showed, giving experts confidence that GST receipts would surpass the Budget projections for 2021-22. The highest collection was recorded in April this year, at Rs.1.40 trillion.

Even as e-way bills generated in October were at a record high of 73.5 million, the collection in November trailed the April figures. Transactions in a month yield GST collection in the following month. In March, 71.2 million e-way bills were generated.

The finance ministry said the April figures were linked to year-end revenues. As such, there is a bump in April collections.

GST collection crossed the Rs 1.3-trillion mark for the second straight month in November. This is in line with the trend in economic recovery, the ministry said in a statement.

Centre mulling financial support for drug development

The Government of India is exploring ways to offer financial support to pharmaceutical players engaged in the areas of research and innovation for new drugs, Union Health Minister Mansukh Mandaviya said.

This comment from the Union Minister comes after the industry stressed on the need for financial support on several occasions previously.

"In the coming days, we will work to offer financial support for those companies that are conducting research in the new drug area. This is practised world over, and will be practised in India too. The work is going on in this direction," said Mandaviya.

Dubai world's 1st govt to become '100% paperless'

Dubai has become the world's first government to turn 100% paperless, the Emirate's Crown Prince, Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, has announced, pointing at savings of 1.3 billion Dirham ($350 million) and 14-million-man hours.

All internal, external transactions and procedures in the government of Dubai are now 100% digital and managed from a comprehensive digital government services platform. "The achievement of this target marks the beginning of a new stage in Dubai's journey to digitise life in all its aspects," said Sheikh Hamdan. "This accomplishment also reinforces Dubai's status as a world-leading digital capital and its status as a role model in designing government operations and services that enhance customer happiness." He said the government also plans to implement advanced strategies to enhance digital life in Dubai over the next five decades.

Income Tax refunds of Rs. 1.49 lakh crore issued this fiscal

Income Tax refunds of over Rs 1.49 lakh crore have been issued to 1.45 crore taxpayers so far this fiscal, the I-T department said.

This includes 1.07 crore refunds of AY 2021-22 (fiscal ended March 31, 2021), amounting to Rs 21,021 crore. More than 4.67 crore ITRs for the 2020-21 fiscal (ended March 2021) have been filed till December 27.

In a tweet, the department said Income Tax refunds of Rs 50,793 crore have been issued to over 1.42 crore entities, and corporate tax refunds of Rs 98,504 crore have been issued in over 2.19 lakh cases.

"CBDT issues refunds of over Rs 1,49,297 crore to more than 1.45 crore taxpayers from 1st Apr 2021 to 27th December 2021," the I-T department tweeted.

Amul to set ups Rs. 500-crore dairy in Telangana

Amul announced setting of their largest state-of-the-art plant in Telangana with an investment of Rs 500 crore in two phases.

The plant will come up in a special food processing zone with an investment of about Rs 300 crore in first phase and Rs 200 crore in second phase. It will provide direct employment to more than 500 persons and opportunities to several ancillary industries.

This will be Amul's largest plant in south India with capacity to process 5 lakh litres per day of milk - expandable to 10 lakh litres per day - to manufacture packed milk and value added dairy products such as curd, buttermilk, lassi, yogurt, paneer, sweets etc.

An MoU in this regard was signed in the presence of Telangana's Industry Minister K.T. Rama Rao in Hyderabad.

Principal Secretary, industry and Commerce, Jayesh Ranjan and Amul's largest milk cooperatives, Sabarkantha District Cooperative Milk Producers Union Ltd - Sabar Dairy MD Babubhai M. Patel signed the MoU.

Urjit Patel named vice president of AIIB

Former RBI governor Urjit Patel was appointed as vice president for investment operations in South Asia at the Beijing-based Asian Infrastructure Investment Bank (AIIB), replacing former bureaucrat from Gujarat, D J Pandian.

He succeeds D Jagatheesa Pandian, a Gujarat cadre IAS officer who retired as chief secretary of the state six years back. He was head of the Gujarat State Petroleum Corp (GSPC) when Narendra Modi was the chief minister of Gujarat.

"AIIB's Board of Directors has appointed Dr Urjit Patel to the position of Vice President for Investment Operations Region 1 - South Asia, the Pacific Islands and South East Asia," the statement said.

Patel, 58, was the 24th governor of the Reserve Bank of India (RBI), succeeding Raghuram Rajan on September 5, 2016. Patel had abruptly resigned in December 2018 citing "personal reasons".

AIIB is a multilateral development bank that aims to improve economic and social outcomes in Asia. The bank currently has 104 members, including 17 prospective members from around the world.

Bajaj Auto to set up Rs. 300-cr EV plant in Pune

Bajaj Auto Ltd said it will set up an electric vehicle manufacturing facility at Akurdi in Pune with an investment of Rs. 300 crore.

The facility, for which the work has already commenced, will have the capacity to produce 5,00,000 Electric Vehicles (EVS) per annum and cater to both domestic and exports markets, the company said in a release.

The first vehicle from the new unit, spread over half-amillion square feet space, is expected to be rolled out by June 2022. The unit will employ around 800 personnel. Akurdi is the site of the original Chetak scooter factory.

"In 2001, Bajaj 2.0 took off on the roaring Pulsar, in 2021, Bajaj 3.0 arrived on the charming Chetak. Going forward, for the Bajaj portfolio, except for implementing one state-of-the-art ICE (Internal Combustion Engine) platform that is currently under development, all our R&D drive train resources are now laser focused on creating EV solutions for the future.

"This alignment reflects our belief that light electric vehicles for sustainable urban mobility is an idea whose time may finally have come," Rajiv Bajaj, Managing Director of Bajaj Auto, said.

NHAI toll revenue to jump to Rs. 1.40-lakh crore in three years

Toll revenue of the NHAI will soar to Rs 1.40 lakh crore per annum in the next three years from Rs 40,000 crore per annum currently, Union minister Nitin Gadkari said.

Addressing an event here, the road transport and highways minister said that there is a huge opportunity for investors in India's infrastructure sector as the traffic density is rising every year.

"Our (state-owned NHAI's) current toll income is Rs 40,000 crore. It will rise to Rs 1.40 lakh crore in the next three years," he said.

Inviting investments in the infrastructure sector, Gadkari said that size of Indian economy is rising, so naturally, internal rate of return on infrastructure projects is also rising.

The Union minister said conciliation committees should decide cases related to road infrastructure projects within three months, as delay in the decision making process results in higher costs.

World economy to top $100tn in 2022 for first time: Report

The world's economic output will exceed $100 trillion for the first time next year and it will take China a little longer than previously thought to overtake the United States as the No.1 economy, a report showed.

British consultancy Cebr predicted China will become the world's top economy in dollar terms in 2030, two years later than forecast in last year's World Economic League Table report.

India looks set to overtake France next year and then Britain in 2023 to regain its place as the world's sixth biggest economy, Cebr said.

"The important issue for the 2020s is how the world economies cope with inflation, which has now reached 6.8% in the U.S.," said Cebr deputy chairman Douglas McWilliams.

"We hope that a relatively modest adjustment to the tiller will bring the non-transitory elements under control. If not, then the world will need to brace itself for a recession in 2023 or 2024."

The report showed Germany was on track to overtake Japan in terms of economic output in 2033. Russia could become a Top 10 economy by 2036 and Indonesia looks on track for ninth place in 2034.

Govt receives bumper dividend from Coal India, other PSUs

The government received Rs. 3,668 crore from Coal India as dividend tranche, taking the total proceeds from dividend from public sector enterprises to over Rs. 33,479 crore for FY22 so far.

It also received Rs. 21 crore, Rs. 48 crore, Rs. 69 crore and Rs. 23 crore from Telecommunications India Ltd, IRCON, RITES and NIIFL as dividend tranches. Filed.

"Government has received about Rs. 3668 crore from Coal India Ltd and Rs. 21 crore from Telecommunications India Ltd as dividend tranches," secretary of the department of investment and public asset management (DIPAM) Tuhin Kanta Pandey said in a Twitter post.

"Government has respectively received about Rs. 48 crore, Rs. 69 crore and Rs. 23 crore from IRCON, RITES and NIIFL as dividend tranches," he added.

The government has so far received a total of Rs. 42,809.48 crore from proceeds of disinvestment and dividends, of which only Rs. 9,329.9 crore has come from divestment of strategic and non-strategic sales, besides OFS and employee OFS route of NMDC, Hudco and Hindustan Copper Ltd.

India to pip Japan as Asia's 2nd largest economy by 2030

India is likely to overtake Japan as Asia's second-largest economy by 2030 when its GDP is also projected to surpass that of Germany and the U.K. to rank as the world's No.3, IHS Markit said in a report.

Currently, India is the sixth-largest economy, behind the U.S., China, Japan, Germany and the U.K.

"India's nominal GDP... is forecast to rise from $2.7 trillion in 2021 to $8.4 trillion by 2030," IHS Markit said. "This rapid pace of economic expansion would result in the size of Indian GDP exceeding Japanese GDP by 2030, making India the second-largest economy in the Asia-Pacific region." By 2030, the Indian economy would also be larger in size than the largest Western European economies of Germany, France and the U.K. The long-term outlook for the Indian economy is supported by a number of key growth drivers.

"An important positive factor for India is its large and fast-growing middle class, which is helping to drive consumer spending," IHS Markit said, forecasting that the country's consumption expenditure will double from $1.5 trillion in 2020 to $3 trillion by 2030.

For the full fiscal year 2021-22, India's real GDP growth rate is projected to be 8.2%, rebounding from the severe contraction of 7.3% year-on-year in 2020-21, IHS Markit said. ❑

Mutual Fund News

Yes Mutual Fund rechristened as White Oak Capital Mutual Fund

Yes Asset Management's name has been changed to White Oak Capital Asset Management with effect from January 12.

Further, Yes Mutual Fund will now be called White Oak Capital Mutual Fund, Aashish P Sommaiyaa, Chief Executive Officer of White Oak Capital, announced in a tweet on Thursday.

He, further, said: "WhiteOakCap has filed equity MF offer documents for regulatory approval".

Founded by Prashant Khemka, formerly CIO of Goldman Sachs Asset Management's India Equity and Global Emerging Markets Equity businesses, White Oak Capital group provides investment management and advisory services for equity assets of over Rs 42,000 crore.

In November, White Oak Capital group announced the completion of the transaction to acquire the mutual fund business of Yes Bank.

GPL Finance and Investments, a subsidiary of White Oak Capital group, had received capital markets regulator Sebi's approval to acquire Yes Asset Management from Yes Bank in September.

In August 2020, the private lender had executed a definitive agreement for the sale of 100 per cent of the equity shareholding of Yes Asset Management (India) Ltd and Yes Trustee Ltd, both wholly-owned subsidiaries of Yes Bank, to GPL Finance.

Sebi advises mutual funds to stop subscriptions into overseas funds

Securities and Exchange Board of India (Sebi) has advised Mutual Fund (MF) houses to stop subscription in the schemes intending to invest in overseas securities. The move comes as the industry is likely to breach the $7 billion-mark.

However, the investments in overseas exchange traded funds (ETFs) may continue till further communication. The announcement might impact several schemes that invest in foreign stocks.

Industry participants say that Association of Mutual Funds in India (Amfi) will send a detailed communication along with an addendum that will be released soon.

"Amfi has also requested the Reserve Bank of India (RBI) to enhance the industry limits, which might take time. Till then, all the fresh flows whether it is through lumpsum, or systematic investment plan (SIPs) will be stopped by the fund house," said an official from the industry.

Last year in June, Sebi had increased the limit from $600 million to $1 billion per mutual fund within the overall industry overall limit of US$7 billion. Currently, MFs can make investments in overseas ETFs subject to a maximum of $300 million per MF, within the overall industry limit of $1 billion.

Officials also say regulators have allowed investments into ETFs because the $1 billion limit is yet to fully utilize.

Indian fund houses have launched various international focused Fund of Funds (FoF) in the last few months as such products offer investors diversification towards the global equities. The data from Prime MF database shows that aggregate mutual funds holdings in foreign equity as on December 21 was Rs 34,521.31 crore.

Recently, Motilal Oswal Asset Management Company (AMC) had temporarily halted lump-sum subscription and switch-ins under its three international schemes, to manage overseas investment limits.

In the last one-year, fund houses have launched 23 international focused funds. In the last one-year, US focused funds have given returns in the range of 18%-23%, shows the data from Value Research.

Flipkart-backed PhonePe approaches SEBI for mutual fund license

SEBI has received several applications for mutual fund licences in last one-and-a-half years

Fintech major PhonePe, which is backed by e-commerce giant Flipkart, has become latest entity to apply for mutual fund (MF) license from market regulator Securities and Exchange Board of India (SEBI).

Navi MF, which is backed by Sachin Bansal's fintech group, has already got the MF license and has filed for several new fund launches. Bansal, interestingly had co-founded Flipkart.

In last year-and-a-half, several entities have applied for MF license and shown interest in entering the Rs 37 lakh crore MF industry.

White Oak Capital group recently got the approval from SEBI to complete its acquisition of YES MF, which was renamed as White Oak Capital Asset Management.

Navi Mutual Fund launches new fund

Navi Mutual Fund has announced the launch of Navi US Total Stock Market Fund of Fund. It will invest in Vanguard Total Stock Market ETF, which is one of the largest passively managed US-based ETFs. The Fund's Expense Ratio will currently be 0.06% per annum, Navi MF said in a statement.

The NFO will open for subscription on 4th February 2022.

Navi MF said that the Vanguard Total Stock Market ETF (VTI) tracks the CRSP US Total Market Index comprising over 4000 stocks and representing nearly 100 percent of the investable equity US Market. Though the fund invests in US equities of all sizes - large, mid, small and micro capitalization, it has a considerable allocation to the most popular names such as Apple, Microsoft, Alphabet, Amazon, Facebook and Tesla.

CRSP US Total Market Index, the benchmark for the Vanguard ETF, is a well-diversified, comprehensive and broader index having exposure to multiple sectors. In contrast, most of the US-focused index funds currently offered by other mutual fund houses in India have NASDAQ 100 Index as their benchmark, which has a higher exposure to the technology sector, the statement said.

Samco Mutual Fund Introduces Samco Flexi Cap Fund

Samco Mutual Fund (MF) has launched an open ended equity scheme - Samco Flexi Cap Fund.

It is an open-ended dynamic equity scheme investing across large cap, mid cap & small cap stocks.

Accordingly, the investment objective of the scheme is to seek to generate long-term capital growth from an actively managed portfolio of Indian & foreign equity instruments across market capitalisation.

However, there is no assurance or guarantee that the investment objective of the Scheme will be achieved.

Under normal circumstances, 65% to 100% of the funds portfolio will be invested in Indian Equity across market capitalization i.e. largecap, midcap and smallcap companies. It can invest 0% to 35% of its assets in Foreign securities.

The scheme may also invest upto 35% of its assets in Tri-party Repo (TREPS) through CCIL.

As per the Scheme Information Document (SID), Samco Flexi Cap Fund aims to generate long term capital appreciation by investing in a dynamic mix of equity and equity related instruments across market capitalizations.

The Scheme would invest in companies based on various criteria including sound professional management, track record, industry scenario, growth prospects, liquidity of the securities, etc. The Scheme will emphasise on well managed, good quality companies with above average growth prospects. There will be no particular bias towards any market cap size or any sector. The Scheme may also invest a certain portion of its corpus in foreign securities. ❑

Aadhaar mandatory for filing GST refund claim from Jan 1

From January 1, Aadhaar authentication of registration will be mandatory for being eligible for filing refund claim and application for revocation of cancellation of registration by GST assesses. The Finance Ministry has notified the date. The GST Council, in its meeting on September 17, decided to make Aadhar authentication mandatory. On September 24, Finance Ministry notified the rules and said these will be applicable from the date to be notified later. Now, this has been done with notification dated December 21.

Co-Operative Bank News

RBI imposes restrictions on Indian Mercantile Co-operative Bank Ltd

The Reserve Bank said it has imposed several restrictions on Indian Mercantile Cooperative Bank Ltd, Lucknow, including a cap of Rs 1 lakh on withdrawals.

The restrictions came into force recently. In a statement, RBI said the Lucknow-based co-operative bank will not, without its prior approval, grant or renew any loans and advances, or make any investment.

"In particular, a sum not exceeding Rs 1 lakh of the total balance across all savings bank or current accounts or any other account of a depositor, may be allowed to be withdrawn...", subject to certain conditions, it added.

The central bank, however, added the directions should not per se be construed as a cancellation of the banking licence by the RBI.

"The bank will continue to undertake banking business with restrictions till further notification from RBI. The Reserve Bank may consider modifications of these Directions depending upon circumstances," it noted.

The restrictions would remain in force for six months and are subject to review.

RBI imposes monetary penalty on 8 cooperative banks

The Reserve Bank of India (RBI) on January 24 imposed monetary penalties on eight cooperative banks for the violation of loan and know your customer norms.

These banks are Rajkot Peoples Cooperative Bank, Vasai Janata Sahakari Bank, Mogaveera Cooperative Bank, The Varachha Cooperative Bank, The Associate Cooperative Bank, Bhadradri Cooperative Urban Bank, The Jammu Central Co-operative Bank and Jodhpur Nagrik Sahakari Bank.

In most cases, the violations pertain to giving loans and advances to directors or related parties, overlooking know-your-customer norms and lending exposure guidelines.

The banking regulator periodically punishes erring cooperative banks for various violations. If violations continue, the central bank takes even stronger measures to safeguard the interest of depositors.

The RBI's enforcement operation is conducted by the Enforcement Department. The RBI's EFD was set up in April 2017 to separate enforcement action from teh supervisory process. EFD identifies actionable violations from inspection reports, risk assessment and scrutiny reports.

PMC Bank, Unity Small Finance Bank merger awaits govt approval

The proposed merger of debt-ridden Punjab and Maharashtra Cooperative Bank with Unity Small Finance Bank (USFB) is being examined and the process of amalgamation will start after the government approval, sources said. Various aspects of the scheme of amalgamation have been examined, and the government would soon send its suggestions, if any, to the RBI, sources added.

The RBI in December extended the restrictions on Punjab and Maharashtra Cooperative (PMC) Bank for another three months till the end of March 2022, as all necessary process on the draft scheme for the takeover was not complete.

As per the Banking Regulation Act, the draft scheme of amalgamation is required to be placed before the government for its sanction and the Centre may sanction the scheme without any modifications or with such modifications as it may consider necessary.

The scheme as sanctioned by the government would come into force on such date as they may specify, as per the Act.

The Reserve Bank of India (RBI) had prepared a draft scheme of amalgamation and the same was placed in the public domain on November 22 as part of seeking suggestions and objections, if any, from members, depositors and other creditors of PMC Bank and Delhi-based USFB. The deadline for submitting the comments was till December 10.

Bhoja Reddy is new Adilabad DCCB chairman

Addi Bhoja Reddy has been unanimously elected as the chairman of Adilabad District Central Cooperative Bank.The sudden demise of the chairman Kamble Namdev in July last necessitated the election.

Speaking on the occasion, Bhoja Reddy stated that he would strive hard for growth of the bank and strengthening cooperative societies. He expressed gratitude to Forest Minister Allola Indrakaran Reddy and Adilabad MLA Jogu Ramanna, legislators Rathod Bapu Rao and Koneru Konappa. He thanked directors of Primary Agriculture Cooperative societies who extended their cooperation to unanimously elect him as the chairman.

Security guarantee for investors in cooperative sector to be hiked to Rs 5 lakh

Addressing a function on "Depositors First: Guaranteed Time-bound Deposit Insurance Payment up to Rs. 5 Lakh", PM Modi said today is a very important day for the banking sector and crores of bank account holders of the country as this day is witnessing how a big problem which was going on for decades has been solved.

PM Modi further said that the system of insurance for bank depositors came into being in the 60s in India. Earlier, out of the amount deposited in the bank, only the amount up to Rs 50,000 was guaranteed. Then it was raised to Rs 1 lakh. That is, if the bank sank, then the depositors had a provision to get only up to Rs 1 lakh. There was no time limit on when this money would be paid.

"Understanding the concern of the poor, understanding the concern of the middle class, we increased this amount to Rs 5 lakh", PM Modi said.

Another problem was tackled by amending the law. "Earlier where there was no time limit for refund, now our government has made it mandatory within 90 days i.e. 3 months. That is, even in the event of a bank sinking, the depositors will get their money back within 90 days", he added.

The Prime Minister also said that banks play a major role in the prosperity of the country. And for the prosperity of the banks, it is equally important for the depositors' money to be safe. "If we want to save the bank, then depositors have to be protected," he said.

Deposit insurance covers all deposits such as savings, fixed, current, recurring deposits, etc. in all commercial banks, functioning in India. Deposits in State, Central and Primary cooperative banks, functioning in States/Union Territories are also covered. In a path-breaking reform, Bank deposit insurance cover was enhanced from Rs. 1 lakh to Rs. 5 lakh.

According to a statement by PMO, with deposit insurance coverage of Rs. 5 lakh per depositor per bank, the number of fully protected accounts at end of previous financial year constituted 98.1% of the total number of accounts, as against the international benchmark of 80%.

The first tranche of interim payments has been released by the Deposit Insurance and Credit Guarantee Corporation recently, against claims received from depositors of 16 Urban Cooperative Banks which are under restrictions by RBI. Payout of over Rs 1300 crore has been made to alternate bank accounts of over 1 lakh depositors against their claims, the statement said. ❑

Govt asks telcos to store call data, internet usage record for 2 years

Department of Telecom (DoT) has extended the duration of archiving call data and internet usage records of subscribers to two years from one year due to security reasons. The amendments in the licences were issued on December 21 and extended to other forms of telecom permits on December 22.

"The licensee shall maintain all commercial records/call detail record/exchange detail record/IP detail record with record to the communications exchanged on the network. Such records shall be archived for at least two years for scrutiny by the licensor for security reasons...," the DoT circular said. Telecom companies may destroy the data stored thereafter if there is no direction from the DoT thereafter.

Legal News

Empowered tribunal

In a recent judgment in the case of Tata Consultancy Services Vs Vishal Jain, the Resolution Professional of SK Wheels Pvt Ltd, the Supreme Court has said that the National Company Law Tribunal (NCLT) was empowered to adjudicate on contract disputes if such adjudication contributes to the success of the resolution process.

In the present case, TCS had a 'facilities agreement' with SK Wheels. Disputes arose between the parties, with TCS claiming that the contractor was not doing a good job and SK Wheels defending itself saying that it had rectified the minor lapses in quick time. The agreement had an arbitration clause.

In the meantime, SK Wheels went into bankruptcy and landed in the Insolvency Courts. The question before the Apex Court was whether the NCLT and the NCLAT were empowered to adjudicate on the contract disputes or not.

The Supreme Court said yes, they were empowered, by virtue of the residuary jurisdiction under Section 60(5)(C) of the IBC. The existence of an arbitration clause did not oust the jurisdiction of NCLT to exercise its residuary powers under Section 60(5)(C) of the IBC, it said. It reasoned that the NCLT and NCLAT were vested with the responsibility of preserving the corporate debtors' survival and could intervene if an action by a third party affected the CIRP process.

However, the Supreme Court also issued a note of caution to the tribunals over interfering with a party's contractual right to terminate a contract, saying that the tribunals could do so only if it was central to the success of the CIRP.

Cannot confiscate just for undervaluing goods: Guj HC

The Gujarat high court has ruled that undervaluation of goods under transit and the route being taken other than declared in e-way bills by themselves cannot be the ground of confiscating items by the GST authorities.

Mere change of route without anything more would not necessarily be sufficient to draw an inference that the intention is to evade tax, the court ruled. In the same manner, mere undervaluation of the goods also by itself is not sufficient to detain the goods and vehicle, far from being liable to confiscation.

The order was given on a writ petition by a seller and a trucker for a release of goods and the vehicle concerned detained by the GST authorities. The confiscation notice was given by a tax commissioner in Ahmedabad.

The vehicle and the goods were confiscated on the grounds that the truck was intercepted while it was traveling in a different direction than the direction of destination. From that, authorities inferred that it appears that the goods were being transported with intention to evade tax.

The second ground was that the value of goods being transported is shown as less than compared to its real market value.

The court found sound logic in the arguments of the petitioners that there cannot be any mechanical detention of a consignment in transit solely on the basis of the two reasons cited above.

"We find that merely (from) the direction preferred by the petitioners for delivery of consignment to the place destined for, an inference cannot be drawn with regard to the intention of the petitioners to evade tax," it said.

So far as the second ground with regard to the goods being transported to be undervalue is concerned, no material has been placed on record, the court observed.

Even otherwise, it is a settled legal position that undervaluation cannot be a ground for seizure of goods in transit by the inspecting authority, it said.

As such, the court quashed the confiscation proceedings initiated by the GST authorities. It ordered the vehicle and goods to be released at the earliest and handed over to the petitioners.

Volume of complaints under Ombudsman Schemes up

Consumer complaints under the Reserve Bank of India (RBI)'s ombudsman schemes jumped 22 per cent in FY21, the bulk of them related to debit cards, online banking and credit cards.

"The volume of complaints received under all the three Ombudsman Schemes increased by 22.27 per cent on an annualised basis and stood at 3,03,107 during the reported period," RBI said in a statement.

The banking regulator released the Annual Report of the Ombudsman Schemes for 2020-21 which has been prepared for the nine-month period July 1, 2020 to March 31, 2021 in line with the change in the RBI's financial year from 'July-June' to 'April-March.'

The annual report covers the activities under the Banking Ombudsman Scheme (BOS), Ombudsman Scheme for Non-Banking Financial Companies (OSNBFC) and Ombudsman Scheme for Digital Transactions (OSDT).

The BOS accounted for 90.13 per cent of total complaints (273,204) received under the three Ombudsman Schemes. The number of complaints received under OSNBFC and OSDT stood at 8.89 per cent and 0.98 per cent respectively of the total number of complaints.

The major areas of complaints covered) ATM/debit cards, mobile/electronic banking and credit cards, and collectively accounted for 42.74 per cent, compared to 44.65 pc in the previous year. Under the OSNBFC, major areas of complaints were non-adherence to fair practices code, non-observance to RBI directions and levy of charges without prior notice accounting for 75.32 per cent of the complaints as compared to 63.23 per cent in the previous year.

The major areas of complaints covered ATM/debit cards, mobile/ electronic banking and credit cards. ❑

Banking complaints rose by 22% in FY21

The Reserve Bank of India saw a 22.3% jump in consumer complaints under the various Ombudsman schemes for the fiscal year 2020-21, bulk of them related to debit cards, online banking and credit cards. The banking regulator released the Annual Report of the Ombudsman Schemes for 2020-21 which has been prepared for the nine- month period from 1 July 2020 to 31 March 2021, in line with the change in RBI's financial year from July-June to April-March. The Annual report covers the activities under the Banking Ombudsman Scheme, Ombudsman Scheme for non-banking financial companies (OSNBFC) and Ombudsman Scheme for Digital Transactions (OSDT). Banking Ombudsman accounted for 90.13% of complaints whereas OSNBFC accounted for 8.89% and OSDT accounted for 0.97% of the complaints during FY21.

The banking ombudsman for instance received 2.73 lakh complaints during FY21, lower than 3.08 lakh complaints received during the previous year. The complaints related to ATM/debit cards transactions, mobile and electronic banking and credit cards accounted for 42.7% during the fiscal year 2020-21 compared to 44.65% in the previous year. OSNBFC on the other hand, saw a 38.7% jump in complaints, having received 26,957 complaints during the FY21 compared to 19,432 complaints in the previous year. Under OSNBC, majority of the complaints related to non-adherence to FPC, non-observance to RBI directions and levy of charges without notice accounting for 75.32% of the complaints as compared to 63.23% in the previous year.

"The disposal rate improved significantly from 92.36% during July 1, 2019 to June 30, 2020 to 96.67% during July 1, 2020 to March 31, 2021, a five-year high, despite the volume of complaints handled being higher than the previous year on an annualized basis, and the human resources remaining the same, which can be attributed to end to-end digitization of complaint processing in CMS," said RBI in its report. During FY21, complaints related to fund transfers/ UPI/ BBPS/ Bharat QR code constituted the largest share accounted for 51.15% of the total complaints received, followed by mobile/electronic fund transfers / mobile/electronic banking at 22.57% and non-reversal of funds due to wrong beneficiary transfer by System Participants at 8.18%.

Customers can now remit their customs duty through KarurVysya Bank (KVB)

Customers of KVB can now remit their customs duty payment online through'ICEGATE' portal of Central Board for Indirect Taxes and Customs (CBIC). CBIC had earlier approved the inclusion of the Bank as one of the authorized bankers for collection of taxes.

The link for customs payment has now been enabled in ICEGATE (Indian Customs Electronic Gateway), the national portal of Indian Customs of Central Board of Indirect Taxes and Customs that provides e-filing services to the Trade, Cargo Carriers and other Trading Partners electronically.

Shri B Ramesh Babu, MD & CEO of the Bank said "KVB customers can now directly pay their customs duty by selecting KVB in ICEGATE. This facility opens doors for the bank for further acquisition of current account customers."

Paisabazaar.com and Axis Bank Launch Pre-Qualified Program for Personal Loans

Paisabazaar.com, India's largest digital marketplace for consumer credit, announced today that it has strengthened its partnership with Axis Bank, India's third largest private sector bank, by launching a Pre-Qualified Program for unsecured loans on its platform.

The Pre-Qualified program on Paisabazaar.com entails deep technology and analytics collaboration with Banks and NBFCs, which enables select customers to view customized and pre-qualified lending offers on the fintech's platform.

Axis Bank customers, both salaried and self-employed, who are eligible for pre-qualified personal loans from the bank, will now be able to view and apply for the same offers through the Paisabazaar platform as well. This integration would lead to instant access to credit for these select customers through an end-to-end digital process, which can be completed through the click of a few buttons on Paisabazaar.

Speaking on the partnership, Sumit Bali, Group Executive & Head - Retail Lending, Axis Bank, said, ''Our partnership with Paisabazaar.com is one more step towards offering enhanced customer experience through an innovative financial solution that is both convenient and easy. Our pre-qualified credit products involve paperless processes and quick disbursals. The same delightful consumer experience on our pre-qualified products will now be available on Paisabazaar.com as well."

Naveen Kukreja, CEO & Co-founder, Paisabazaar.com, said, "As a market leader, we remain committed to offer the industry-best experience on our platform for varied consumer segments and offer tailor-made lending solutions. By deepening our partnership with Axis Bank, we are not only helping a section of the bank's huge customer base access credit with ease but are also making the entire process simple, convenient and frictionless."

Paisabazaar over the last few years, especially post-pandemic, has been strongly focussing on building digital capabilities and infrastructure, through deeper partnerships with large lender Banks, like Axis Bank. Paisabazaar's pre-qualified programs with large Banks and NBFCs have been built basis a mix of credit history, big data, and digital innovations.

Indian Digital Lender CASHe Raises 140 Crore in Equity Funding from TSLC

CASHe, India's leading credit led, AI-driven financial wellness platform, announced that it has closed 140 crores of equity funding from its Singapore-based holding company TSLC Pte Ltd. The latest round of capital infusion strengthens the Mumbai headquartered fintech company's balance sheet size to over Rs. 800 Cr. which constitutes about Rs. 300 Cr. in equity and over Rs. 500 Cr. raised through debt from a well-diversified pool of leading private banks and reputed NBFCs.

With this fresh capital, the company will continue to boost its profitability, enhance its existing product lines such as personal loans, BNPL, Credit Line and embedded card business. It aims to launch new offerings in WealthTech and ramp up its investments in operations, product development, data sciences, and technology. It strives to double its team strength across domains to manage future growth seamlessly. It also seeks to expand its loan book to Rs. 3,000 Cr. and upscale its user-base to 1 million from the current 4 lakh customers in FY 2022-23. The company has disbursed over Rs. 1,000 Cr. worth of loans in 9 months of this fiscal year alone and is all set to disburse over 1400 crores in FY 21-22, thereby growing by over 100 percent over its previous year.

The firm plans to invest substantially in creating and improving its tech-stack platform to bolster and preserve the growth of its user base, all while facilitating all types of banking transactions. In achieving its expansion goals, the company has strengthened its leadership through strategic C-suite appointments. It is eyeing fresh hires in technology, product, marketing, and customer support to help it expand its foothold across the country, thereby fortifying its vision of building a full-stack credit-led financial wellness platform.

V. Raman Kumar, Founder Chairman of CASHe, said, "Achieving the Vision 3.0 is the next frontier for our growth and opportunity. We have set our goals to become a full-stack, credit led financial wellness platform of choice for the millennial and Gen Z cohort. The new capital infusion reflects a meaningful maturity level of CASHe's balance sheet, profitability and business model."

Also speaking, Joginder Rana, Vice Chairman & MD, CASHe, said, "CASHe is now poised to enter the next phase of its growth journey. In the last few years, CASHe has demonstrated that it is ready to seize every opportunity, even during the two waves of Covid. It continues to forge ahead through its strong accelerating momentum predicated on the strength of its technology, business analytics, people and processes. The latest capital infusion in the company will enable us to disburse to the tune of Rs. 3,000 Cr. for the FY 22-23 - that would be twice as much as we would have disbursed by the end of FY 21-22. It also provides us with the required resources to fuel and accelerates our investments in technology and people to enable us to launch innovative financial products to our customers."

In the last four years since its launch, CASHe has crossed over 15 million registered users with over 9 million customers that have provided thin file data. It has disbursed over 3000 crores to over 4 lakh active customers, of which 70 percent are repeat customers. By employing its proprietary tech and credit writing system, CASHe aims to transform the digital lending industry in India while offering credit to the unserved and underserved - those who otherwise do not have access to credit through traditional mediums. Today, CASHe is the nation's fastest-growing digital lending platform.

300 crore loan written off after 7 months of sanction

According to a news report, a loan of Rs 300 crore was written off within 7 months of its sanction and this was the key reason for the Reserve Bank of India's sudden intervention in RBL Bank. The loan was given as a part of consortium lending in 2018 and RBI has been seeking details with respect to the exposure in the company for the last few months from the risk management team of RBL Bank.

On December 25th, Yogesh Dayal, the RBI appointed director mentioned that the continuation of CEO Vishwavir Ahuja has become untenable and RBI would have no choice but to supersede the board as it did in the case of Yes Bank and Laxmi Vilas Bank if Ahuja had not stepped down immediately. Therefore, Ahuja had to leave within the given time.

TREDS: A CASH FLOW SOLUTION FOR MSMES

MSMEs have been facing the problem of delayed realization of their bills and receivables since long, particularly from large corporate buyers and government organizations.

MSMEs often suffered greatly from delayed payments from customers. Since small businesses require regular cash flow to stay operational, deferred payments, usually from large corporate customers, seriously threaten their operations.

Currently, the payment recovery cycle falls above 90 days for a majority of MSMEs and payment delays became a huge problem for business continuity of such enterprises.

The Micro, Small and Medium Enterprises Development Act, 2006, has made provisions to mitigate the problem of delayed payment, whereby any buyer who fails to make payment to MSMEs, as per mutually agreed terms or a maximum of 45 days, would be liable to pay monthly compounded interest at three times the bank rate notified by RBI.

About the author

Suraj Kumar Shoundik

Manager (Research)
State Bank Institute of Credit and Risk Management, Gurugram

At the time of the enactment of the MSMED Act in 2006, it was felt that the aforementioned provisions would prevent buyers of MSMEs' products from committing payment defaults, but in reality very few cases were brought to the facilitation centers as MSMEs feared losing out on business.

Government has also launched MSME SAMADHAN Portal (https://samadhaan.msme.gov.in/) which is a delay payment monitoring system and aggrieved MSME can file their case in the site for delayed payment from the corporate buyers including government departments, PSU etc.

But again the poor MSMEs fears to report the defaults in order to not lose out on a business relationship from the big players.

As per a recent report (statement by Hon'ble MSME minister), Central, state governments, government-owned companies and the private sector owe small business outstanding dues worth above Rs 5 lakh crore. Further as a report, almost 30% of the dues are over 120 days, 45% are between 60 to 120 days and rest below 60 days. But report related to pending amount filed by MSMEs in the 'Samadhaan Portal' is Rs 15,195 Crore only (as on date), reasons need to be investigated further.

To alleviate the hardship faced by the MSMEs across the country in getting timely payment of their dues from the buyers (mainly corporate), RBI in May 2017 had launched an online bill-discounting platform called Trade Receivable Discounting System (TReDS) to give routinely cash-strapped MSMEs a way of raising funds by selling trade receivables from Corporates.

Despite of 3 years of inception of this system, TReDS is still struggling to gain popularity and to reach out to all MSMEs across the country. Though silver lining is that due to RBI and government effort, TReDS in FY2017-18, did a business of about Rs 800 crore, which further increased to approximately Rs 7,000 crore in FY 2018-19 and to Rs 11,200 crores in FY 2019-20.

The present article will discuss about the TReDS, its operation, present scenario, bottlenecks/challenges and future ahead.

What is a TReDS?

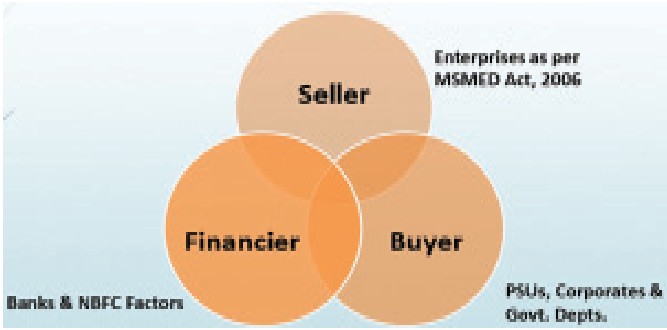
Trade Receivable Discounting System "TReDS" is an online platform being set up under the approval of Reserve Bank of India (RBI) to facilitate online discounting of invoices/ receivables and Bills of Exchange on a PAN India basis.

It is a digital platform for MSME Suppliers to auction/ discount their trade receivables at competitive rates through online bidding and get instant payment directly to their account.

At present, three companies are registered with the Reserve Bank of India for operating as a TReDS Platform:

- Receivables Exchange of India Ltd (RXIL)- www.rxil.com - a joint venture of the National Stock Exchange and SIDBI
- A.TReDS Ltd (Known as Invoicemart)- www.invoicemart.com - a joint venture of Axis Bank and mjunction services.
- M1 Xchange - www.m1xchange.com - a MYND Solution company- based in Gurugram

Parties involved in this system:



MSMEs (Seller or Supplier), Corporates including PSUs and Govt. department (Buyers) and Banks/ FIs/ NBFCs (Financer).

It brings together the MSME Suppliers, the Buyers (i.e. Corporates, Government Departments and Public Sector Undertakings) and the Financiers (i.e. Banks, NBFCs and Financial Institutions) for facilitating uploading, accepting, discounting, trading and settlement of invoices/bills of exchange of MSME Supplier on T+1/ T+2 days basis.

TReDS platform conducts KYC, sign master agreement and Onboard all the three parties. All the three parties need to open a designated Bank account for TReDS and provide auto debit mandate to the settlement bank of TreDS partners (RXIL, Invoicemart & M1Xchange). The Financiers also needs to assign limits to the Buyers of the platforms based on internal risk assessment on the Buyers.

Objective of TReDS

- To provide MSMEs hassle free payment / Cash flow at competitive rates through an open bid process through multiple financiers.
- Providing access to working capital and reduced cost for MSMEs. This will improve the liquidity in the MSME sector significantly.

How it works?

First of all the parties involved need to register themselves into the portals of any of the three TReDS partners. All the three parties must register with a common partner's viz. RXIL, M1Xchange or Invoicemart. Maximum of the Financiers have registered themselves in all the three exchanges. So, MSME seller can choose the platforms as per their needs or can register in all the three.

MSME supplies goods or services to the large Corporates, Government department, PSU etc and raises a bill/invoices for payment. Generally the invoices are paid to the supplier/ seller in a given due date says 60 days/ 90 days or even more. But for a smoother operation, MSME unit needs a regular cash flow.

Buyer or large Corporates accepts the invoices raised by the supplier in the TReDS platform. The process is called Factoring and the reverse process where Buyer uploads the invoices and MSME accept it, is called Reverse Factoring. After acceptance of the invoice by counterparties, it becomes a Factoring Unit and it goes for online auction in the TReDS platform.

The financer bids for the receivables and enter the discounted rate. After the successful bidding, supplier/seller accepts the discounted rate for receiving quick payment of the receivables.

After the approval from seller, the financer account gets debited for the final payment (after discounted rate) to MSME a/c on T+1 or T+2 days of successful completion of bidding.

On due date of invoice, the Buyers (Large Corporates) account's get debited and corresponding Financer account credit to make the transaction complete.

Operational details of TReDs

Market timings of Auction are 9 a.m. to 9 p.m. every day. Cut Off time is- 4.00 p.m., if bid is accepted before it, then the settlement will be on T+1. After the cut off time, the settlement will be on T+2 (Bid Acceptance Date + 2 working days).

If the factoring unit is not accepted by anyone on TReDS portal for auction, then buyer will pay directly to seller outside the portal.

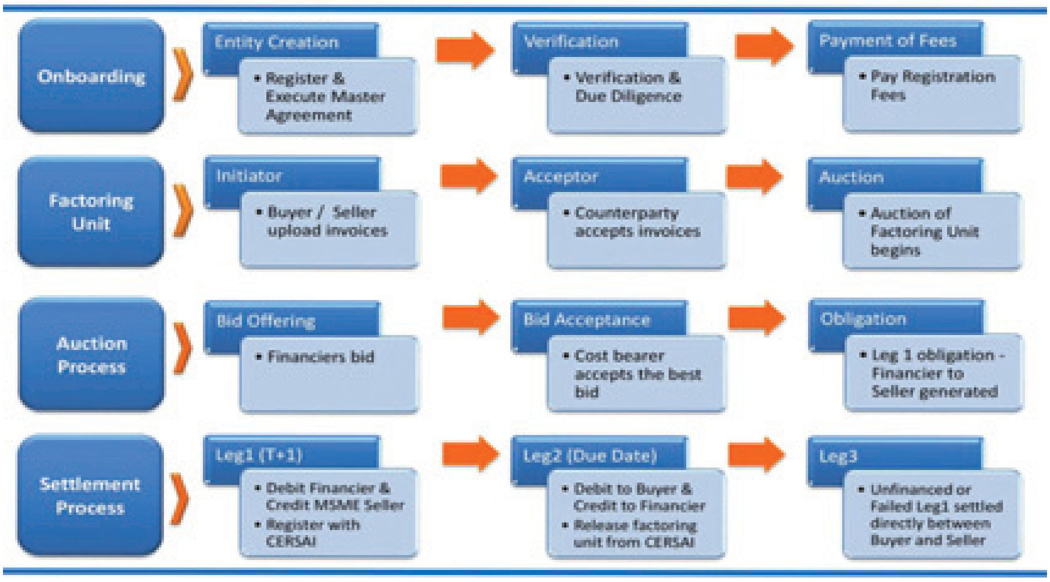
Costs involved in financing are

- ❖ Interest Cost paid by buyer/seller as may be decided by them mutually.
- ❖ Transaction charges to TReDS for factoring.

Benefits of using TReDS

- ❖ Unified electronic platform for Sellers, Buyers & Financiers.
- ❖ Easy & fast working capital finance for MSMEs at cheaper interest rates.
- ❖ Without recourse/ non-collateral based finance for MSMEs
- ❖ Liquidity improves for MSME as there is easy/quick access of funds.
- ❖ Saving on procurement cost of corporate buyers through improved negotiation of financing terms for suppliers.
- ❖ Security of digital platform for confidentiality of information.
- ❖ Financiers can get benefit of PSL (Priority Sector Lending) by financing the receivables of MSME seller.
- ❖ Financiers get access to a large clientele of MSME customers and corporate customers

TReDS Process flow:



Source: slidepayer.com

TReDS- a boon for MSMEs in the present COVID pandemic:

As MSMEs reel under the impact of the lockdown, access to capital becomes essential to manage liquidity in the ups and downs of the business cycles. Quick conversion of trade receivables has become easier after implementation of TReDS and is crucial for an MSME's survival.

With TReDS platforms, small businesses can have direct access and meet working capital requirements on demand. MSMEs on-boarded on the TReDS platforms have the flexibility to select invoices to finance when in need of capital and receive cash within a matter of 2 days of accepting the bid by their buyers.

With social distancing norms and safety will continue in the near future, businesses could not afford to continue in traditional ways. Enterprises should not compromise with the safety of its employees running for documentation and cash management to Banks/FIs.

With the thrust on Digital movement by the government, MSMEs can go online to safeguard their employee as well as business. Suppliers just need to go through one-time digital documentation and on-boarding to gain access to discount invoices raised against all registered corporate buyers on the platform.

Suppliers can log in to platform site from their systems to initiate transactions, review and accept bids, and receive funds directly in their accounts at the click of a button.

MSMEs can also get advantage of competitive discounting rate on the platform as almost all the Banks will be bidding for the invoices further with the approval of government to

allow NBFCs in TReDS, MSME is going to benefit further. Suppliers can avail the benefit with interest rate starting as low as 7% to 8.5% or even lower.

Further, financing receivables through TReDS is without recourse to MSME and even without any collateral security.

The settlement of the invoice is done between the buyer and the financiers. Banks/ NBFCs provide a limit (based on internal risk assessment) to the buyer for this receivable financing which is debited for immediate payment to the supplier. On due date, buyer need to repay the invoice amount to the Financier.

Non-payment by the buyer on due date to their banker amounts to a default and attract penal provisions and enable the banker to proceed against the corporate buyer. However, on buyer's request, Bank's may provide extension of time or additional Credit period for payment.

Challenges / Bottlenecks

- Despite Government push by making mandatory for CPSEs (Central Public Sector Enterprises) and other corporate above Rs 500 Cr turnover to register with TReDS and start using it for vendor payment, large numbers of buyers have still not joined the TReDS.
- Several corporate/CPSEs have joined, however just for compliance purpose & not using it for vendor bill discounting.
- Out of approx. 63.4 million MSMEs in our country, less than 1% is registered with TReDS. MSME sector, particularly micro-enterprises, is yet to utilize the TReDS platform to its full potential.
- Only 133 of the 255 CPSEs mandated by the government had registered on the platform as on date (www.sambandh.msme.gov.in data), despite the government mandatory instructions on compliance on various occasions over the past year. Further, many CPSEs have registered themselves only for the compliance and are not regularly transacting in the platform.
- Ignorance/ Lack of awareness at MSME level about the TReDS despite efforts by Government & TReDS platforms through various channels.
- Invoice approval and acceptance process with Govt. Department/ PSUs takes longer time and sometimes it reached the invoice due date thereby leaving no or little time for discounting of receivables on TReDS platform.

Way forward for TReDS

- Continuous government support and awareness can go a long way in countering the challenges being experienced. The government has taken several initiatives recently to boost the TReDS exchanges.
- Ministry of Micro, Small & Medium Enterprises, vide its Notification dated November 02, 2018 has mandated all companies (Large Corporates) registered under the Companies Act, 2013 with a turnover of more than Rs. 500 Crore (Rupees five hundred crore), and all Central Public Sector Enterprises (CPSEs) to get themselves registered on the TReDS Platform to ensure cash liquidity for MSME Suppliers.
- In a recent meeting, PMO has strictly advised all the CPSEs to complete the mandatory on boarding of the vendor onto TReDS. Further, these CPSEs had to submit the compliance report to the Department of Public Enterprises (DPE) by August'2020. Moreover, ministries exercising administrative controls over these Corporates were asked to monitor the progress and ensure compliance within the new deadline.
- Additional Secretary, DPE has also stated that, "In order to enable the MSME suppliers to avail the benefit of TReDS portal, the CPSEs will ensure that after the delivery of goods or rendering of services, the decision on acceptance /rejection of the goods/ services and the respective bills/ invoices will be taken within 15 days` of the delivery of the goods/ rendering of services". This is in line with Section 2 (ii) of MSMED Act, 2006, wherein it is provided that in case no objection is made by the buyer regarding acceptance of goods and services within 15 days from the date of delivery of the goods/ rendering of services, it would be treated as "deemed acceptance".
- This turnover criterion may be further lowered, infact all the big corporate and business must join TReDS and strict government monitoring should be in place to pay invoice only through online TReDS platform, will definitely popularize the scheme and resolve the perennial issue of liquidity problem amongst MSMEs.
- The Cabinet approval on 20.08.2020, to allow all NBFCs to give discount loans to MSME, is among one of the series of measures taken by the Government to ease the cash flow to MSMEs amid global pandemic
- SIDBI has set up a fund to support free on-boarding for micro, small and medium enterprises (MSMEs) on trade receivables discounting system (TReDS). Exchange Partners RXIL, Invoicemart & M1xchange are offering free registration to MSME unit for on-boarding in TReDS platform till 30.9.2020.
- All advances under TReDS are categorized as Priority Sector Lending for banks who participate, thus widening scope of PSL finance. Banks/NBFCS/ FIs have also developed and marketing this product to on-board Corporate and MSME client to their fold to maximize their share of PSL and strengthening customer base.
- Advertisement on various channels such as Television, Radio and social media by RBI to educate MSMEs and Corporates about the benefits of TReDS.
- Many of the Banks/NBFCs are running various awareness programme, MSME connect programmes, Webinars etc to create awareness among the MSMEs to maximize the use of TReDS platform.
- The phenomenal growth of business in TReDS platform over the years is showing a positive sign in popularizing the scheme. However, the Covid pandemic has halted the growth, but again, it is a temporary phase and is expected be over within sort span of time. Further, the aggressive marketing of the TReDS partners to on-board maximum of MSMEs and Corporate Buyers and Financiers will mark a success in future. Major PSBs like SBI, UBI, BoB, PNB etc have joined hand with these three platform partners to provide hassle free discount loan to MSMEs.

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

References:

i) msme.gov.in

ii) www.sambandh.msme.gov.in

iii) www.rxil.com

DEBT SECURITIZATION- THE PROCESS TO UNDERSTAND

Introduction:

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

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

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

About the author

B. B. Lenka
Chief Manager
Union Bank of India
Staff College, Bengaluru

Securitization is liquidating long term assets in to marketable securities like Pass through certificates/ Preferred stock certificates/Asset based commercial paper. The success of securitization depends upon asset's quality, amount of amortization, default experience of original borrower, financial reputation and soundness etc. The advantages associated with securitisation can be narrated as under:

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

Back Ground of Securitisation:

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

Securitization in India:

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

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

How the bank or other FIs securitize an asset?

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

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

through certificates ("PTCs") or security receipts ("SRs"), which represent claims on incoming cash flows from such pooled assets.

Parties Involved in Securitisation Process

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

Roles and responsibilities of Parties to securitization

- ❖ LENDER: - Lenders can be banks or non-banks.
- ❖ BORROWER: - An Individual or organization which obtains loan.
- ❖ MORTGAGE BROKER: - Facilitator between a borrower and the lender.
- ❖ ISSUER/ (SPV) SPECIAL PURPOSE VEHICLE: Facilitating securitization and issuing securities to investors.
- ❖ SERVICING AGENTS: - Collecting loan payments from borrowers and remitting to the ISSUER/SPV for distribution to the investors.
- ❖ TRUSTEE: - A third party appointed to represent the investors' interests & ensure that the securitization operates as per the securitization documents.
- ❖ UNDERWRITER: - Administers the issuance of the securities to investors.
- ❖ CREDIT ENHANCEMENT PROVIDER: - An independent third party who provides Credit enhancement (decrease the credit risk of the structure) by providing letters of credit or guarantees.

Securitization Documents:

The documents create the securitization and specify how it operates.

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

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

How does Securitization Help?

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

Regulation of Securitisation in India:

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

- 2012 Revisions of RBI Guidelines, Mandating MRR & MHP---Banks, NBFCs and other FIs securitizing their standard assets to retain "skin in the game" and have a continuing stake in the performance of the securitized assets, referred to as minimum retention requirement ("MRR"). The loan or financial asset must stay on the books of an originator for a minimum length of time, being the minimum holding period ("MHP") before it can become a part of the pool to be securitized. The MRR and MHP provided for a more effective screening of loans by the Banks, NBFCs and other FIs prior to the securitisation of such assets.
- In September 2018, the Indian NBFC sector suffered a setback due to Infrastructure Leasing & Financial Services Limited ("IL&FS") crises.
- The financial sector faced another roadblock in mid-2019, when housing finance company, Dewan Housing Finance Limited ("DHFL") failed to make interest payments to its bond holders, leading to its credit rating being downgraded to "D".
- The resulting panic in the market saw traditional sources of funding disappear for other NBFCs, and raised concerns on debt servicing. With such a sudden drop in willing lenders, NBFCs looked to securitize their standard assets to finance their funding requirements, and the Indian market witnessed a growth in the volume of securitisation.
- In the first quarter of the financial year 2019-2020, the Indian securitisation market saw the highest issuance volumes as compared to the first quarter of any financial year. (with 56% y-o-y growth over the same period in the previous fiscal year)
- The RBI has constituted a special committee to review the state of mortgage-backed securitisation in India. The committee released its report on dated 5 September 2019. Specific measures were recommended to facilitate second market trading in securitized instruments. They recommended various measures to improve the securitisation market in India.
- To boost securitisation market in India, RBI temporarily relaxed the MHP requirements for NBFC originators upto 31 December 2019. RBI further extended the relaxation of MHP till 30 June 2020. By this relaxation of MHP a larger asset pool were eligible for securitisation by NBFCs. This led to a surge in securitisation and assignment of auto loans /vehicle loans/finance lease receivables/micro-finance/ consumer durable loans & education loans.

Conclusion:

The success of securitization depends upon the ability of original borrower to repay their debt against which securitisation has been done. It is also fully dependent upon the Scientific Credit Rating System, Standardized loan documentation system & Proper Accounting System. To add to its success the SPV should be separate organisation, Instruments arising out of securitisation should be listed in Stock Exchange& adequate Guidelines should be given by regulators.

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

Tata Motors to sign a retail finance MoU with Bandhan Bank

Tata Motors has partnered with Bandhan Bank to sign a retail finance MoU, offering finance options to all its passenger vehicle customers. As part of the tie-up, Bandhan Bank will provide loans to Tata Motors' customers at an interest rate starting from 7.50 per cent.

This scheme will offer a maximum of 90 percent financing on the total on-road cost of the vehicle.Rajan Amba, Vice President, Sales, Marketing & Customer Care, Passenger Vehicle Business Unit, Tata Motors said, "We, at Tata Motors, have always aimed to make our personal mobility solutions more affordable and accessible for individuals and families at beneficial rates. We hope that these offers will make the process of purchasing our cars much easier for customers and that this will positively impact their overall buying experience of Tata cars."

TALENT MANAGEMENT IN THE EMERGING BANKING SCENARIO

Ability teaches us how we do,
Motivation determines why we do,
And Talent decides how well we do.

Introduction:

Talent Management is a set of integrated organizational process designed to attract, manage, develop, motivate and retain key people. The goal of a talent management program / model, however is to create a highly responsive, high performance, sustainable organization that meets its business targets. Talent management is the systematic process of creating and sustaining individual competencies that will help the business deliver strategy. Talent management is a term that emerged in the 1990s to incorporate development in human resource management which placed more of an emphasis on the management of human resources or talent.

About the author

Paritosh Kumar
Senior Manager (Faculty)
Union Bank of India
Staff Training Centre, Kolkata

Talent Management means building the knowledge, skills, and abilities of others and helping them to develop and achieve their potential so that the organizations they work for can succeed and grow. A talent pool is a database of candidate profiles interested in working for your organization; they could be limited towards specific area of expertise, or focused on a board grouping of individuals who can perform a variety of job tasks. A talent manager develops the skills and knowledge one needs to be in an organization.

Organizations have now realized that people could be that crucial differentiating edge for them in the increasingly competitive marketplace. Talent management is the conscious and deliberate attempt to attract, engage, develop and retain people with the aptitude and ability to meet current and future organizational needs. Talent management has become imperative in the face of today's business challenges in the banking sector. Banks are increasingly realizing that successful talent management is the key to high performance. Talent management can be defined as an integrated organizational process in HR which is required for motivating, developing, attracting, retaining and engaging employees.

Talent management is aimed at improving business performance through practices that make employees more productive. Talent management is a completely new Department which is required in all the various sectors to meet the advanced and unique style of work management. As we all know that the Indian banking plays a key role in the development of the Indian economy so with rapid changes taking place in the financial landscape, scheduled commercial banks in India needs a new generation of professional bankers who are more customer centric, technology savvy, more highly qualified, flexible and agile with behavioral skill sets that are now more comprehensive than previous era of the banking scenario.

The quality of human capital will increasingly become the cutting edge of competitiveness having competent staff to deliver high quality products and services. It is important to build customer confidence, goodwill, driving customer satisfaction, enhancing reputation, and ultimately releasing individual banks corporate vision and strategic goals. Therefore, banking institutions are interested to ensure competency and professionalism to serve their customers better through the introduction of talent management system.

Banking is like any other business and the staff have to carry out multifarious activities, When talent management was introduced in the banking system it was observed from the results that the employees are ready to improve their performance anyway with the positive attitude towards the customers where satisfaction of the customers and the performance of the employee is very important for the banking sector to groom and succeed.

Talent required in a place and the talent required for the best output in the same place should be integrated with strategic and business plans. As it is very complex and is therefore very difficult to handle, the sole purpose of the entire talent management process is to take the right person at the right place at the right time. It is a never ending process that starts with targeting people. The process regulates the entry and exit of talented people in an organization to sustain and stay ahead in business. Talent management cannot be ignored in the recent challenging scenario in the banking era. To understand the concept of the talent management better let us discuss the stages included in the talent management process.

Step by step talent management process:

1. Identify organizational goals:

The first and the foremost step in the talent management process is to identify the organizational goals and set strategies to achieve the same.

2. Understand the requirement:

The second step in the talent management process is to understand the requirement of both the organization and the employees and meeting the set goals of the organization.

3. Sourcing and attracting the talent:

It is rightly said that the workforce of any organization lays the foundation stone of the organization. So, the third step continues with the sourcing and attracting of the best talent available among the candidates.

4. Recruiting and selecting the talent:

Commercial bank plays a catalyst role in the conversion of static credit into dynamic credit. As such the health of the economy is influenced by the performance of banking sector. To fulfill this next step of human resource in the banking sector recruitment and selection is required.

5. Training and development:

The next step in the ladder where talent management plays the most effective and vital role in the training and development which is an important component of every organization's survival strategy.

6. Employee retention:

In the era of global and dynamic technology a common set back that every organization faces is the retention of the employees. TMS helps in reducing the attrition rate in the organization.

7. Promotion:

Coming further in the process, to establish a sound foundation to the banking sector the next step of TMS is channelizing a proper system of the promotion. Promotion is advancement of an employee to a better job in terms of higher responsibility, more prestige, greater skill and increased rate of pay. Promotions are the major attractions in the banking career.

8. Competency mapping:

One of the major steps of the TMS is competency mapping which helps in categorizing the potential and the hidden talent of the employees.

9. Performance appraisal:

Moving ahead it is very important to evaluate the performance of employees periodically to find out their level of efficiency. So, it is a vital function of the TMS to develop some standard methods to make the employees understand how far they are from the expected standards so that their performance can be improved. From the organizational point of view, performance appraisal is very important to improve the quality of work force. Therefore the processes of performance appraisal helps to evaluate and improve the performance of the employees so that they can give their best to achieve the goals of the banking sector as well as achieve better career satisfaction.

10. Succession planning:

The future of a banking business can be scary, even when that business is successful. Sometimes, organizations that are doing well feel an even more overwhelming pressure to get the right plan in place and avoid any succession problems. TMS plays a major role to overcome from this scenario.

The banking organization with the introduction of talent management in their system represent their faith in their staffs by referring to them as "Talent", establishing the belief that it will be their people that will help the organization to achieve their goals. Organization places a high premium on talent and has made talent management efforts, making sure that the welfare and personal development of their employees is at the forefront while taking business decisions. In order to follow a smooth an efficient talent management in the emerging banking system.

We should follow the following strategies:

1. Recruiting

The foundation of talent management is hiring the right people the best recruiting processes support those efforts by carefully defining job description using an applicant tracking system to help and manage the workforce of the interview process and carefully interviewing applicants to select the strongest candidate.

2. Performance management

Once employees have been hired, it's essential to have the right process in place to successfully manage them. HR technology and service solutions in areas such as time and attendance can help track productivity and performance regular review process helps keep lines of communication open between management and staff, allowing works to get feedback and where they need to improve their performance.

3. Career management

Managing your employee's career path can help increase satisfaction while reducing costly turnovers, building on the information collected during annual reviews, companies can learn more about employee's strength and interest with that in mind it's possible to work with employees on long term career development plans. Whether you are dealing with someone on the management tract or someone interested in being a highly skilled individual contributor, career management is a critical component of talent management and employee satisfaction.

4. Leadership development

Identifying a good leader within your organization is a vital part of the talent management process. Once these high performances, high potential individuals have been located. Business need to consider the best way to retain them over the long term. Often, this process requires a focus on training, stretch assignments and mentoring.

5. Organizational strategy

Talent management activities rarely happen in isolation instead strategic recruiting and support of workforce development begins with a company level commitment,, your HR may play a leading role in making this happen from identifying talent management as a strategy clarity to determining how and where that focus will be applied. Focusing on talent management is a critical component of your broader workforce management strategy because recruiting, training, Retaining and promoting the right people are essential steps in reaching your staffing goals. While human

Capital Management initiative, emphases talent management and much more understanding and executing the day to day activities of recruiting, leadership development, strategy creation find career management are essential for successful and smooth running of the banking system.

In order to win the war on talent management the banking sector needs to focus on the talent management strategy methods:

1. Talent management metrics

The talent management metrics is helpful as it enables us to measure the progress with the aspiration of the organization by keeping a track of what we are doing, how well we are doing it.

2. The HR talent management model

The banking system sector needs to analyze that being a top employer requires substantial investment. This can be effective especially when you want to attract people from all kinds of background so the talent management model serves as a helpful tool as it enables the banking sector to map the specific activities that you want to focus on.

3. Beat the competition

The banking system needs to understand that beating a competition can be achieved through better employer branding, retention, selection etc.

4. Requirement of capabilities

The Indian banking system has to focus on enhancing the hidden talent of their employee and match them with the organizational goals.

5. The key performance indicators

The final method is about tracking progress and ensuring the further improvement. The key performance indicator enables us to judge and evaluate exact performance of the employees.

The goal of talent management is to establish an organization which is high performing and sustainable, which meets the strategic and operational goals and requirements of the company. Talent Management is in a way a business strategy which needs to be integrated with all the employee related processes of the business. Talent management is all about having the right person at the right place at the right time for the optimum time and at the right price. In order to achieve the maximum output the Indian banking system should follow the following talent management practices.

Talent management practices:

1. **Employer branding -** The first practice of the talent management is employer branding which means having a strong brand attracts even the best candidates.
2. **Employer reputation -** Reputation is related to employee branding which is more affected by external media.
3. **Candidate experience -** The experience of the candidate influences the employ brand.
4. **Selection -** Spotting in selecting the best is a critical part of talent management.
5. **Referrals -** Talent referral programs are affected as they help to pick up candidates
6. **On boarding -** Getting people up to speed as quickly as possible helps to make them more productive.
7. **In boarding -** When people are promoted internally they also need support to achieve maximum productivity.
8. **Engagement -** Engaged employees are motivated, perform well and are likely to stay.
9. **Retention -** Retention strategies help to keep the best people on board.
10. **Performance management -** An essential part of managing talent is tracking and improving their performance.

The purpose of talent management in the banking system to identify, recruit and hold on to people who drive the success of your organization. It's a top priority of the management of the banks to carry out the strategic process for forward-looking people. Banks who understand that their performance depends on their workforce. Performance and talent management becomes a key function of the modern HR department of that Bank. The management goes out to nurture and develop the talent that powers their growth and effectiveness.

Talent doesn't only mean individual high performers; it can also be people whose behavior and characteristics are particularly influential in motivating and empowering their colleagues. Collaboration and social skills can be as important as intellectual caliber or productivity. The Banks should focus on creating a working environment that responds to and rewards talented employees, so they will remain committed and loyal. They should invest in nurturing talent and supporting employees to sustain strong organizational performance and uplift future business growth of the Indian Banks.

Talent management is a big part of an HR planning process. This involves mapping out the employee needs for the organization based on strategic objectives. HR directors often sit on executive management teams to align recruiting and retention strategies with company goals and strategies. In the race for top talent, companies that use HR planning know what they need from employees and what workers expect in exchange for their abilities and performance, giving those businesses a talent management advantage.

The Indian banking system should consider the following advantages of the Talent Management system and incorporate them in their smooth running of the business procedures which would result in attaining the maximum output of the organization and serving for the customer satisfaction in a better way which is the ultimate goal of the Indian banking. As TMS have the following advantages:

1. Connecting and Sharing Data

The right TMS can integrate and align core HR processes. While much of the data collected through a HRMS is stored and can be difficult to reach and analyze, an integrated TMS shares data across the entire system allowing for easy access. This gives a clearer understanding of what that data means for your business and enables you to make informed, strategic business decisions.

2. Strategic Hiring Process

Having a TMS can help you recruit those really talented candidates that everyone is after. By integrating tasks such as posting job descriptions, tracking applicants and making it easy to manage offers, a TMS streamlines your hiring process, allowing you time to focus on the candidates.

3. Improved on boarding Experience

An organized and efficient approach to on boarding is achievable with a TMS. You can create employee profiles which hold all of the information and data collected during the recruitment and hiring processes. Automating the new hire paperwork can save both you and the new hire time which you can then use to focus on the new recruit.

4. Retain Top Talent

Once you have the best employees, you need to keep them. With all of the employee information hosted on one platform and neatly organized into an online profile, you can track performance reviews, goals, skills and career aspirations to make sure your employees are happy and on the right track. Having a TMS in place to capture all of that data makes it easy to analyze and report on which employees need developing, monitoring or even promoting.

5. Employee Development

A good integrated TMS should include options for employee learning and development. It enables employees to take courses, develop skills and in some cases pursue certifications relevant to their professional development. TMS solutions also collect data on what skills an employee has and allows the HR team to assign training which the employee can then access from their personal profile.

6. Improved Employee Experience

As we know, employee turnover is something to be avoided at all costs. A TMS that integrates with payroll improves the employee experience by allowing access to pay slips, holiday requests and management of sick leave. Organizational charts can also be included, letting employees know the reporting and management structure of the company.

7. Increase Employee and Manager Engagement

The engagement in your bank can be increased by implementing a TMS. The employee profile empowers employees and managers to interact with the employee's professional career progression. An integrated TMS solution encourages them to invest in the organization and align their daily work with the business goals while also focusing on their personal goals.

8. Right Person in the right Job

Through a proper TMS banks can analyze employee's skills and strengths. The skill or competency mapping allows you to take stock of skill inventories lying with the organization. This is especially important both from the perspective of the organization as well as the employee because the right person is deployed in the right position and employee productivity are increased. Also since there is a better alignment between an individual's interests and his job profile the job satisfaction is increased.

9. Retaining the top talent

Despite changes in the global economy, attrition remains a major concern of organizations. TMS helps in retaining top talent which is important for leadership and growth in the banking sector. Organisations that fail to retain their top talent are at the risk of losing out to competitors. The focus is now on charting employee retention programs and strategies to recruit, develop, retain and engage quality people. Employee growth in a career has to be taken care of, while succession planning is being performed on those who are on the radar need to be kept in loop so that they know their performance is being rewarded.

10. Better Hiring

The quality of an organization is the quality of workforce it possesses. The best way to have talent at the top is have talent at the bottom. No wonder then TMS programs and trainings, hiring assessments have become an integral aspect of HR processes nowadays.

11. Understanding Employees Better

Employee assessments give deep insights to the management about their employees. Their development needs, career aspirations, strengths and weaknesses, abilities, likes and dislikes. With the introduction of the TMS It is easier therefore to determine what motivates whom and this helps a lot in Job enrichment process.

12. Better professional development decisions

When an organization gets to know who its high potential is, it becomes easier to invest in their professional development. Since development calls for investment decisions towards learning, training and development of the individual either for growth, succession planning, performance management etc, an organization remains bothered where to make this investment and talent management just make this easier for them.

13. Succession Planning:

It is a given fact that you can't stop employees from leaving the organization. Their replacement needs to be found. Similarly, when employees are promoted or transferred, new vacancies are created. In both scenarios, talent management can help HR in succession planning and determine how vacant positions can be filled timely without having any impact on productivity and cost.

14. Training and Development:

Talent management also helps HR to focus on where you need to introduce new training and development programs. HR can plan employee skill development courses, certifications and all other professional enhancement activities.

15. Communication:

Communication is the lifeline of any organization. If there are any communication issues, then it can damage the organization's functioning. One of the benefits of talent management includes promoting prompt and two-way communication between management and employees. When communication is effective, it also creates a positive impact on the company culture.

Talent management is a human resources system used to hire, manage, train and compensate top talent. Such programs include strategic planning to align HR needs with the goals and vision of the organization, and ensure that top performers are recruited, developed and retained. It can be quite hard to manage all those actual tasks and this when most of them look out for talent management system while many believe that it helps you streamline all those human resources processes there are various disadvantages to the same as well.

While proactive planning is Valuable, talent management does have some challenges to overcome which serves as the disadvantages of TMS.

1. Expensive:

The time, resources and financial costs to operate a talent management program can be high. This is a burden for small banks that doesn't necessarily have the resources to implement such a system. Talent management programs also involve the use of software solutions to map out talent needs at all levels or departments, which can be expensive. The TMS system can incur more cost to the organization, especially if it's a start-up. The implementation of talent management program could be expensive in terms of time, resources and financial costs which can increase the overall costs when hiring from other locations.

2. **Worker Conflicts:**

   Several workplace realities impede the impact of talent management. Many functions of the banking system are outsourced on part-time and temporary workers. Keeping them motivated while trying to focus on the long-term tenure of full-time, permanent employees is difficult. If your turnover relies on workers who you don't need or expect to be around for long, it may not be worth the effort to install a formal talent management program.

   Banks of all sizes struggle to come up with effective recruiting strategies that don't discriminate by age, and offering rewards for workers at varying ages that may have different motivations can be difficult. Lack of understanding can at times lead to loss of trust.

3. **HR and Management Conflicts:**

   A core drawback of talent management for small Banks is that the programs are often developed and coordinated by human resources professionals. Smaller Banks may not have full HR staffs. Instead, managers often hire, train, motivate and fire their own workers while also performing critical business duties. This means managers don't have the time in many cases to implement talent management. Even Banks that do have HR professionals often get frustrated at the difficulty of getting managers to concentrate on talent management needs instead of focusing entirely on other business concerns which can cause conflicts between the human resources team and management. Not all banking sector are prepared for its implementation. Lack of support from line managers can impede the level of commitment from employees. A core drawback of talent management is, it can contribute in raising the conflicts between HR and management by not reaching to proper agreement or consensus, Which can cause frustration among HR professionals.

4. **Leadership Limitations:**

   Proper implementation would need the support of the top management. It is clear out that the leadership pipeline is often not full enough to carry out talent management. HR professionals often map out the leadership needs for the business and the skills required at each level. Small businesses may struggle to bring in and develop enough effective store managers or business unit leaders to compete with other small companies as well as larger competitors. To recruit more aggressively, including in other geographic areas, only adds to the costs of talent management. It can often conflict with the leadership limitations.

5. **Dissatisfaction among employees:**

   Hiring is mostly based on the interview skills and not on experience, which can cause dissatisfaction among employees if the salaries are below market value. Getting the needed support from every department can be challenging.

HRMS V/s TMS

The traditional HRMS which is used in recent banking system and enterprise resource planning (ERP) systems focus primarily on transaction processing and the administration of basic human resources processes such as personnel administration, payroll, and time management where as Talent management systems focus on providing strategic assistance to organizations in the accomplishment of long-term enterprise goals with respect to talent, or human capital. Talent management systems may also be referred to as or paired with an applicant tracking system (ATS) in either standalone application or as a suite of products.

An effective talent management system can play a very crucial role in managing the performance in the banking system by the following initiatives taken:

1. Ensuring proper understanding of the objectives and facilitating effective communication throughout the organization.
2. Developing a healthy relationship between an employer and the line manage are based on trust and empowerment.
3. Ensuring each employee understands what is expected and equally ascertaining whether the employees possess the required skills and support to fulfill such of expectations.
4. Ensuring employees understand the importance of their contributions to the organizational goal and objectives.
5. Better and timely differentiation between good and poor performers.
6. Enhancing the competencies of the employees and enabling the managers to gain insight about their subordinates.
7. Facilitating organizational changes and paving ways for appropriate administrative actions.

Conclusion:

Apart from this having a strong talent management culture also determines how organization rate their organizations as work places. In addition if employees are positive about the talent management practices of the organization, they are more likely to have confidence in the future of their organization. The resultant is a workforce that is more committed and engaged determined to outperform their competitors and ensure a leadership position in the market for their organization.

A requisite pool of qualified and talented employees can simplify the process of achieving the organizational goal and help focus on issues that really matters in the interest of the organization. Therefore, the overall purpose of talent management is to maintain a skilled and efficient workforce for the organization. In modern - day organizations, the importance of talent management is second to none. Unless an organization has the required talented workforce, it cannot succeed in attaining its goal even if it possesses other factors such as natural resources, infrastructure and technology. In fact, it is people who take an organization to its next level of success.

Talent management has become one of the most important buzzwords in corporate HR and training today. Organizations know that they must have the best talent in order to succeed in hypercompetitive and increasingly complex global economy. They must manage talent in a critical resource to achieve the best possible results in long run. The war for talents is becoming more and more widespread. The organizations who want to acquire competitive advantage should implement appropriate strategies which bridges the gap that develops talent in operations to meet global challenges.

New initiatives taken by some of the nationalized banks of India like Union Bank of India related to job family framework which facilitate and foster development of specialized skills in all functional areas and creating a new organizational structure extending job families to all employees of the bank as well as the need to link related processes such as learning and development and succession planning to job families has made the TMS system more effective and giving maximum output to its greatest extent. ❑

Our new Editorial Advisory Board Member

Dr. Shah Md. Ahsan Habib

We are pleased to inform you that Dr. Shah Md. Ahsan Habib has been appointed as Editorial Advisory Board Member of our Journal Banking Finance.

Dr. Shah Md. Ahsan Habib is a Professor Selection Grade of Bangladesh Institute of Bank Management [BIBM]. He obtained his PhD from Banaras Hindu University, India under BHU Research Scholarship; and accomplished Post-Doctoral Fellowship on Green Banking from Syracuse University, USA under Senior Fulbright Scholarship. Having around 25 years of professional experiences in the banking industry, his key research areas include inclusive finance, green banking, bank leadership and governance, trade financing and financial crime and malpractices in the financial sector. He is having teaching experiences with Institute of Business Administration [IBA] and Department of International Business of the University of Dhaka; East West University; Brac University and University of Professionals.

Dr. Ahsan has over 200 research papers/studies/publications/chapters in different national and international journals/books. He is the author/lead author of the books 'Financial Globalization', 'Environmentally Responsible Banking in USA', 'Towards Knowledge Society', 'Green Banking in Bangladesh', 'Trade Services by Banks in Bangladesh', published by the national and international publishers. Dr. Ahsan worked as a research consultant with several national and international organizations like World Bank, GIZ, OXFUM GB, CPD, InM, Bangladesh Bank, EU, DFID etc.

Dr. Ahsan is a columnist of the national dailies and published over 200 newspaper features in the national daily newspapers [The Financial Express, Business Standard, BanikBarta etc.] on the leadership, governance, and other banking issues. He is the Chief Editor of the yearly journal of the Valor of Bangladesh, and Executive Editor of the journal of Green Tech Foundation 'Green Biz'. Dr. Ahsan is the Chairmen of the Executive Committee of D.Net, a research organization to promote ICT for D in Bangladesh; a Member of the ICC Bangladesh Banking Commission; and a Member of the Global Editorial Board of the Asia-Pacific Risk Professional Association (ARPA). He is a Board Member of the Green Tech Foundation, Bangladesh and a trustee of the 'Valor of Bangladesh'.

PRIVATISATION OF PSBS A NEW PANACEA

The country is going through a discussion about privatisation of PSBs and Government is vigorously pulling up for the same. There are two type of thoughts involved one in favour and another against it, Those in favour are giving several logics like PSBs are saddled with NPAs, PSBs are in dual control one by RBI through RBI Act 1934 and one by Finance Ministry By BR Act 1949. So at times Governments through their ministries use PSBs as a tool to further their political gains.

PSBs don't have sufficient Autonomy so they are weak in their business decisions. There is also difference in incentives than their private counterparts which can motivate them to do better. But here we have to understand the goals for which these banks were nationalized i.e. to transfer economic prosperity to untouched masses, to serve the unserved.

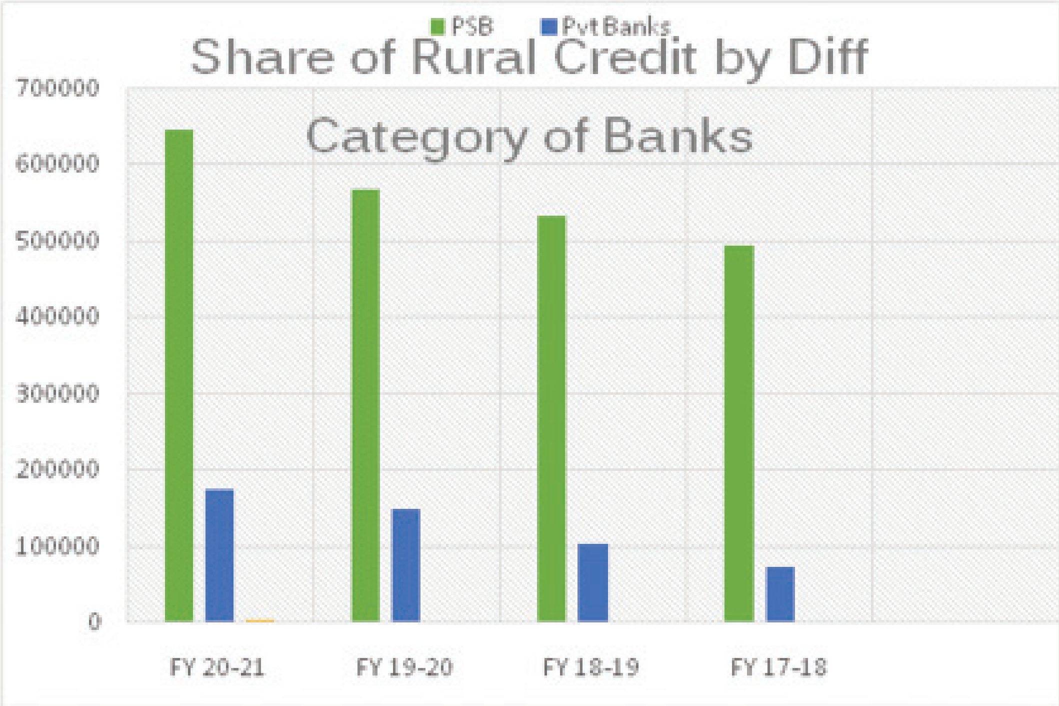
About the author

Brijesh Kumar Shukla
Chief Manager (Faculty)
Union Bank Of India
STC Hyderabad

The Concept behind Nationalization:

On 19th July 1969 14 Scheduled Commercial Banks were privatised having aggregate deposit of approx. Rs 50K crores. The major purpose for the same was to make banking services accessible to the last person in the society. Since then Banks have served their purpose in form of Rapid economic development, to lower the problem of un employment, making banking services accessible to small and marginal farmers, helping small traders and artisans like weavers. Making the banking service reach to the man clutched in the hand of moneylenders in short, meeting the goals of financial inclusion.

A comparative study between Public and Private sector Banks:



Source: Aggregate Bank Credit of SCBs in India RBI data

Here we have tried to compare share of rural credit by different category of Banks i.e Public Sector Banks and Pvt Sector Banks. We can clearly see that Public sector banks are way ahead in that by their counterparts. This flow of increased and liberalised credit to rural areas had led to increased growth in hinterlands which is unparalleled. In Green revolution, White revolution and for all round growth of economy since the nationalisation these Public sector Banks have played a major part. Total no of PMJDY Accounts opened by Public sector Banks up to June 19 is 34.73 Crores whereas private sector banks have opened a total of 1.26 crore accounts (Source -PIB) thus giving a boost to financial inclusion and rural prosperity.

Issues with Private Sector Banks:

1. Governance Issues:

ICICI Bank Ex MD and CEO Ms Chanda Kochhar is facing investigation by ED (Enforcement Directorate) under the money laundering case along with her husband Mr Deepak Kochhar and Venugopal Dhoot of Videocon Group for alleged irregularities in sanctioning of Rs 1875- Crore loans to the corporate group. On similar lines In Yes Bank RBI imposed moratorium on 5th Mar 2020 because of bad investments, manipulation of Balance sheet and dumping of holdings by their founders. This led to Yes Bank loosing approx. 85 % in value and condition of Bank run has occurred. Chennai based Lakshmi Vilas Bank also faced sanctions from RBI in 2020 because of erosion of Bank's net worth , low level of liquidity and increase in NPA's.

2. Manipulation of NPAs :

In 2015,2016 and 2017 RBI caught Yes Bank for under reporting of its NPAs and continuous ever greening of bad loans in form of restructuring these bad loans. In March 2019 Moody's estimated their NPA to stand at 8 % (Which is very high rate compared to countries like UK, Australia and Canada having NPA of less than 1% followed by China, Germany, Japan and USA having NPA less than 2%). Yes Bank was under reporting NPAs to the tune of 11000 crores while Axis Bank was having divergence of Rs. 14000 Crore and ICICI Bank was having divergence of Rs 5000 crore alone in FY 2016.(Source. The Hindu business Line)

The Way out:

Gunnar Myrdal a Swedish Economist and Nobel Laureate of 1974 has advocated about government ownership in India as well as in Asian Countries. "Specifically, government directors appointed by the government owner can better represent creditors' interests, supplement incomplete banking regulation and supervision, and reduce informational asymmetry between the banking regulator and banks." What we needed right now is some reforms like making banking free from dual clutch thus making it impossible to be used by governments to further their political gains. To make stringent norms to recover Bank's NPAs so that to avoid provisioning and stabilising capital erosion. Governments should provide more autonomy to PSBs boards to make their commercial decisions independently. ❑

AGRICULTURE INFRASTRUCTURE FUND SCHEME: OPPORTUNITIES TO FINANCE

Introduction:

The role of infrastructure is crucial for agriculture development and for taking the production dynamics to the next level. It is only through the development of infrastructure, especially at the post-harvest stage that the produce can be optimally utilized with opportunity for value addition and fair deal for the farmers. Development of such infrastructure shall also address the vagaries of nature, the regional disparities, development of human resource and realization of full potential of our limited land resource.

In view of above, the Hon'ble Finance Minister announced on 15.05.2020, Rs 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers. Financing facility of Rs. 1,00,000 crores will be provided for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organizations, Agriculture entrepreneurs, Start-ups, etc.). Impetus for development of farmgate & aggregation point, affordable and financially viable Post Harvest Management infrastructure.

Accordingly, Department of Agriculture Co-operation and Farmers Welfare (DAC&FW) has formulated the Central Sector Scheme to mobilize a medium - long term debt financing facility for investment in viable projects relating to postharvest management Infrastructure and community farming assets through incentives and financial support.

About the author

Vikas Mahangare

Senior Manager- Faculty
Union Bank of India
Staff Training Centre, Bhopal

Objectives of Scheme:

a. Farmers (including FPOs, PACS, Marketing Cooperative Societies, Multipurpose cooperative societies):

❖ Improved marketing infrastructure to allow farmers to sell directly to a larger base of consumers and hence, increase value realization for the farmers. This will improve the overall income of farmers.

- ❖ With investments in logistics infrastructure, farmers will be able to sell in the market with reduced post-harvest losses and a smaller number of intermediaries.
- ❖ Community farming assets for improved productivity and optimization of inputs will result in substantial savings to farmers.

b. Government

- ❖ Government will be able to direct priority sector lending in the currently unviable projects by supporting through interest subvention, incentive and credit guarantee. This will initiate the cycle of innovation and private sector investment in agriculture.
- ❖ Due to improvements in post-harvest infrastructure, government will further be able to reduce national food wastage percentage thereby enable agriculture sector to become competitive with current global levels.
- ❖ Central/State Government Agencies or local bodies will be able to structure viable PPP projects for attracting investment in agriculture infrastructure.

c. Agri entrepreneurs and startups:

- ❖ With a dedicated source of funding, entrepreneurs will push for innovation in agriculture sector by leveraging new age technologies including Internet of things (IoT), Artificial Intelligence (AI), etc.
- ❖ It will also connect the players in ecosystem and hence, improve avenues for collaboration between entrepreneurs and farmers.

d. Banking ecosystem:

- ❖ With Credit Guarantee, incentive and interest subvention lending institutions will be able to lend with a lower risk. This scheme will help to enlarge their customer base and diversification of portfolio.
- ❖ Refinance facility will enable larger role for cooperative banks and RRBs.

e. Consumers:

With reduced inefficiencies in post-harvest ecosystem, key benefit for consumers will be a larger share of produce reaching the market and hence, better quality and prices. Overall, the investment via the financing facility in agriculture infrastructure will benefit all the eco-system players.

Implementation Period of Scheme:

The Scheme will be operational from 2020-21 to 2029-30. Disbursement in four years starting with sanction of Rs. 10,000 crores in the first year and Rs. 30,000 crore each in next three financial years. Moratorium for repayment under this financing facility may vary subject to minimum of 6 months and maximum of 2 years.

Government Budgetary Support:

1. Interest Subvention Cost: All loans under this financing facility will have interest subvention of 3% per annum up to a limit of Rs. 2 crores. This subvention will be available for a maximum period of 7 years. In case of loans beyond Rs.2 crore, then interest subvention will be limited up to 2 crores. The extent and percentage of funding to private entrepreneurs out of the total financing facility may be fixed by the National Monitoring Committee.The subvention will be available for a maximum period of seven years which also includes moratorium period. (Overall availability for subvention is 07 years).
2. Credit Guarantee Cost: Credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crores. The fee for this coverage will be paid by the Government. In case of FPOs the credit guarantee may

be availed from the facility created under FPO promotion scheme of DACFW.

3. Administration Cost of Project Monitoring Unit (PMU): Farmers Welfare Programme Implementation Society under DACFW will provide PMU support to the scheme at the central level and state PMUs of PM KISAN at state level. Services of knowledge partners will be engaged to identify clusters including export clusters and gaps in supply chains to target projects and prepare viable project reports to support the beneficiaries.

Eligible projects:

The scheme will facilitate setting up and modernization of key elements of the value chain including.

(A) Post Harvest Management Projects like:

(i) Supply chain services including e-marketing platforms
(ii) Warehouses
(iii) Silos
(iv) Pack houses
(v) Assaying units
(vi) Sorting & grading units
(vii) Cold chains
(viii) Logistics facilities
(ix) Primary processing centers
(x) Ripening Chambers

(B) Viable projects for building community farming assets including -

(i) Organic inputs production
(ii) Bio stimulant production units
(iii) Infrastructure for smart and precision agriculture
(iv) Projects identified for providing supply chain infrastructure for clusters of crops including export clusters
(v) Projects promoted by Central/State/Local Governments or their agencies under PPP for building community farming assets or post harvest management projects.

Eligible beneficiaries:

- Primary Agricultural Credit Societies (PACS)
- Marketing Cooperative Societies
- Farmer Producers Organizations (FPOs)

- Self Help Group (SHG)
- Farmers
- Joint Liability Groups (JLG)
- Multipurpose Cooperative Societies
- Agri-entrepreneurs, Startups and Central/State agency or Local Body sponsored Public Private Partnership Projects.
- The eligibility has now been extended to State Agencies/Agriculture Produce Marketing Committee (APMCs), National & State Federations of Cooperatives, Federations of Farmers Producers Organizations (FPOs), and Federations of Self-Help Groups (SHGs).

PACS who have adopted digitization for handling its operations will be given preference under this scheme. The scheme is limited to primary processing units. Advanced processing activities are not a part of the scheme. However, some components of such processing units such as warehouse, cold storages, pack-houses, collection centers etc. can get benefit of agriculture infrastructure fund.

Participating institutions:

All scheduled commercial banks scheduled cooperative banks, Regional Rural Banks (RRBs), Small Finance Banks, Non-Banking Financial Companies (NBFCs) and National Cooperative Development Corporation (NCDC) may participate to provide this financing facility, after signing of Memorandum of Understanding (MoU) with National Bank for Agriculture & Rural Development (NABARD)/DAC&FW.

Project Management and handholding support:

An online platform (www.agriinfra.dac.gov.in) will be made available in collaboration with participating lending institutions to provide information and loan sanctioning facility. Agri Infra fund will be managed and monitored through an online MIS platform. It will enable all the qualified entities to apply for loan under the fund.

The system will also provide benefits such as transparency of interest rates offered by multiple banks, scheme details including interest subvention and credit guarantee offered, minimum documentation, faster approval process as also integration with other scheme benefits.Loan can be availed through offline mode, but it is mandatory for lending institutions to make its entry on the online platform in due course of time to get the benefits of AIF.

Rate of interest:

The cap on lending rate of up to Rs 2.00 Cr. (Rupees two crore) will be 06 monthly/ Annual MCLR plus 100 basis point (floating) subject to maximum 9.00 percent (Nine percent per annum) for all eligible projects.

Convergence:

Any grant or subsidy available under any present or future scheme of Central/State government can be availed for projects under this financing facility. In cases of capital subsidy such amount shall be considered as promoter's contribution. However, a minimum of 10% of the project cost shall be mandatory as promoter's contribution.

Process flow of the scheme:

I. The applicant will register on the online portal (www.agriinfra.dac.gov.in) after which he/ she will receive registration credentials

II. After getting credentials, beneficiary can apply for loan through the online portal by filling an application form available on the portal.

III. Along with the application soft copy of Detailed Project Report (DPR) and related documents will be uploaded on the portal by applicant.

IV. This application along with DPR will then be forwarded to the lending institution opted by the applicant for appraisal.

V. The lending institute will appraise the project and decide whether to sanction the loan or reject the application based on viability of project.

VI. Once the loan is sanctioned then funds will be transferred directly to the bank account of the beneficiary.

VII. After the disbursal of loan to beneficiary by lending institute, interest subvention and credit guarantee fee will be released by GOI to the lending institute and CGTMSE respectively.

Conclusion:

This scheme will make farmers independent and improve access to market. With modern packaging and cold storage system access, farmers will be able to further decide when to sell in the market and improve realization.

Infrastructure at the farm gate is created through this scheme. It is providing a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets through interest subvention and financial support for credit guarantee.

With extension of eligibility to State Agencies/APMCs, National & State Federations of Cooperatives, Federations of Farmers Producers Organizations (FPOs), and Federations of Self-Help Groups (SHGs) not only will the APMC be empowered but it will increase employment opportunities and more and more people will be benefited. APMC markets are set up to provide market linkages and create an ecosystem of post-harvest public infrastructure open to all farmers.

This scheme will help to achieve a multiplier effect in generating investments. The benefits reach small and marginal farmers also.It is generating new employment opportunities and strengthen the rural economy. There is huge opportunity to finance under agriculture infrastructure fund scheme which will accelerate creation of many infrastructure projects such as cold storage, collection centres, processing units so that the hardworking farmers can get the true value for their produce.

References:

i) www.agriinfra.dac.gov.in

ii) RBI website

iii) www.indiatoday.in

iv) Wikipedia. ❑

EMPLOYEE TRAINING IN BANKING INDUSTRY: AN ESSENTIAL TOOL FOR ORGANIZATIONAL GROWTH

Human being is one of the best creations of Nature in the whole universe, who is being nurtured by the continuous learning, education and training. Without training and education, no difference will be there in human beings and rest of the creatures on the earth. As change is the law of nature, and world is changing with every passing moments, new scenarios, new developments like technologies, software etc. by the time, and hence our needs and demands accordingly are being germinated every day for making life of human beings easier and comfortable.

In the present and competitive scenario, training of employees is one of the most important means for developing organizations especially for Banking Organizations by the way of learning and skill developments in their professional life. Although a person is well educated and qualified while enters as an employee of any organization, however there is a sharp difference in learning and knowledge developed in student life and that of professional or practical life. Training of the employees is crucial for the organizations to ensure their smooth understanding of work, skill development, and preparedness to perform efficiently.

Almost all of the organizations including banks conducting Induction programs for new employees to inculcate the culture of the organization. Training is not only essential for the new employees of an organization but also for the in-service or existing workforce. It is significantly crucial at the start of the new project so that all team members are well-prepared to deal with all the challenges and ensure the success of the project. It is essential to help the employees to achieve perfection in their work by the way of new researches and technology.

Organizations frequently face the need to training of their employees when they find some skills or qualities lacking in their team, or they need to make orientations of their work force towards new dimensions for developmental changes. It may not be in the form of some specific skills but the overall attitude or work performance of the employee or teams, which make the management, seek training for them. Basic motive of Employee's training includes Better Productivity, Positivity, Better Communication, Risk

About the author

Mohit Mishra
Faculty, RBMD (Chief Manager)
Union Bank of India
Staff Training Centre, Lucknow.

acceptance, Interpersonal growth and Skill development etc. The developing organizations focusing on training their personnel, want them to be well-prepared for any kind of situation through the executive-skills building. They ensure to boost their productivity and profit, which strengthens the organization, in addition to polishing the skills of their employees.

In the present competitive era the developing banking organizations provide various training programs as per the requirement of their employees and enhance their skills. It helps organizations and work force to grow and make progress. Some of the key benefits of training are given below:

Improves moral of employees and job satisfaction:

Sometimes employees lose their moral and confidence when they are unable to perform as per their expectation, or they have committed mistakes while performing their duties due to lack of awareness and knowledge, in that time training sharpens their hard and soft skills which improve their moral, performance and job satisfaction as well.

Improves knowledge of new policies and goals:

While working at Bank's branches or administrative offices sometimes it is very difficult for bank employees to get updated about all new changes and information related to banking products, services, new policies, corporate goals, corporate vision, mission and its planning towards organizational growth. Continuous training programs will always help employees not only to get acquainted with their organization's ethics, values, policies, visions and missions but the right path to move on.

Boosts performance of employees:

Training boosts the knowledge, enthusiasm and expertise of the employees, which has a significantly positive impact on their job performance. In the workplace it helps employees feel like the organization has invested in them so they realize their importance in eyes of their organization. By continuing to teach or train employees, new skills and abilities, they will not just become better workers, but they will feel like more productive members of the organization. So the continuous training will improve their morale as well as their workplace capabilities. So it is the best way of enhancing the efficiency of the workforce.

Helps to analyse the competition in the market:

In present scenario there is a huge competition in the market amongst the peer banks, all are having more or less same types of products and services with a range of additional features as customers are well educated and more demanding, in other words we can say now the market is customer centric so every banking organization strongly prefer to design their products and nature of their services as per customer's choice. In this type of situation it is not easy to attract a new set of customers and retain the existing consumers. In such circumstances training helps to analyze our strength and weakness as compare to our peer competitors in the market and gives the opportunity of self evaluation and improvement.

Encourages innovation and risk acceptance:

In the era of innovation and technological advancement, it challenges employees to accept the risk and get out of their comfort zones to embrace progress. Without expertise, employees become fearful of doing that. However, training provides them the necessary skills to accept innovation and calculative risk, which ensures their progress and development of organization as well.

Mitigates the risk:

In the Banking industries, many types of risks as per RBI are involved, some of these are explained below:

I. **Credit Risk:** Credit risk or default risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions. The Credit Risk is generally made up of transaction risk or default risk and portfolio risk.

II. **Market Risk:** market risk arising from adverse changes in market variables, such as interest rate, foreign exchange rate, equity price and commodity price has become relatively more important. Even a small change in market variables causes substantial changes in income and economic value of banks.

III. **Liquidity Risk:** The liquidity risk of banks arises from funding of long-term assets by short-term liabilities, thereby making the liabilities subject to rollover or refinancing risk.

IV. **Interest Rate Risk (IRR):** Interest Rate Risk (IRR) refers to potential impact on NII or NIM or Market Value of Equity (MVE), caused by unexpected changes in market interest rates.

V. **Foreign Exchange (Forex) Risk:** Forex risk is the risk that a bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in an individual foreign currency.

VI. **Reputation Risk:** The risk due to severe impact on bank's reputation.

VII. **Compliance Risk:** The risk due to failure of compliance

VIII. **Operational Risk:** The risk due to inadequate or failed internal process.

IX. **Legal Risk:** The risk because of any legal action on bank due to failure of compliance with law.

Presently banks are focusing on conducting a lot of training programs related to risk management and preventive vigilance. Basic motive behind these types of program to spread awareness amongst its work force about preventives measures against the given risks. Continuous training also prevents the employees from learning by trial and error method.

Prepares employee for higher responsibilities:

In spite of having an experience of various years some of employees avoid to come out of the comfort zone and to get assigned for higher responsibilities and challenges, but Continuous training process develops confidence, motivation, Skills, knowledge, enthusiasm and courage amongst the employees so that they feel to grab bigger responsibilities that make strong foundation of their beloved organization.

Improves Customer Service:

Customer service is one of the biggest and challenging aspects of banking sectors in this competitive era. It may detoriate the growth in consumer base and business of banks, if they fail to serve the customers even one notch below as per their expectations. That's why it is very important to make the bank staff realize the importance of excellent customer. Training improves the soft skills of employees on the job and makes them work more professionally and productively. Customers will feel the impact of this elevated service, and it will improve their opinion about the organization in the market.

Improves Task Management:

Training and development programs help employees to manage allotted tasks individually or in teams, relying on a greater understanding of processes and clearly defined goals. Because employees are well-versed in the skills required for their assigned job, they will require less time to find ways to perform their required tasks.

Improves the brand image of organization:

When an organization pays attention to developing the skills of its workforce, its expertise and job satisfaction will spread the word, and more competent people will join the organization where they can learn and utilize their abilities for the benefit of their beloved organization. Also it will create a shiny brand image of the organization in the market.

Better Workplace environment:

Consistent training will help employees work more effectively in the workplace environment as it also develops cultural integration amongst the staff. Especially at the time of merger or amalgamation of two or more entities it is not easy to create a comfortable environment for those employees who came from non anchor banks or entities because of their different culture, work style, products, services and goals etc. Training brings about an atmosphere in the organization that encourages every employee to feel valued and welcomed. It also encourages employees to grab some bigger opportunities by escalation of their job and roles.

Prepares future Leaders for the Organization:

As per the theme of EASE agenda banks have started the succession planning of top leaders who are on the verge of retirement. Training system with the help of HR team is able to identify the sparks amongst the eligible staff and prepare them to take over the responsibilities of top leaders.

In India the banking industry is becoming more competitive than ever, private and public sector banks are competing with each other to perform well. The top management of the banks is now in the position to modify or upgrade their traditional human resources practice in to innovative human resources practices in order to meet the challenges from other competitive banks. Thorough need based training analysis and its implementation is a crucial part of ensuring employee performance and satisfaction level. It benefits both the employees as well as employers.

Most of the organizations in the region specifically focus on the skill development and training of their workforce and enjoy their profit. Training system is also playing very crucial role during the pandemic of Covid-19, when the physical training of employees was quite impossible many of the banking organizations have initiated virtual training programs with success that was badly needed to those employees they are continuously performing even in the pandemic and critical situation, it shows the importance of training system amongst the developing organization.

Ultimately with the support of strong training system, every developing organization can compete with their peer competitors by enhancing the productivity of their employees. It also ensures its growth and sustainance for the longer and longer period. Training and development is a continuous process in which the employees of an organization are motivated to acquire and develop technical, managerial and behavioral knowledge skills and various abilities as per organizational need. ❑

Our new Editorial Advisory Board Member

Dr. Binod Atreya

We are pleased to inform you that Dr. Binod Atreya has been appointed as Editorial Advisory Board Member of our Journal Banking Finance.

Dr. Atreya serves as a Managing Director at Banking Finance and Insurance Institute of Nepal (BFIN), a capacity development institution promoted by seven commercial banks, two development banks, two finance companies, two microcredit institutions, two capital market institutions, and the Emerging Nepal Limited - a PPP model investment company with shareholding from the Government of Nepal. Before joining this institution, Dr. Atreya served as the CEO of Emerging Nepal Limited. He is representing as a Board Member in Prudential Insurance Company, CARE Ratings Nepal Limited and also the Member in the Infrastructure, Banking and Finance Sub-Committee of CNI in Nepal. Dr. Atreya was also a Member of the Executive Committee of the Management Association of Nepal (MAN) and led the International Relations Sub Committee of MAN. He has been instrumental in the early period of the establishment of the Nepal Infrastructure Bank Limited (NIFRA).

Prior to joining BFIN, Dr. Atreya holds over 30 years of professional experience in various capacities in Nepal Rastra Bank, the central bank of Nepal. He served as Executive Director at Micro Credit Promotion and Supervision Department, Office of the Governor, Corporate Planning Department, Bank Regulation Department, General Services Department, Bankers Training Centre, among others. Dr. Atreya was instrumental in drafting policies for strengthening the microfinance institutions, and the cooperative sector. He also served as National Project Director for implementing UNNATI - Access to Finance Project (A2F) in collaboration with UNCDF and the Government of Denmark and conducted demand and supply-side study of financial inclusion roadmap for Nepal. Dr. Atreya contributed to developing a five-year strategic plan for Nepal Rastra Bank, and also in preparing the Financial Sector Development Strategy approved by the Government of Nepal.

He also served as Chief Executive Officer of Nepal Bank Limited, a commercial bank, for a period of over three years. He did serve with UNDP projects in the Republic of the Maldives, the Marshall Islands, and the Republic of Palau. His expertise includes in the areas of public-private partnership, entrepreneurship development, microfinance and developing the strategic plan, financial literacy policy, financial sector reform, management and administration, research, and training. He has presented a number of papers in international conferences and seminars and is regarded as a Strategist, Motivator, Management, and Banking Expert, and a practical Resource Person. He holds a Ph.D. degree in Public Management Reform from Victoria University of Technology, Melbourne, Australia, and an MBA (India) and an MPA master's degree from Nepal. Dr. Atreya has over four dozen publications, both in national and international journals and in daily Newspapers, to his credit. He is also on the Editorial Board of the Journal of Banking Finance and Insurance.

WHY RBI WANTS A DIGITAL CURRNCY

The Cryptocurrency and Official Digital Currency Bill, 2021, is scheduled to be introduced in the ongoing winter session of Parliament. Further, as per an answer to a recent question in the Lok Sabha, the government received a proposal from the Reserve Bank of India (RBI) in October to amend the RBI Act, 1934, in order to enhance the scope of the definition of a 'bank note' and include currency in digital form.

Clearly, the Indian government and the RBI are getting ready to launch a central bank digital currency (CBDC). A survey carried out by the Bank for International Settlements earlier this year found that 60% of the world's central banks are experimenting with CBDC technology and 14% had started pilot projects.

Given this, it is important to understand what a CBDC really is and what it isn't; what it hopes to achieve; the opportunities the shift is likely to throw up and the problems that it is likely to solve.

What is a CBDC?

In a speech in July, T. Rabi Shankar, a deputy governor of the RBI, defined a CBDC as a "legal tender issued by a central bank in a digital form," which "is the same as fiat currency and is exchangeable one-to-one with the fiat currency".

The Bank of England, the United Kingdom's central bank, defines CBDC as "an electronic form of central bank money that could be used by households and businesses to make payments and store value".

Now, what does this mean in simple English? There are two kinds of central bank money—one made of paper/polymer notes (physical cash) that we use in our daily lives and the other is the reserves maintained by commercial banks with the central bank. These reserves are in a digital form and are used by banks to manage interbank payments. The banks can also exchange these reserves for cash at the central bank.

In that sense, at the wholesale level, there isn't much of a difference given that money, in this segment, is already digital. As Eswar S. Prasad writes in The Future of Money—How the Digital Revolution is Transforming Currencies and Finance: "The new technology does not fundamentally change the nature of the asset, as it is already digital, but enables banks to use it more efficiently and cheaply."

If experts are to be believed, the retail segment—where a significant chunk of money is still in cash—is the real ground for near-term innovation. Retail CBDCs will essentially be digital currency issued by the central bank which will exist alongside physical cash. A Bank of England discussion paper says that the retail CBDC would be "denominated in pounds sterling, just like banknotes."

This digital currency would need an entirely new ecosystem, with the central bank—the RBI in the Indian case—managing the centralized payment system. This centralised payment system, as Prasad writes, would be "linked to electronic 'wallets' that reside on prepaid cards, smartphones, or other electronic devices". Of course, the money in these digital wallets can be spent in the same way as physical cash.

This system sounds very similar to individuals using payment apps that are already in place in India and all across the world. How is CBDC different then? For one, the payment infrastructure is created and managed by the central bank. Two, payments are made using central bank money and not the money created by the banking system.

But why do we need a central bank issued CBDC, especially given how the market is already saturated with fintech innovations? Let's try understanding this through the examples of Sweden and China. Data from Riksbank, the Swedish central bank, shows that between 2010 and 2020, the percentage of people who paid in cash for their last purchase has decreased from 39% to 9%. Also, a bulk of this new digital payment infrastructure is managed by a few private companies.

China has gone the same way. As D Priyadarshini and Sabyasachi Kar point out in a working paper titled Central Bank Digital Currency: Critical Issues and the Indian Perspective: "China, for example, has seen near universal adoption of digital payments, with nearly 94% of mobile transactions supported by Tencent or Alibaba. Both entities have also combined several other financial services with their social media apps."

This kind of integration increases the overall risk in the financial system, with the entire digital payment infrastructure being dependent on a few private companies. As Priyadarshini and Kar write, this poses risks "of monopolies, high entry barriers, potential misuse of data, safety and security of technology".

Thus, there is a need for central banks to create a new digital payment infrastructure through CBDCs. The Riksbank, which has been experimenting with the e-krona, states that "in the event of serious shocks to the systems of the banks or card companies, an e-krona could be an alternative form of payment". Other than this, in China, the Chinese Communist Party is also compelled to put breaks on the proliferating clout of the private sector.

The Indian context

In India, the Unified Payments Interface (UPI) has been very successful in the digital payments space. It's run by the National Payments Corporation of India (NPCI), an umbrella organization for operating retail payments and settlement systems, which is an initiative of the RBI and Indian Banks' Association (IBA).

The NPCI is majorly owned by public sector banks but, given that it was formed on the initiative of RBI, it is safe to say that the government has some control over it. Also, the stake of each individual private company in NPCI is limited to a few percentage points.

UPI has proved to be a gamechanger in the digital payments space. Money can now be instantly transferred between two bank accounts using a mobile phone. In October, 4.21 billion transactions happened through it.

In that sense, the presence of UPI has ensured that India won't go the Chinese or the Swedish way, where a few private firms might monopolise the digital payment system.

But despite this advantage, there are two reasons why India may still push ahead to create a well-functioning CBDC system. One is the complicated cross-border payments system as it prevails. As Prasad writes: "They involve multiple currencies, must often be routed through several institutions, and need to be consistent with country-specific financial regulations. The net result of such impediments is that cross-border payments have often been slow, expensive, and difficult to track."

A CBDC could handle these issues well. As RBI's Shankar puts it: "It is conceivable for an Indian importer to pay its American exporter on a real time basis in digital dollars without the need of an intermediary. This transaction would be final, as if cash dollars are handed over." Of course, for this to happen, India needs to have a sovereign-backed CBDC that "will be trusted in a global system".

The other reason lies in the fact that China is betting big on its CBDC. In fact, China wants the digital yuan to play the same role in the international economy that the US dollar does today. Hence, and as Priyadarshini and Kar put it, "once the digital Yuan gains acceptability as a global currency, it is a matter of time before these will start flowing into the Indian economy".

Given the contentious relationship India shares with China, it needs to work towards limiting this possibility, which will be possible only through the development of global protocols for the cross-border usage of CBDCs and "in order to have a say in the development of these international standards... it will be very useful for India to have a credible and working CBDC".

More use cases

After the spread of the covid-19 pandemic, Western governments spent a lot of money to kickstart their domestic economies. This included directly depositing money into individual bank accounts. But the governments did not have the bank account information of all citizens. Hence, they also sent out cheques and debit cards loaded with money.

As Prasad writes about the American case: "Cheques and debit cards mailed... were delayed or lost. Scammers found ways to intercept some payments, while many recipients threw out (the) debit cards, mistaking them for junk mail." If a CBDC system was in place, the governments could have directly put money into the wallets of people. In fact, in order to get people to spend that money immediately, they could have deemed it to be expirable within a certain period.

On the flip side, this would mean that the fiscal policy and the monetary policy would get mixed up even further, blurring the line between the independence of a central bank and the government.

The other advantages of CBDCs include no counterfeiting of currency (until innovators figure out how to do that digitally), greater financial inclusion and a boost to the war on black money and corruption.

Introducing negative interest rates is another possibility that might emerge with a wider adoption of CBDCs. The only reason most central banks can't implement negative interest rates is because people can simply withdraw their money from banks and other financial institutions and hold it in the form of cash.

But in a world of 100% digital money, negative interest rates are possible. This has got central bankers excited. In tough economic times, a central bank could mandate a negative interest rate on CBDCs stored in wallets, encouraging people to spend. Of course, people might still not spend, but a negative interest rate is an idea that central banks can resort to when they have run out of all other ideas.

In order to do this, CBDC will need to have the functionality of a savings bank account, where the central bank pays a certain amount of interest to depositors for keeping their money in the wallets. Only when you pay an interest can you charge a negative interest. As Shankar said in his speech: "Such steps may need to be taken with care as any instrument that pays interest (positive or negative) is strictly not a currency."

CBDCs and bank runs

A bank run is basically a situation where many depositors want to withdraw money from a bank if they perceive it to be fragile. In fact, this could be an unintended consequence of CBDCs.

As the Report on Currency and Finance 2020-21 points out: "CBDC... poses a risk of disintermediation of the banking system, more so if the commercial banking system is perceived to be fragile." People can move money from their commercial bank accounts to their CBDC accounts if they perceive a bank to be in trouble or if there is macro financial instability.

Hence, the design of the CBDC becomes very important. As the Bank of England discussion paper puts it: "Limits on individual holdings of CBDC could help ensure that CBDC is used primarily for payments and not for large savings, reducing the extent of disintermediation of the banking system."

Also, it's only fair that a central bank, an institution which regulates the commercial banks, shouldn't be directly competing with them. Hence, it is important that the RBI follows the two-tiered approach to CBDCs, where the central bank "creates the digital version of its currency", nonetheless, it "leaves the distribution of that currency and the maintenance of CBDC wallets to existing financial intermediaries". In fact, this is precisely how the Chinese CBDC is being developed.

Finally, there are two points worth taking into account. One, CBDCs are different from cryptos. While the original idea behind bitcoin, the first cryptocurrency, was to challenge fiat money and emerge as a medium of exchange, that hasn't happened. Meanwhile, cryptos have become an object of speculation. Hence, as Shankar puts it: "They are not money (certainly not currency) as the word has come to be understood historically". CBDC, however, is money as it is historically understood. It is issued by a central bank and it is backed by the sovereign, like fiat money is.

Two, if CBDCs do work in the long-term, it would mean the end of cash. While that does solve some problems, it will also create others. *(Source: Mint)*

RBI CIRCULAR

Exim Bank Government of India supported Line of Credit (LoC) of USD 40 million to the Government of the Togolese Republic

RBI/2021-2022/141

December 23, 2021

1. Export-Import Bank of India (Exim Bank) has entered into an agreement dated June 23, 2021 with the Government of the Togolese Republic, for making available to the latter, Government of India supported Line of Credit (LoC) of USD 40 million (USD Forty million only) for the purpose of financing the project for electrification of 350 villages through Solar Photo Voltaic Systems in the Togolese Republic. Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. Out of the total credit by Exim Bank under the agreement, goods, works and services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.
2. The Agreement under the LoC is effective from December 07, 2021. Under the LoC, the terminal utilization period is 60 months after the scheduled completion date of the Project.
3. Shipments under the LoC shall be declared in Export Declaration Form as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer (AD) Category- I banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.
5. AD Category – I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website www.eximbankindia.in
6. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

(R. S. Amar)
Chief General Manager

Restriction on storage of actual card data [i.e. Card-on-File (CoF)]

RBI/2021-2022/142

December 23, 2021

1. In terms of our circular DPSS.CO.PD.No.1810/02.14.008/ 2019-20 dated March 17, 2020 on "Guidelines on Regulation of Payment Aggregators and Payment Gateways", the authorised non-bank payment aggregators and merchants on-boarded by them were prohibited from storing card data (CoF) from June 30,

2021. At the request of industry stakeholders, this timeline was extended to December 31, 2021 vide circular CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021. Further, regulations on CoF Tokenisation (CoFT) were issued vide circular CO.DPSS.POLC.No.S-516/02-14-003/2021-22 dated September 07, 2021 on "Tokenisation – Card Transactions: Permitting Card-on-File Tokenisation (CoFT) Services".

2. In light of various representations received in this regard, we advise as under:
   a) the timeline for storing of CoF data is extended by six months, i.e., till June 30, 2022; post this, such data shall be purged; and
   b) in addition to tokenisation, industry stakeholders may devise alternate mechanism(s) to handle any use case (including recurring e-mandates, EMI option, etc.) or post-transaction activity (including chargeback handling, dispute resolution, reward / loyalty programme, etc.) that currently involves / requires storage of CoF data by entities other than card issuers and card networks.
3. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(Sudhanshu Prasad)
General Manager (Officer in Charge)

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

RBI/2021-22/145

January 03, 2022

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 dated December 29, 2021, 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.

   Reference SCA/2/21(19) dated 29 December 2021 regarding addition of 2 entries [QDi.432 Name: 1: ASHRAF 2: AL-QIZANI 3: na 4: na and QDe.167 Name: JUND AL-KHILAFAH IN TUNISIA] in 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:

   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

Combined Receipts and Disbursements of the Central and State Governments

(Amount in Rs. thousand crore)

Item	2015-16	2016-17	2017-18	2018-19	2019-20 RE	2020-21 BE
1	2	3	4	5	6	7
1 Total Disbursements	3,760.6	4,266.0	4,515.9	5,040.7	5,875.9	6,470.3
1.1 Developmental	2,201.3	2,537.9	2,635.1	2,882.8	3,486.5	3,818.4
1.1.1 Revenue	1,668.3	1,878.4	2,029.0	2,224.4	2,708.2	2,920.5
1.1.2 Capital	412.1	501.2	519.4	596.8	694.3	794.6
1.1.3 Loans	121.0	158.3	86.7	61.6	84.0	103.3
1.2 Non-Developmental	1,510.8	1,672.6	1,812.5	2,078.3	2,295.1	2,556.5
1.2.1 Revenue	1,379.7	1,555.2	1,741.4	1,965.9	2,172.0	2,421.6
1.2.1.1 Interest Payments	648.1	724.4	814.8	894.5	969.3	1,091.6
1.2.2 Capital	127.3	115.8	69.4	111.0	121.2	133.0
1.2.3 Loans	3.8	1.6	1.7	1.3	2.0	2.0
1.3 Others	48.5	55.4	68.4	79.7	94.3	95.4
2 Total Receipts	3,778.0	4,288.4	4,528.4	5,023.4	5,779.4	6,524.5
2.1 Revenue Receipts	2,748.4	3,132.2	3,376.4	3,797.7	4,338.2	4,828.1
2.1.1 Tax Receipts	2,297.1	2,622.1	2,978.1	3,278.9	3,548.0	3,951.7
2.1.1.1 Taxes on commodities and services	1,441.0	1,652.4	1,853.9	2,030.1	2,157.1	2,436.9
2.1.1.2 Taxes on Income and Property	852.3	965.6	1,121.2	1,246.1	1,386.7	1,510.3
2.1.1.3 Taxes of Union Territories (Without Legislature)	3.9	4.1	3.1	2.8	4.2	4.5
2.1.2 Non-Tax Receipts	451.3	510.1	398.3	518.8	790.3	8,76.4
2.1.2.1 Interest Receipts	35.8	33.2	34.2	36.3	33.3	30.9
2.2 Non-debt Capital Receipts	59.8	69.1	142.4	140.3	129.5	232.2
2.2.1 Recovery of Loans & Advances	16.6	20.9	42.2	44.7	62.5	18.3
2.2.2 Disinvestment proceeds	43.3	48.1	100.2	95.6	67.0	213.9
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	952.4	1,064.7	997.1	1,102.7	1,408.2	1,410.0
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	939.7	1,046.7	989.2	1,097.2	1,403.3	1,405.4
3A.1.1 Net Bank Credit to Government	231.1	617.1	144.8	387.1	518.1	-----
3A.1.1.1 Net RBI Credit to Government	60.5	195.8	-144.8	326.0	190.2	-----
3A.1.2 Non-Bank Credit to Government	708.6	429.6	844.4	710.1	885.2	-----

Combined Receipts and Disbursements of the Central and State Governments (Contd.)

(Amount in Rs. thousand crore)

Item	2015-16	2016-17	2017-18	2018-19	2019-20 RE	2020-21 BE
1	2	3	4	5	6	7
3A.2 External Financing	12.7	18.0	7.9	5.5	4.9	4.6
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	939.7	1,046.7	989.2	1,097.2	1,403.3	1,405.4
3B.1.1 Market Borrowings (net)	673.3	689.8	794.9	795.8	962.4	1,105.6
3B.1.2 Small Savings (net)	80.0	35.0	71.2	89.0	213.4	213.4
3B.1.3 State Provident Funds (net)	35.3	45.7	42.4	51.0	42.9	42.5
3B.1.4 Reserve Funds	-3.3	-6.4	18.4	-18.3	-0.2	3.0
3B.1.5 Deposits and Advances	13.5	17.8	25.1	66.3	32.9	36.0
3B.1.6 Cash Balances	-17.4	-22.5	-12.5	17.4	96.5	-54.3
3B.1.7 Others	158.4	287.3	49.7	96.0	55.3	59.1
3B.2 External Financing	12.7	18.0	7.9	5.5	4.9	4.6
4 Total Disbursements as per cent of GDP	27.3	27.7	26.4	26.6	28.9	28.8
5 Total Receipts as per cent of GDP	27.4	27.9	26.5	26.5	28.4	29.0
6 Revenue Receipts as per cent of GDP	20.0	20.3	19.7	20.0	21.3	21.5
7 Tax Receipts as per cent of GDP	16.7	17.0	17.4	17.3	17.4	17.6
8 Gross Fiscal Deficit as per cent of GDP	6.9	6.9	5.8	5.8	6.9	6.3

…: Not Available. RE: Revised Estimates. BE: Budget Estimates.

Note : 1. GDP data is based on 2011-12 base.

2. The revision of general government fiscal data will be undertaken in the month of October after all states present their final budget and they are tabulated, consolidated and disseminated by the Reserve Bank through its annual publication - 'State Finances: A Study of Budgets'. Accordingly, any revision of fiscal indicators as ratio to GDP due to revision in GDP will also be undertaken at that time.

Source : Budget Documents of the central and state governments.

Canara Bank Raises Rs. 2,500 Crore By Issuing Bonds

Canara Bank announced that it has raised Rs. 2,500 crore by issuing Basel-III compliant bonds to a total of 10 allottees. The bank successfully raised Basel-III compliant tier-II series I bonds, according to a regulatory filing by the bank to the stock exchanges.

"Our bank came out with the issuance of Rs. 2,500 crore of tier-II bonds on December 12, 2021. The bank received a total bid amount of Rs. 9,374 crore, out of which full issuance of Rs. 2,500 crore was accepted at a coupon rate of 7.09 per cent per annum," the state-run lender said in its statement. The issue opened on December 23, 2021, and closed on the same day. The bonds were allotted to a total of 10 allottees on December 24, 2021.

KEY HIGHLIGHTS

- 30,000+ Visitors
- 700+ Exhibitors
- Business Matching
- Start-up Pavilion
- Experience Zone
- Dual Track Conference

WHY PARTICIPATE

- **Explore** new geographies & expand client base
- **Connect** in person to unlock the opportunities
- **Network** with the leaders of the industry
- **Discover** the latest tech and the innovations

TECHNOLOGIES ON DISPLAY

- Accounting & Auditing Solutions
- Insurance Solutions
- Blockchain/ DLT solutions
- Card Issuance & Management
- Financial Institutions
- Digital Lending & Payments
- E- Wallets & Payment Gateways
- POS Machines & Payment Solutions
- Robotic Process Automation

Media Partner

BANKING FINANCE

Organiser

Exhibitions India Group

For bookings, please contact:

Mr. Pulkit Kapoor | pulkitk@eigroup.in

+91 70425 55388 | +91 11 4279 5079

www.fintechindiaexpo.com

Published on 1st of Every Month
Date : 01-02-2022

Declaration No. 86
Dated 14-12-2017

R. No. KOL RMS/269/2022-2024
RNI No. 44184/1988

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