A leading monthly journal on Banking & Finance

₹ 100/-

Banking Finance

VOL. XXXVI - NO. 10 - October 2023 - ISSN-0917-4498

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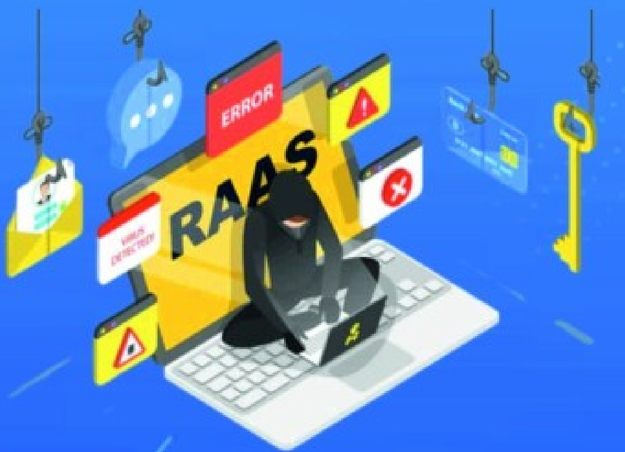

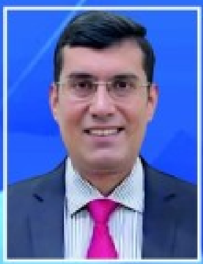

"Newgen is globally recognized for digitalizing enterprises with native process automation, content services, and communication management capabilities."

Varun Goswami
Head of Product Management
Newgen Software

CELEBRATING 36 YEARS SINCE 1988

"We are looking at expanding digitally. Physically, we tend to add about 300 odd branches in the current year, depending upon the potential where the branches are required,"

Dinesh Khara
Chairman
State Bank of India

"There are 350 million UPI users at present and pegged the growth opportunity in merchants and users at 3 times more. "...if you take the combined effect, we have a 10x opportunity from where we stand."

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CEO and MD
NPCI

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VOL. XXXVI NO. 10
October, ISSN - 0971-4498

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Single Copy ₹ 100/-
Annual Subscription ₹ 1200/- (Ord.) / ₹ 1680/- (Regd.)
Foreign air mail US$ 125

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All the payment must be made by Cheque favouring **SASHI PUBLICATIONS PVT. LTD.** payable at Kolkata, India.

Publisher Sashi Prabha Agarwala, 25/1, Baranashi Ghosh Street, Kolkata - 700007, PS Girish Park, WB
Printed by Satyajug Employees Co-operative Industrial Society Ltd., 13/1A, Prafulla Sarker Street, Kolkata - 700072, West Bengal

From The Desk Of Editor-in-Chief

In the ever-evolving landscape of banking and finance, the industry continues to grapple with a myriad of challenges and opportunities.

The issue of Non-Performing Assets (NPAs) has been a persistent challenge, not just in India but globally. Effective NPA settlement mechanisms are essential for the industry's health. Timely and transparent resolution processes are crucial to maintain stability and build investor confidence. Our banking institutions must focus on proactive risk assessment, strict credit monitoring, and the robust execution of resolution frameworks.

Trust is the cornerstone of the banking and finance sector. Ethical practices are non-negotiable. Upholding the highest ethical standards, from fair lending practices to transparent disclosures, is not just a regulatory requirement but an ethical imperative. Banking ethics are a reflection of the sector's commitment to integrity and responsible finance.

As technology advances, so do threats, and ransomware has emerged as a grave concern. The financial industry is a prime target for cyber criminals. Robust cyber security measures, frequent training, and incident response plans are crucial. Collaborative efforts between banks, regulators, and law enforcement are essential to mitigate these evolving threats.

Embracing technology is the way forward. Innovations like blockchain, AI, and digital banking are revolutionizing the industry. They offer not only efficiency gains but also enhanced customer experiences. This embrace of new technology is not a choice but a necessity to stay competitive and meet the expectations of the modern digital-savvy consumer.

The banking and finance sector faces a spectrum of challenges and opportunities. NPA settlements and ethical banking practices are the foundation of a trustworthy industry, while cyber threats remind us of the need for robust security measures. Simultaneously, the infusion of new technologies ushers in a future of exciting possibilities. To thrive, the industry must master the art of balance - addressing challenges while harnessing innovation to create a resilient, efficient, and customer-centric financial ecosystem.

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Banking News

India can do 100 billion UPI transactions a month: NPCI

India has the potential to do 100 billion Unified Payments Interface (UPI) transactions a month, a top official from the National Payments Corporation of India said.

This would be a 10-time growth over the 10 billion transactions achieved by the 2016-launched platform in August.

Dilip Asbe, Chief Executive Officer and Managing Director of NPCI, said there are 350 million UPI users at present and pegged the growth opportunity in merchants and users at 3 times more. "...if you take the combined effect, we have a 10x opportunity from where we stand," Asbe said at the Global Fintech Fest.

Banks won't auction stressed loans covertly

Under a new framework that high-street banks agreed recently, lenders will have to ensure that the decision to auction loans is notified to all key players in the market.

This will end the practice of pushing through a sale by putting out the auction advertisement in an innocuous newspaper while keeping many potential bidders in the dark.

"This is a code of conduct to enable wider participation in loan sale deals and bring more transparency. Also, due to changes in the market dynamics, the document mentions all the information about a loan that banks must provide," said an industry person.

SBI to open 300 branches across country this year

State Bank of India plans to open 300 branches to increase its physical presence across the country this year. Currently, there are 22,405 branches across the country and 235 foreign branches and offices. With the addition, the total domestic network will be close to 23,000.

"We are looking at expanding digitally. And even when it comes to physical, we tend to add about 300 odd branches in the current year, depending upon the potential where the branches are required," SBI chairman Dinesh Khara said in a recent interaction with analysts.

He also said the bank is not only looking at the branches and digitals, but also business correspondents.

"So, with this kind of footprint, what we're more interested in, is deepening relationships with existing franchises, and sweating the assets, which we already have," SBI managing director (retail business and operations) Alok Kumar Choudhary said.

So, he said, "Somebody is building an asset, we already have an asset and we're trying to sweat it out. So, our strategies will have to be different, because somebody who is already 216 years old, with all systems, governance, etc will have different priorities than somebody who is new to the industry and trying to make greater footholds".

Jan Dhan A/Cs reaching 50 crore a key milestone

The number of Jan Dhan accounts reaching the 50-crore mark is a significant milestone, said Prime Minister Narendra Modi, and lauded the fact more than half of these accounts belong to women.

"This is a significant milestone. It is heartening to see that more than half of these accounts belong to our 'Nari Shakti. With 67% of accounts opened in rural and semi-urban areas, we are also ensuring that the benefits of financial inclusion reach every corner of our nation," the PM said on microblogging site X, formerly Twitter.

The total number of Jan Dhan accounts, as per latest reports submitted by banks, crossed 50 crore on August 9, 2023.

Bank credit likely to grow 13-13.5% in FY24: CARE

Scheduled commercial banks' (SCBs) credit growth is expected to be in the range of 13.0-13.5 per cent for FY24, excluding the impact of the merger of HDFC with HDFC Bank, according to CARE Ratings.

Credit off take experienced robust growth of 16.2 per cent in Q1FY 24 and the outlook remains positive for FY24, per the rating agency's analysis of 30 banks, including 12 public sector banks and 18 private sector banks.

Banks disallow excess funds in credit card A/Cs

Indian banks are no longer allowing credit card users to pay more than their outstanding amount. And in the cases where the overpayment has been done, they are refunding the excess amount.

The main reason for this is that the banks are concerned about money laundering and fraud. A bank executive said that there have been cases where the excess amount parked in the customer's credit cards has been used for international transactions using hacking.

The banks have put guards in their applications to prevent customers from overpaying. It is allowed to send money through other banks, but in those cases, the card-issuing banks return the surplus funds within a week.

The report said that HDFC Bank, SBI Card and Axis Bank do not allow their customers to pay above the outstanding amount on their apps.

"There is also a recent guideline that asks banks to refund excess credit balances on cards within a certain period. A credit card is not a prepaid card product to permit loading and utilisation of the instrument," they said.

UPI wallet for foreign nationals

CheqUPI, a UPI wallet designed specifically for foreign nationals and Non-Resident Indians experience digital payments in India has been launched.

Despite the widespread adoption of Unified Payments Interface in the country, foreign nationals have faced hurdles due to the requirement of an Indian bank account and phone number. CheqUPI intends to bridge this gap and provide a seamless digital payment experience for foreign visitors, according to a press release.

Online bank a/cs inaccessible to many due to defunct credentials

Several individuals across India are unable to access their bank accounts online for reasons ranging from defunct user credentials to account turning dormant, with the system of resuscitating it an arduous process, a survey has found.

Community social media platform Local Circles said after issues were reported by banking consumers over 18 months, it conducted a survey to understand the type and magnitude of difficulties faced by consumers. It received 31,000 responses from 14,502 citizens and the platform said 44% respondents were from tier one, 34% from tier two and 22% were from tier three, four and rural districts.

"In summary, the findings of the survey indicate that 41% of families have one or more individuals with bank accounts that they are not able to access online," it said.

SBI to send chocolates to borrowers who are likely to default on monthly repayments

State Bank of India is adopting a novel way to ensure timely repayments, especially by its retail borrowers, by greeting those likely to default on monthly instalments with a pack of chocolates.

The move, aimed at ensuring better collections, comes amidst rising level of retail lending in the system coupled with increasing delinquency levels on the back of the upward movement in the interest rates.

SBI's retail loan book grew over 16.46 percent to Rs.12,04,279 crore in the June 2023 quarter from Rs. 10,34,111 crore in the year-ago period, making it the largest asset class for the lender whose total book stood at Rs. 33,03,731 crore, growing at 13.9 per cent on-year.

In fact for the entire system, the double-digit loan growth of around 16 per cent has been led by retail loans only.

"With two fintechs which use artificial intelligence, we are piloting a novel way of reminding our retail borrowers of their repayment obligations. While one is doing conciliation with borrowers, the other is alerting us on the propensity of a borrower to default. And to such borrowers who are likely to default, the representatives from this fintech will visit them, carrying a pack of chocolates for each of them, and remind them of the forthcoming EMIs," said, Ashwini Kumar Tewari, managing director in-charge of risk, compliance and stressed assets at SBI.

Jan Dhan A/C holders to soon get flexi RD facility

Pradhan Mantri Jan Dhan Yojana (PMJDY) account holders may soon get facility of flexi recurring deposit facility, a senior Finance Ministry official said. Also, there is a plan to increase the coverage of micro insurance among PMJDY account holders.

These are the plans as part of the 'Road Ahead' for PMJDY, which is set to complete nine years of its existence. Highlighting the achievement of financial inclusion initiative, Financial Services Secretary Vivek Joshi said, "Average deposit under PMJDY has reached over Rs. 4,000. This gives an opportunity to provide instruments such as flexi recurring deposit." Further, banks need to design such new products.

Flexi recurring deposit is like any RD in term of interest rate. Only, there is no need to set aside a fixed sum every month.

PSB Alliance plans to expand doorstep banking services to 6,800 centres in 2024

PSB Alliance Ltd, an entity set up by 12 public sector banks, will scale up its doorstep banking services for retail customers from the present 100 centres to 6,800 centres by June 2024. While it entered the domain of services for supply-chain financing, the outfit is also looking at expanding the scope of activities to address the requirements of wholesale banking and high-net-worth individuals.

Rajinder Mirakhur, Chief Executive and Managing Director, PSB Alliance said the company has appointed Veefin Solutions to deploy and administer a Unified Cloud-based Supply Chain Financing (SCF) ecosystem in the country. The supply chain financing would primarily help small businesses and aims to tap five per cent of the total credit market.

At present, pure-play supply chain finance from banks is only around Rs 1 trillion, and the alliance over the next three to four years seeks to increase it to at least five per cent of the total system-wide bank credit. At the current volume of bank credit, the five per cent works out to be around Rs 7.5 trillion. The overall bank credit rose 14.5 per cent year-on-year in the week ending July 28, to Rs 148.2 trillion.

Axis Bank launches paid savings A/C

Moving towards subscription-based accounts, Axis Bank launched a paid savings account where the customer will not be charged for many services and will not be required to maintain a minimum balance.

Customers will be charged Rs 150 per month or the discounted Rs 1,650 per year for what has been christened as 'Infinity Savings Account' by the third largest private sector lender. At present, a majority of the banks insist on a minimum balance for having a savings account, and charge holders a fee whenever the balance drops below the threshold. They also charge for extending services like SMS alerts, printing passbooks etc. ❑

Reserve Bank News

RBI to withdraw I-CRR by Oct 7 in phased manner

RBI said it would discontinue the incremental cash reserve ratio (I-CRR) requirement imposed on banks and return the impounded funds in phases ahead of the festival season when the demand for cash rises.

Out of the total I-CRR maintained, 25 per cent will be disbursed on September 9, another 25 per cent on September 23, and the remaining on October 7. It was estimated that around Rs. 1 trillion worth of liquidity was impounded due to the I- CRR requirement.

The central bank in a statement said the decision was taken based on an assessment of current and evolving liquidity conditions so that the "liquidity in the system is not subjected to sudden shocks and money markets function in an orderly manner".

During the August review of the monetary policy, the RBI mandated all scheduled banks to maintain an I-CRR of 10 per cent on the increase in their net demand and time liabilities (NDTL) between May 19 and July 28, with effect from August 12.

"It was largely along the expected lines as the market was expecting it to be rolled back in two tranches of 50-50. There might have been some disappointment in the market but it was mostly along the expectations, with the big relief that liquidity would come back to the system before the onset of the festival season," said Prasanna Patankar, managing director, STCI Primary Dealer Ltd.

"The RBI normally prefers to keep liquidity in the neutral zone and anything beyond that they try to stabilise it," he added.

RBI to banks: Give property papers back within 30 days of loan closure

RBI directed banks and other lenders, including non-banking financial companies (NBFCs), housing finance companies and cooperative banks, to release all original movable or immovable property documents within 30 days of full repayment or settlement of personal loans by borrowers.

In case of delay, the lenders will have to compensate the borrowers by paying Rs 5,000 for each day of delay, the RBI said. The directions, released as part of responsible lending conduct, will be applicable to all cases where release of original property documents is due on or after December 1 this year.

Personal loans refer to loans given to individuals and include consumer credit, education loan, loans given for creation or enhancement of immovable assets (such as housing), and loans given for investment in financial assets like shares and debentures. The new directives will be applicable to all these loan categories.

RBI launches portal Udgam for unclaimed deposit search

RBI has launched a centralised web portal aimed at simplifying the search for unclaimed deposits across banks. SBI, Punjab National Bank, Central Bank, DBS Bank, South Indian Bank, and Dhanlaxmi Bank have provided their data to the portal. Other banks are expected to join by October 15, an RBI statement said.

Customers can register on 'Udgam' (Unclaimed deposits - gateway to access information) platform using their mobile number. Once registered, they can search for unclaimed deposits under their name and provide additional inputs such as PAN, voter ID, driving licence and passport number.

Customers can then retrieve their deposits by completing a KYC process with their branch. In case the deposit-holder has passed away, their nominee will be required to submit documents.

RBI raises offline payment transaction cap to Rs. 500

RBI raised the upper limit of an offline payment transaction to Rs 500 from the existing Rs 200 to promote the use of UPI-Lite wallet in areas where internet connectivity is weak or not available.

The total limit for offline transactions on a payment instrument, however, remains Rs. 2,000.

In a circular titled "Enhancing transaction limits for Small Value Digital Payments in Offline Mode", the central bank said, "The upper limit of an offline payment transaction is increased to Rs 500."

"Replenishment of used limit shall be allowed only in online mode with AFA," it added. AFA stands for Additional Factor of Authentication.

It also said that offline payments should only be made face-to-face. Moreover, these transactions may be offered without AFA.

The RBI also launched a device wallet called UPI Lite in September last year to increase the speed of small-value transactions on UPI, optimise processing resources for banks and reduce transaction failures.

RBI bars lenders from levying penal interest on default by borrowers

RBI has directed lenders to levy penalty for default by borrowers as 'penal charges' and not as 'penal interest' which is added to the rate of interest charged on the advances.

The quantum of penal charges should be "reasonable" and "commensurate with the non-compliance of loan contract" without being discriminatory within a particular loan/ product category, the RBI said in its guidelines on Penal Charges in Loan Accounts under the Fair Lending Practice.

The norms were released after the RBI found that many regulated entities (REs) - lending institutions regulated by the central bank - were levying penal rates of interest, over and above the applicable interest rates, in case of defaults or non-compliance by the borrower with the terms on which credit facilities were sanctioned.

RBI likely to start digital rupee pilot in call money market by October

The Reserve Bank is likely to launch the pilot of Central Bank Digital Currency (CBDC) for transactions for interbank borrowing or call money market by October, central bank Executive Director Ajay Kumar Choudhary said.

The pilot of the wholesale CBDC, known as the Digital Rupee-Wholesale (e-W), was launched on November 1, 2022, with the use case being limited to the settlement of secondary market transactions in government securities.

"The RBI will introduce the wholesale CBDC in the call market either this month or next month," Choudhary said on the sidelines of the G20 Leaders' Summit here.

Das asks co-op bank directors to manage risks

The RBI held a conference for directors of tier 3 and 4 urban co-operative banks (UCBs) in the Mumbai zone. This is part of the regulator's initiative to improve governance in banks by engaging with directors and not just the management.

RBI has started engaging with the directors of its regulated entities functioning in different segments of the financial system. Two conferences were held with directors on boards of public sector banks and private sector banks in May 2023.

RBI governor Shaktikanta Das pointed out that although UCBs as a group have shown better financial performance lately, there are worries about specific banks. He stressed that UCBs need to make their financial and operational strength stronger to help keep the overall banking system stable.

Das asked the directors to focus on managing risks, and checking internal processes.

Bandhan Bank gets civil pension nod

The Reserve Bank of India appointed Bandhan Bank for disbursement of civil pension. The bank will soon be integrated with the Central Pension Accounting Office (CPAO) for the disbursement procedure.

The bank will disburse pension to the Central government staff in civil ministries or departments other than railways, posts and defence, National Capital Territory of Delhi, Union Territory administrations without legislatures, retired judges of the high courts and the Supreme Court. This scheme covers payment of pension to former MPs and former presidents/vice presidents of India.

Debraj Saha, head (government business), Bandhan Bank, said, "We are now better equipped to serve retirees in a more streamlined, secure and prompt manner." ❑

Industry News

Stock trades to be settled in 1 hour from March 2024

In a little more than a year from now, investors in the Indian stock market could get their trades settled instantaneously, the first country to achieve such a feat globally. As a precursor, the market would move to a one-hour settlement cycle around March, a Sebi source said.

The faster settlement cycle, however, will be optional for stock market investors since some institutions have raised concerns about shorter settlement cycles.

Currently, the Indian market operates on a T+1 cycle. Shares bought reflect in the demat account the next day. Ditto proceeds of stock sales in the bank account.

"From January 2024, the Indian market would move to an ASBA-like trading cycle, and in about 2-3 months after that, we would move to a one-hour settlement cycle," a Sebi source said.

"We are ready with the technology that would power the one-hour settlement cycle. An instantaneous settlement cycle could take some more time," since the regulator is currently working on the trading system that would power instantaneous settlements.

Over 6 crore ITR filings processed for AY 2034-24

As many as 6.98 crore tax returns have been filed for income earned in 2022-23 fiscal and out of them, more than 6 crore filings have been processed, the Central Board of Direct Taxes (CBDT) said.

The CBDT - the apex decision making body in matters of income and corporate taxes - said the department is not able to process certain Income Tax Returns (ITRs) for want of certain information/action on the part of taxpayers.

Of the total ITRs filed, about 14 lakh are yet to be verified by taxpayers while the department has sought further information from another 12 lakh taxpayers, for which requisite communication has been sent through their e-filing accounts.

Besides, certain ITR filers are yet to validate their bank accounts.

"As on September 5, 6.98 crore ITRs for Assessment Year 2023-24 have been filed, of which 6.84 crore have been verified. Of these, more than 6 crore ITRs, or 88 per cent of the total verified ITRs, have been processed," the CBDT said in a statement. Refunds have been issued for more than 2.45 crore filers for AY 2023-24.

Rs. 5,517 crore loans disbursed in August: Paytm

Paytm said it disbursed $667 million (Rs.5,517 crore) loans through its platform and deployed 87 lakh devices for offline payments in August.

The fintech platform said in a regulatory filing that on an average 9.4 crore users transacted through Paytm monthly during July and August this year, which was 20 per cent higher than the average number of users recorded during the same period last year.

"Our loan distribution business (in partnership with our lender partners) continues to gain scale with disbursements of Rs 10,710 crore ($1.3 billion, y-o-y growth of 137 per cent) and 88 lakh loans (y-o-y growth of 47 per cent) disbursed in quarter to date for the month of July and August 2023 combined, through the Paytm platform," the company shared in its operating performance report for August.

The number of merchants paying subscription for payment devices stood at

87 lakh as of August 2023, which is an increase of 42 lakh devices year-on-year, Paytm added.

ONGC set to pump Rs.2 Lakh crore for 'net zero'

Oil and Natural Gas Corporation (ONGC) plans to invest Rs 2 lakh crore to achieve net-zero transition targets by 2038, said Chairman Arun Kumar Singh.

During a press conference at the company's annual general meeting (AGM), Singh informed reporters that Rs 1 lakh crore would be required by 2030 to accomplish multiple green initiatives, with another 1 lakh crore to be allocated by 2038.

The ONGC has established goals to reach net-zero emissions for Scope-1 and Scope-2 by 2038.

"Your Company is devising a roadmap for opportunities in renewable energy and low-carbon sectors. It aims to expand its renewable portfolio to 10 GW by 2030. We are dedicated to investing around Rs. 1 lakh crore by 2030 to realize our various green initiatives and achieve Scope-I & Scope-II emission targets by 2038," stated Singh at the AGM.

Gadkari launches world's 1st BS 6-compliant flex-fuel car

Union Minister of Road Transport and Highways Nitin Gadkari unveiled the prototype of the world's first Bharat Stage (BS)-VI-compliant electrified flex-fuel car, developed by Toyota Kirloskar Motor.

The car, which runs on 100 per cent ethanol (E100), is based on the Toyota Innova HyCross. It can cover 40 per cent of its distance on ethanol and the remaining 60 per cent on electric, with the petrol engine shut off.

Increased demand for ethanol for blending with petrol and diesel will transform India's agricultural economy, making farmers 'urja daata' (energy provider)," Gadkari said during the prototype launch.

While flex-fuel vehicles have been introduced internationally before, and Toyota launched a flex-fuel version of its Corolla last year, this is the first flex-fuel vehicle compliant with India's BS-VI emission standards, according to the company.

African Union, now a G20 permanent member

The African Union (AU) became a permanent member of the Group of 20 largest economies (G20) of the world with Prime Minister Narendra Modi announcing its entry into the top global body.

In his opening remarks at the inaugural session of the two-day G20 Summit, Modi made the announcement welcoming the 55-nation AU as the new member of the grouping.

Shortly after the announcement, Union of Comoros President and AU chairperson Azali Assoumani took the seat as a full member of the G20.

"In keeping with the sentiment of sabka saath (with everyone), India had proposed that the African Union should be given permanent membership of the G20. I believe we all are in agreement on this proposal. With your agreement (he banged the gavel thrice)...," Modi said.

SIDBI eyes growth from small-ticket MSME loans

The Small Industries Development Bank of India aims to grow its assets by a quarter by accelerating its lending in the segment where the demand is for loans of up to 5 lakh, its chairman said.

The state-owned lender will press the pedal on its 'Prayaas Programme' that targets businesses that are looking for loans between 1 lakh and 5 lakh, which are not served by other established lenders such as banks and even nonbanking finance companies in general.

"The development finance institution is ramping up the lending between 1 lakh to 5 lakh as this sector is underserved," said SIDBI chairman S Ramann. "Total MSME credit in the country is about 24 lakh crore. Another 25 lakh crore is needed in the next three years to satisfy the credit demand of MSMEs."

State-run lenders and specialised institutions are accelerating lending to small and medium enterprises as the government looks to create more employment opportunities. The state and the regulator have designed multiple programmes to ensure that credit flows to the segment that serves millions.

In coming months, I-T may reopen many big old cases

The Central Board of Direct Taxes (CBDT), guided by a Supreme Court (SC) order issued in April, has sent out comprehensive instructions to tax officials regarding reopening of past cases under the Income-tax (I-T) Act.

The instructions dated August 23-aimed at ensuring a uniform practice-state that there will be no reopening and reassessment of completed cases only where the decision of the appellate authorities has become final. While this provides some relief, the coming months may see reopening of past cases and reassessments in several instances where the sums involved are significant.

Deepak Joshi, an SC advocate, explained, "The silver lining to the CBDT instruction is that it has decided to not touch at least those cases where no appeal is pending before the appellate authorities and the proceedings have attained finality prior to the SC decision the lead case heard in April."

SIDBI to raise Rs. 10,000 crore from rights issue next fiscal

Sidbi, which refinances SME loans, plans to float a Rs 10,000-crore rights issue next fiscal to expand its equity capital as it expects to grow assets to Rs 5 lakh crore by March 2024 from about Rs 4 lakh crore in March 2023, a top official has said.

The central government owns 20.8 per cent in Sidbi, while State Bank of India holds 15.65 per cent and Life Insurance Corporation 13.33 per cent. The rest of the equity is held by other public financial institutions and banks. The shareholders will subscribe to the proposed rights issue.

SEBI proposes intermediaries stay away from 'finfluencers'

Sebi has proposed that intermediaries should dissociate themselves from unregistered financial influencers, also known as "finfluencers".

The Sebi consultation paper comes amid a rise in the number of unregistered investment advisors giving out stock tips on social media platforms.

"No SEBI registered intermediaries or regulated entities or their agents or representatives shall, directly or indirectly, have any association or relationship in any form, whether monetary or non-monetary, for any promotion or advertisement of their services or products, with any unregistered entities (including finfluencers)," Sebi said in the consultation paper.

The paper said SEBI-registered intermediaries should take active measures to dissociate themselves from any unregistered entity using their name, product or service. It proposed that entities registered or regulated by Sebi, stock exchanges or the Association of Mutual Funds in India should not share confidential information of their clients with unregistered entities.

Net direct tax collection up 23.5% till mid-Sept on better advance mop-up

Net direct tax collection grew 23.51 per cent to over Rs 8.65 lakh crore till mid-September, on higher advance tax mop-up from corporates, the Finance Ministry said.

The net direct tax collection of Rs 8,65,117 crore (as on September 16) includes corporate income tax (CIT) at Rs 4,16,217 crore and personal income tax (PIT) including Securities Transaction Tax (STT) at Rs 4,47,291 crore.

Net direct tax collections for the current fiscal as on September 16, have grown at over 23.51 per cent, the ministry said in a statement.

Advance tax collections stood at Rs 3.55 lakh crore till mid-September, a 21 per cent growth against Rs 2.94 lakh crore collected in the corresponding period of the preceding financial year.

Taxman takes affidavit route to uncover undisclosed foreign assets

The taxman is asking for an affidavit - a declaration under oath - to corner those with hidden foreign bank accounts, properties and other offshore assets.

Till now many bought time and tried to dodge the tax office by denying ownership or links with any overseas assets with false submissions, often made in letterheads of their chartered accountants and lawyers. Later, if tax officials called their bluff, such plain submissions gave them the leeway to escape harsh consequences.

That ploy would no longer work. In an affidavit, containing affirmative statements made on a stamp paper or a notarised declaration, most would refrain from holding back information due to fear of punishment under the criminal law.

The Income Tax (I-T) department, which is inundated with information shared by other countries on foreign assets on Indians, has sensed that insisting on an affidavit would be a quicker way to handle the cases, said persons aware of the development.

Nifty hits 20,000 for first time on G20 vibes, global cues

The benchmark Nifty 50 hit the psychological 20,000 mark for the first time, advancing for the seventh straight day against the backdrop of the G20 summit hosted by India and positive global cues.

The Nifty breached the 20,000 levels in late trade before settling at 19996.4, up 0.9 per cent. Forty-six of its components advanced, with Reliance Industries, HDFC Bank, Axis Bank, ICICI Bank, and Adani Ports & SEZ being the top contributors to the gains. The gauge has surged 3.85 per cent since August 31 and was last seen nearing the 20,000 mark on July 20. The journey from 19,000 to 20,000 took 52 sessions. ❑

Mutual Fund News

Mirae Asset Mutual Fund launches Mirae Asset S&P BSE Sensex ETF

Mirae Asset Mutual Fund has launched Mirae Asset S&P BSE Sensex ETF, an open-ended scheme replicating/tracking S&P BSE Sensex Total Return Index. The scheme will re-open for continuous sale and repurchase from October 3.

The performance of the scheme will be benchmarked against S&P BSE Sensex TRI (Total Return Index). The scheme will be managed by Ekta Gala and Vishal Singh.

Investors adopt cautious stance; debt mutual funds log Rs 25,872 crore outflow in August

After witnessing staggering inflow in July, debt-oriented mutual fund schemes saw a withdrawal of Rs 25,872 crore last month as investors continue to adopt a cautious stance amid the current interest rate scenario in the US. Out of 16 debt categories, nine of them witnessed net outflows during the month under review, data with the Association of Mutual Funds in India (AMFI) showed.

The major quantum of net outflows was witnessed by the categories having less than one year duration profile such as liquid, ultra short and low duration. Additionally, the banking and PSU category also witnessed significant net outflows.

According to the data, debt mutual funds witnessed an outflow of Rs 25,872 crore in August as compared to a net inflow of Rs 61,440 crore in the preceding month.

"Given the current interest rate scenario and uncertainty over the direction of interest rates in the country, it appears that many investors continue to adopt a cautious stance and wait for further indication on interest rates to make investment decisions. Also, a rally in the equity markets could have also prompted investors to shift their focus from debt to equity," Melvyn Santarita, Analyst - Manager Research at Morningstar India, said.

Motilal Oswal Mutual Fund launches Motilal Oswal Developed Market Ex US ETFs Fund of Funds

Motilal Oswal Mutual Fund has launched Motilal Oswal Developed Market Ex US ETFs Fund of Funds, an open-ended fund of funds scheme investing in units of Global ETFs which track the performance of developed markets excluding US.

The performance of the scheme will be benchmarked against S&P Developed Ex-U.S. BMI Total Return Index. The scheme will be managed by Ankush Sood (foreign investments), and Rakesh Shetty (debt investments).

ICICI Prudential Mutual Fund changes fund managers for 3 schemes

ICICI Prudential Mutual Fund has announced change in fund managers for its three equity schemes through a notice cum addendum.

The fund house informed the investors that the fund managers for ICICI Prudential Smallcap Fund, ICICI Prudential Long Term Equity Fund (Tax Saving), and ICICI Prudential Transportation and Logistics Fund (the schemes) have been changed.

In addition to the above changes, Sharmila D'mello will be the dedicated fund manager for managing overseas investments, if any, for the above schemes. The above mentioned schemes are from small cap, ELSS, and thematic fund categories.

According to the last available portfolio, ICICI Prudential Smallcap Fund manages assets of Rs 6,989.26 crore. ICICI Prudential Long Term Equity Fund (Tax Saving) and ICICI Prudential Transportation and Logistics Fund manages assets of Rs 11,227.73 crore and Rs 2,550.05 crore respectively.

UTI Mutual Fund elevates Anurag Mittal as head of fixed income

UTI Asset Management Company (UTI AMC) has announced the elevation of Anurag Mittal as head of fixed income with effect from October 1. Mittal joined UTI AMC in 2021 as deputy head of fixed income and has been managing key flagship funds for the company.

"We are pleased to announce Anurag's elevation as Head of Fixed Income at UTI AMC. The leadership of Anurag and his proven expertise in research and Fixed Income fund management will strengthen the Fixed Income team of UTI AMC further, as we remain committed to helping investors achieve their financial goals," said Imtaiyazur Rahman, Managing Director & CEO, UTI AMC.

Mittal has an experience of close to two decades in fund management, dealing and research. Prior to joining UTI AMC, he was senior fund manager at IDFC Asset Management Company and managed key IDFC debt mutual fund schemes. He was also associated with HDFC Mutual Fund as senior manager - Investments and Axis Mutual Fund as fund manager - investments, responsible for fund management, dealing and research.

He is a Chartered Accountant affiliated with Institute of Chartered Accountant of India and holds a master degree in accounting & finance with specialization in finance from London School of Economics.

Bandhan Mutual Fund files draft for micro cap fund

Bandhan Mutual Fund has filed a draft for a Micro Cap Fund. Bandhan Microcap Fund will be an open-ended scheme investing in micro cap companies.

The scheme will be benchmarked against Nifty Microcap 250 TRI. The scheme will be managed by Sumit Agrawal and Kirthi Jain (equity investments), Brijesh Shah (debt investments), and Nishita Shah (overseas investments).

Sebi extends deadline to add nominees in mutual funds

Markets regulator Sebi on Wednesday extended the deadline for mutual fund account holders till January 1, to nominate a beneficiary or opt out of it by submitting a declaration form, failing which their folios will be frozen. Earlier, the deadline for existing mutual fund holders to provide a choice of nomination was on or before September 30.

The move is aimed at helping investors to secure their assets and pass them on to their legal heirs.

"Based on representations received from the market participants, it has been decided that the provision... about the freezing of folios, shall come into force with effect from January 1, 2024 instead of September 30, 2023," Sebi said in a circular.

Further, Sebi asked asset management companies (AMCs) and RTAs to encourage the unit holder to fulfill the requirement for nomination/ opting out of the nomination by sending a communication on a fortnightly basis by way of emails and SMS to all such unit holders who is not in compliance with the requirement of nomination.

The Securities and Exchange Board of India (Sebi), in its circular on June 15, 2022, made it mandatory for mutual fund subscribers to submit the nomination details or declaration to opt out of the nomination on or after August 1, 2022.

India mid- and small-cap rally to persist, says DSP Mutual Fund's Parekh

The rally in India's mid- and small-cap stocks will continue amid more inflows into these segments, the head of India's tenth-largest mutual fund said.

"The rally may continue due to more flows and less companies to invest in," Kalpen Parekh, managing director and CEO of Mumbai-based mutual fund DSP, told the Reuters Trading India forum.

Mid- and small-cap indexes have significantly outperformed their larger peer in 2023. The Nifty small-cap 100 index has risen nearly 33% this year, while the Nifty midcap 50 index is up around 29%, versus an 8.7% rise in the benchmark Nifty 50.

DSP Mutual Fund will also launch a small-cap fund this year to take advantage of the inflows to the segment, Parekh said.

"We have approval for launching an index fund of small-cap with high-quality companies," he said, adding that the fund is likely to launch in December. ❑

Co-Operative Bank News

RBI cautions UCB directors against camouflage of financial position

Flagging the need to enhance integrity and financial profile, the Reserve Bank of India (RBI) cautioned directors of Urban Cooperative Banks (UCBs) against the use of innovative accounting practices to camouflage the actual financial position.

UCBs have to strengthen their financial and operational resilience so as to contribute to the overall financial and banking sector stability. While the UCB sector has displayed improved financial performance at an aggregate level in recent times, concerns and vulnerabilities are seen for certain individual entities.

Addressing directors of select UCBs, Shaktikanta Das, RBI governor, said the role of directors was very significant in ensuring the integrity and transparency of financial statements. The RBI held a Conference of Directors on the Boards of Tier-III and Tier-IV UCBs in the Mumbai Zone.

The Governor inaugurated the conference on the theme 'Governance in Banks - Driving Sustainable Growth and Stability'. Tier-IV UCBs are entities with deposits above Rs 10,000 crore, and Tier-III consists of Urban Coop Banks with deposits between Rs 1,000 crore to Rs 10,000 crore.

The RBI has started engaging with the directors of its Regulated Entities functioning in different segments of the financial system.

Two separate conferences were held with directors on boards of Public Sector Banks and Private Sector Banks in May 2023.

Going forward, the central bank would be convening similar conferences of directors on boards of other UCBs in other regions of the country.

There was also a need for the board's involvement in upholding rigorous credit risk management, including robust underwriting standards, effective post-sanction monitoring, timely recognition and mitigation of incipient stress.

The board has a crucial role in the rigorous follow-up of large NPA borrowers for effective recovery, and maintaining adequate provisioning, he said.

The Governor stressed that the quality of governance was the most important aspect in ensuring the stability of individual banks and urged the directors of UCBs to further strengthen governance practices, especially the three supporting pillars of Compliance, Risk Management and Internal Audit.

It has adopted a four-tiered regulatory framework for the categorisation of UCBs, given the heterogeneity in the sector.

RBI imposes monetary penalty on four cooperative banks for rule violations

RBI imposed monetary penalties on four cooperative banks for rule violations. The banks that have been penalised are the Baramati Sahakari Bank, the Becharaji Nagarik Sahakari Bank, the Waghodia Urban Co-operative Bank, and the Viramgam Mercantile Co-operative Bank, according to the releases.

The central bank has imposed a penalty of Rs 2 lakh each on Baramati Sahakari Bank and Becharaji Nagarik Sahakari Bank, as mentioned in the releases.

Moreover, it has imposed a penalty of Rs 5 lakh each on the Waghodia Urban Co-operative Bank and the Viramgam Mercantile Co-operative Bank.

Meanwhile, the RBI has penalised Becharaji Nagarik Sahakari Bank as the bank breached prudential inter-bank counter-party exposure limits. ❑

Legal News

SC: Dying declaration can't always be sole basis for conviction

The Supreme Court has said that a person should not be convicted solely on the basis of dying declaration if there is some doubt about its veracity and acquitted a person who was convicted and sentenced to death for burning his son and two brothers to death on the basis of statements made by the deceased before dying.

A bench of Justices B R Gavai, J B Pardiwala and Prashant Kumar Mishra said that acceptability of dying declaration is high because it is done by a person at the time of death when every motive to falsehood is silenced, and the man is induced by the most powerful consideration to speak only the truth. But the bench cautioned the courts not to rely on it blindly.

"It is unsafe to record the conviction on the basis of a dying declaration alone in the cases where suspicion, like the case on hand is raised, as regards the correctness of the dying declaration. In such cases, the Court may have to look for some corroborative evidence by treating the dying declaration only as a piece of evidence. The evidence and material available on record must be properly weighed in each case to arrive at an appropriate conclusion. The reason why we say so is that in the case on hand, although the appellant-convict has been named in the two dying declarations as a person who set the room on fire, yet the surrounding circumstances render such statements of the declarants very doubtful," the bench said.

The bench, after examining all the evidence and statements of witness and dying declarations, said that there were contradictions and it had to either believe the dying declarations or the oral evidence of the eyewitnesses. It accepted the plea of senior advocate Gopal Sankaranarayanan who, appearing for the convict, submitted that dying declarations did not inspire any confidence and could not be relied upon.

"It is the duty of the prosecution to establish the charge against the accused beyond reasonable doubt. The benefit of doubt must always go in favour of the accused. It is true that dying declaration is a substantive piece of evidence to be relied on provided it is proved that the same was voluntary and truthful and the victim was in a fit state of mind. It is just not enough for the court to say that the dying declaration is reliable as the accused is named in the dying declaration as the assailant," the bench said.

ITC can't be claimed till seller pays tax: HC

The Patna high court, in a recent decision that favours the GST authorities, ruled that input tax credit (ITC) is akin to a privilege or concession rather than an inherent entitlement provided within the GST framework.

The eligibility to claim ITC for a buyer hinges not only on the amount collected by the seller (dealer) via the invoice raised, but also on the timely remittance of this sum by the seller to the government. The responsibility of proving that the tax collected has been remitted to the government rests with the buyer.

"This high court decision explicitly points out that a buyer is eligible to claim input tax credit (ITC) only if the GST has actually been paid by the seller (dealer). This will adversely impact genuine buyers, who have already paid the GST component against the invoice raised by the seller. If the seller defaults in payment of the tax to the government treasury, ITC cannot be claimed and in fact, if it has been claimed - there will need to be a reversal of such credit," Abhishek Jain, partner and indirect tax head at KPMG India, said.

In the case of Aastha Enterprises, the HC said that ITC by its very nomenclature contemplates a credit being available to the buyer in its credit ledger by way of payment of tax by the supplier to the government. "The contention of double taxation does not impress us, especially since the claim is denied only when the supplier who collected tax from the purchaser fails to pay it to the government. Taxation, as has been held, is a compulsory extraction made for the purpose of public good by the welfare state and without the levy being paid to the government; there can be no claim raised of the liability to tax having been satisfied and hence, there is no question of double taxation," the court order said.

The Law Commission's Report on Sedition misunderstands what the courts said

The 22nd Law Commission of India recently submitted its final report ("Usage of the Law of Sedition") on the constitutionality of section 124A of the Indian Penal Code. Law Commission reports exert considerable influence on both the government and the Supreme Court and, given that the provision's constitutionality is pending, it is important to closely read a document that will likely form an important part of any future judgement on the matter.

The report walks the reader through sedition law's history in India, the Law Commission's previous reports that discussed the law, Constituent Assembly debates, and the courts' public-order jurisprudence. After discussing the threats to India's security and the law's "alleged" misuse (the Commission passes the buck onto the police instead of the "political class," as if the police are an autonomous body) and undertaking a wide-ranging comparative survey of sedition law in diverse jurisdictions (the UK, US, Australia, and Canada!), the report concludes with why the law should be retained on the books.

It adds a series of recommendations that ignore the Supreme Court's post-Kedar Nath jurisprudence, set out vague procedural guidelines, and increase the punishment for the offence.

I will not examine the report's history of the provision as, beyond establishing the purpose of the provision, it serves no purpose. Highlighting the colonial origins of the provision is only relevant insofar as it displaces any presumption of constitutionality; it has no bearing on the provision's constitutionality itself. Instead, I will restrict myself to its discussion of the court's free speech jurisprudence, as that forms the basis of its proposed substantive amendment, and the absences that mark the text.

Can't refuse education loan over student's CIBIL score: Kerala HC

The Kerala High Court stayed an order passed by single-judge PV Kunhikrishnan which said that a student's credit score cannot be a factor in rejecting an education loan application.

Acting on an appeal filed by the State Bank of India (SBI), a Bench of Acting Chief Justice SVN Bhatti and Justice Basant Balaji temporarily stayed an order dated May 30, directing the banks to sanction educational loans to students without rejecting them on the basis of a low CIBIL or credit score.

The bank had challenged the order on grounds that the credit sanctioning has to be carried out according to the applicable rules and guidelines such as the Credit Information Companies Act, 2005, which deals with the regulation of credit information companies and facilitates efficient credit distribution.

21 proposals with potential to succeed identified: RBI Governor

To align cross-border payments ecosystems with G20 priorities, 21 innovative proposals with the potential to succeed have been identified, Reserve Bank of India (RBI) Governor Shaktikanta Das said. "In collaboration with the Bank for International Settlements (BIS), 21 proposals in total were shortlisted...they have the power to provide solutions to maintain the integrity of the financial system, empower the underserved, reduce frictions in cross-border payments and amplify the resilience of financial systems," Das said at the G20 TechSprint Finale in Mumbai. The G20 TechSprint is a global long-form hackathon series that the BIS Innovation Hub co-hosts annually with the G20 Presidency.

Axis Bank launches 'NEO for Business', a mobile-first Business Banking proposition for MSMEs

Axis Bank announces the launch of 'NEO for Business', a distinctive Transaction Banking platform specially curated for the Indian Micro, Small and Medium Enterprises (MSME's). This is first of its kind comprehensive digital proposition that caters to the real, current, and emerging Transaction Banking needs of MSMEs.

With more than 30%+ contribution to the Indian GDP, 65+ million MSMEs form the backbone of India's economy. They are rapidly adopting digital payments over cash, with 72% payments done through the digital mode compared with 28% cash transactions. Rise in digital adoption presents prospects for further growth in the sector and we see this as a huge opportunity. At Axis Bank we continue to witness a strong momentum across our focused MSME segment, which continues to remain a key growth driver for the Bank.

Existing Axis Bank Current Account customers can now experience the power of NEO for Business on mobile by downloading a mobile app or through a simple web based digital registration. NEO for Business currently caters to sole proprietorship entities and individuals who form a considerable part of MSME addressable pool in the industry. Axis Bank will soon be extending the platform to companies, partnerships, and LLPs.

The Bank has a comprehensive suite of products and services on its digital banking proposition 'NEO by Axis Bank' for its corporate banking customers/clients. NEO for Business is the latest launch as part of these holistic offerings. The umbrella of initiatives under 'NEO by Axis Bank' have been designed keeping in mind the evolving customer preferences and are benchmarked against global best-in-class propositions. These comprehensive offerings cover APIs, Corporate Internet Banking and Mobile App, Host to Host integration and Partnerships.

Bank of Baroda enables UPI LITE - Small Value on Device Wallet

Bank of Baroda (Bank), one of India's leading public sector banks, announced that it has enabled UPI LITE - Small Value on Device Wallet. UPI LITE is a wallet that allows users to make instant, small value digital payments with only one tap without the use of a UPI PIN. UPI LITE enables customers to seamlessly make multiple, small value transactions instantly during peak hours. The maximum balance in the UPI LITE wallet at any point of time cannot exceed Rs 2,000.

To avail this service, customers need to enable UPI LITE on BHIM or any UPI LITE support app. During LITE activation, customers can fund their UPI LITE account through their UPI-linked Bank of Baroda bank account. Merchants will receive seamless instant payments from customers. Customers can use the wallet balance to make small value, cashless payments at kirana stores, pharmacies, restaurants, shops, fuel retail outlets, and more. UPI LITE will help in reducing the load on the system by processing small-value payments, improving the success rate for low value transactions and enhancing user experience.

Once a customer activates the UPI LITE account, small value digital transactions as per permissible limit will be debited from the LITE account without any additional factor authentication (AFA). However, users recharging or loading funds in UPI LITE will need to enter additional factor authentication. On deactivating UPI LITE, the balance in the UPI LITE wallet will be credited back to the Primary LITE bank account.

Bank of Baroda has also launched the UPI LITE X on a pilot basis during the Global Fintech Fest 2023 on 6th September 2023 at the hands of the Reserve Bank of India Governor Shri Shaktikanta Das.

Shri Joydeep Dutta Roy, Executive Director, Bank of Baroda said, "UPI is today one of the most preferred digital payment modes for consumers given the sheer ease and convenience of making payments and the superior user experience along with security and interoperability features. Bank of Baroda is one of the leading UPI remitter banks and the launch of our UPI LITE facility will further accelerate the adoption of UPI and help in promoting digital financial inclusion."

ICICI Bank opens 100th branch in Pune

ICICI Bank has set up a branch at Baner in Pune, the 100th branch of the Bank in the city. Housed at Pancard Club Road, the branch is equipped with an ATM-cum-Cash Recycler Machine (CRM) to offer cash deposit and withdrawal services to customers.

Mr. Rakesh Jha, Executive Director, ICICI Bank inaugurated the branch. Speaking at the inauguration, Mr. Jha said, “We are delighted to announce the launch of our 100th branch in the cultural capital of Maharashtra. We trust our customers would continue to like our digitally-driven and user-friendly products and services. As the city gears up for the forthcoming festive season, we look forward to serve our customers- the individuals, businesses, and corporates to meet their banking and financial needs effortlessly.”

The branch offers a comprehensive range of accounts, including savings and current accounts, trade and forex services, fixed and recurring deposits, loans- business loan, home loan, personal loan, auto loan, and gold loan along with remittance and card services. The branch also offers banking services to NRI customers. It further provides locker facility at its premises. It operates from 9:30 A.M to 3:00 P.M on Monday to Friday and on the first, third, and fifth Saturdays of the month.

The branch also offers Tab Banking facility that provides nearly 100 services at the customer’s place by an employee through a tablet device. The services include opening of accounts, Fixed Deposit (FD), raising cheque book request, generation of e-statements and change of address, among others.

ICICI Bank has a network of about 850 branches and 2,900 ATMs and cash recycling machines (CRMs) in Maharashtra.

India Exim Bank Announces the Winner of the BRICS Economic Research Citation for 2023

Dr. Digvijay Singh Negi was declared the winner of Export-Import Bank of India’s (India Exim Bank’s) BRICS Economic Research Citation 2023, Dr. Negi was handed over the Citation by Ms. Harsha Bangari, Managing Director, Export-Import Bank of India, in the presence of Prof. Mark Swilling, Chairman, Development Bank of Southern Africa (DBSA) and Ms Boitumelo Mosako, CEO, Development Bank of Southern Africa (DBSA), during the 13th BRICS Annual Financial Forum, hosted by Development Bank of Southern Africa (DBSA) in Cape Town on August 22, 2023.

The Forum saw the participation of the heads of member development banks of the BRICS Interbank Cooperation Mechanism viz. the Brazilian Development Bank (BNDES); State Development Corporation VEB.RF; China Development Bank (CDB); Export-Import Bank of India (India Exim Bank) and Development Bank of Southern Africa (DBSA), along with the New Development Bank. The Citation comprises prize money of Indian Rupees 1.5 million (approximately USD 20,000), and a medal.

Exim Bank’s Occasional Paper titled “Essays on Risk, Insurance and Welfare” based on the Citation winner’s doctoral thesis was also released during the Forum at the hands of Ms. Harsha Bangari, Managing Director, Export-Import Bank of India, Prof. Mark Swilling, Chairman, Development Bank of Southern Africa (DBSA) and Ms Boitumelo Mosako, CEO, Development Bank of Southern Africa (DBSA).

NUMBERS SPEAK: UNVEILING BORROWER VIABILITY THROUGH RATIO ANALYSIS

Ratio analysis plays a crucial role in the assessment of loan applications by providing valuable insights into the financial health and performance of a business or individual. Lenders and financial institutions use ratio analysis as a tool to evaluate the creditworthiness, repayment capacity, and risk associated with extending a loan. Here are some key reasons why ratio analysis is important for loan assessment:

Financial Health Evaluation: Ratios help assess the financial health of the borrower by analyzing their financial statements, including income statements, balance sheets, and cash flow statements. These ratios provide a comprehensive view of the borrower's financial position, indicating whether they have the capacity to generate sufficient funds to meet their obligations.

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Risk Assessment: Ratios allow lenders to gauge the risk associated with granting a loan. By comparing various financial ratios over time and against industry benchmarks, lenders can identify potential red flags, such as deteriorating financial performance, liquidity issues, or excessive debt levels.

Creditworthiness: Ratios provide insights into a borrower's ability to service debt. Lenders can assess the borrower's ability to make regular interest payments and repay the principal amount based on their operating cash flows and profitability.

Liquidity Analysis: Liquidity ratios, such as the current ratio and quick ratio, indicate a borrower's ability to cover short-term obligations. Lenders use these ratios to determine whether the borrower has enough liquid assets to manage their day-to-day expenses and repayments.

Profitability Assessment: Profitability ratios help lenders understand the borrower's ability to generate profits from their operations. This information is crucial in assessing whether the borrower can generate enough income to cover loan repayments and other financial commitments.

Debt Management: Debt ratios, like the debt-to-equity ratio and interest coverage ratio, offer insights into a borrower's leverage and debt repayment capacity. Lenders analyze these ratios to ensure that the borrower has a manageable level of debt and can meet interest payments.

Trend Analysis: Ratio analysis enables lenders to track the financial performance of the borrower over time. By comparing ratios from different periods, lenders can identify positive or negative trends that might affect the borrower's ability to repay the loan.

Comparative Analysis: Ratios allow lenders to compare the borrower's financial performance with industry benchmarks and similar businesses. This helps lenders understand how the borrower stacks up against competitors and whether they are operating in line with industry norms.

Customized Evaluation: Different types of loans have different requirements and risk profiles. Ratio analysis enables lenders to tailor their assessment based on the specific characteristics of the loan and the borrower's circumstances.

Now we will learn and understand different kind of ratios used in loan assessment and it's application.

Liquidity Ratios:

Liquidity ratios are a set of financial ratios that assess a company's ability to meet its short-term financial obligations and manage its immediate cash flow needs. These ratios provide insights into the company's liquidity position, which is crucial for maintaining operational stability and meeting short-term debt obligations. Here are some important liquidity ratios:

Current Ratio: The current ratio measures the company's ability to cover its short-term liabilities with its short-term assets. It is calculated by dividing current assets by current liabilities.

Current Ratio = Current Assets / Current Liabilities

A higher current ratio indicates better short-term liquidity, as the company has more assets available to cover its current obligations. However, an excessively high current ratio might suggest that the company is not efficiently utilizing its assets.

Quick Ratio (Acid-Test Ratio): The quick ratio is a more stringent measure of liquidity that excludes inventory from current assets. It focuses on assets that can be quickly converted into cash to cover short-term liabilities.

Quick Ratio = (Current Assets - Inventory) / Current Liabilities

This ratio provides a clearer picture of a company's immediate ability to meet its obligations without relying on inventory sales.

Cash Ratio: The cash ratio is the most conservative liquidity ratio. It measures the company's ability to cover short-term liabilities using only its cash and cash equivalents.

Cash Ratio = (Cash + Cash Equivalents) / Current Liabilities

This ratio gives insight into the company's extreme short-term liquidity position.

These liquidity ratios help lenders, investors, and analysts evaluate a company's ability to handle short-term financial challenges, pay its creditors, and maintain smooth operations. High liquidity ratios indicate that a company has a strong ability to meet its immediate obligations, while low ratios could suggest potential liquidity issues.

It's important to note that the ideal liquidity ratios can vary by industry and business type. For instance, industries with rapid inventory turnover might have lower current ratios due to their efficient use of resources. On the other hand, industries with longer sales cycles might require higher liquidity ratios to cover extended periods without generating cash.

When assessing a loan application, lenders often use liquidity ratios to ensure that the borrower has enough liquidity to

manage their short-term debt payments and operational needs. These ratios provide valuable insights into the borrower's financial stability and capacity to handle financial shocks.

Solvency Ratios:

Solvency ratios are financial metrics that assess a company's long-term financial health and its ability to meet its long-term debt obligations. Unlike liquidity ratios, which focus on short-term obligations, solvency ratios provide insights into a company's ability to cover its debts over the long term and maintain a stable financial position. Here are some important solvency ratios:

Debt-to-Equity Ratio: The debt-to-equity ratio measures the proportion of a company's financing that comes from debt compared to equity. It indicates the extent to which a company is relying on borrowed funds to finance its operations.

Debt-to-Equity Ratio = Total Debt / Total Equity

A lower debt-to-equity ratio is generally considered more favorable, as it suggests that the company has a greater proportion of its financing coming from equity, which is considered a more stable source of capital.

Debt-to Asset Ratio: The debt ratio (also known as the debt-to-assets ratio) shows the proportion of a company's assets that are financed by debt. It indicates the company's leverage or dependency on debt financing.

Debt Ratio = Total Debt / Total Assets

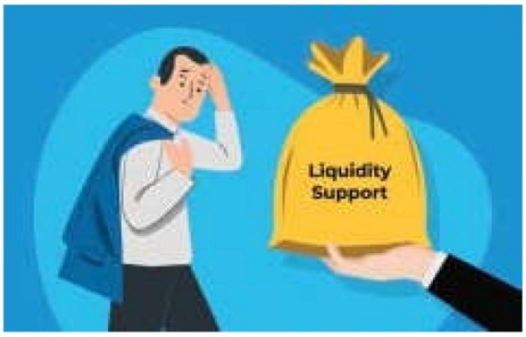
A lower debt ratio indicates a lower risk of insolvency, as it suggests that a larger portion of the company's assets is financed by equity.

Interest Coverage Ratio: The interest coverage ratio measures a company's ability to cover its interest payments with its earnings before interest and taxes (EBIT). It shows whether a company is generating enough operating income to meet its interest obligations.

Interest Coverage Ratio = EBIT / Interest Expenses

Sometimes it is calculated as EBITDA/Interest expenses

Where EBITDA stands for earnings before interest, taxes, depreciation and amoertization



A higher interest coverage ratio suggests that the company has sufficient earnings to comfortably cover its interest payments.

Debt Service Coverage Ratio (DSCR): The debt service coverage ratio is often used in project finance or lending for capital-intensive projects. It evaluates a company's ability to service its debt obligations, including both principal and interest payments, from its operating cash flow.

DSCR = Operating Income / Total Debt Service

If we disintegrate the formula further we can write the same as

DSCR = (Net Profit after Tax + Depreciation + Interest on Term Loan) / (Instalment of Term Loan + Interest on TL)

A DSCR greater than 1 indicates that the company is generating enough cash flow to cover its debt obligations.

Equity Ratio: The equity ratio (also known as the equity-to-assets ratio) measures the proportion of a company's assets that are financed by equity. It's a variation of the debt ratio and provides insight into the company's financial stability.

Equity Ratio = Total Equity / Total Assets

A higher equity ratio indicates a more solid financial position, as a larger portion of the company's assets is funded by equity.

Solvency ratios are crucial for lenders, investors, and creditors to assess a company's ability to meet its long-term financial commitments and to determine the risk of insolvency. These ratios help evaluate the company's capital structure, leverage levels, and overall financial risk. Different industries and business models may have varying acceptable ranges for solvency ratios, and it's important to consider these ratios in conjunction with other financial indicators for a comprehensive assessment.

Profitability Ratio:

Profitability ratios are financial metrics that assess a company's ability to generate profits in relation to its revenue, assets, equity, and other financial factors. These ratios provide insights into a company's overall profitability and its efficiency in using resources to generate earnings. Here are some important profitability ratios:

Gross Profit Margin: The gross profit margin measures the percentage of revenue that remains after deducting the cost of goods sold (COGS). It indicates how well a company manages its production costs.

Gross Profit Margin = (Gross Profit / Revenue) * 100

A higher gross profit margin indicates that the company is effectively managing its production costs and generating a healthy profit from its core operations.

Operating Profit Margin: The operating profit margin, also known as the operating margin, shows the percentage of revenue that remains after deducting both COGS and operating expenses (excluding interest and taxes).

Operating Profit Margin = (Operating Profit / Revenue) * 100

This ratio provides insight into a company's operational efficiency and its ability to generate profits from its regular business activities.

Net Profit Margin: The net profit margin represents the percentage of revenue that remains as net income after accounting for all expenses, including COGS, operating expenses, interest, taxes, and other costs.

Net Profit Margin = (Net Income / Revenue) * 100

A higher net profit margin indicates the company's overall profitability after all expenses are considered.

Return on Assets (ROA): Return on assets measures the company's ability to generate profits from its total assets. It shows how efficiently the company is utilizing its assets to generate earnings.

ROA = (Net Income / Total Assets) * 100

ROA provides insight into the company's effectiveness in generating profits with the resources it has at its disposal.

Return on Equity (ROE): Return on equity measures the company's ability to generate profits relative to its shareholders' equity. It indicates how well the company is utilizing shareholders' investments to generate returns.

ROE = (Net Income / Shareholders' Equity) * 100

ROE is a key indicator of a company's profitability and the returns it offers to its shareholders.

Earnings Before Interest and Taxes (EBIT) Margin: The EBIT margin shows the percentage of revenue that remains as operating profit before deducting interest and taxes. It provides insights into a company's core profitability without the impact of financing and tax decisions.

EBIT Margin = (EBIT / Revenue) * 100

EBIT margin is particularly useful for comparing the profitability of companies without the influence of their financing and tax strategies.

This ratio may sometime be equivalent to operating margin ratio discussed earlier.

Profitability ratios help stakeholders assess a company's financial performance, efficiency, and overall health. These ratios are vital for investors, creditors, and management to understand how effectively a company is generating profits and how well it is managing its operations. Different industries may have varying benchmarks for profitability ratios, and it's important to consider these ratios alongside other financial metrics for a comprehensive evaluation.

Conclusion:

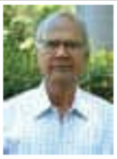
In summary, ratio analysis is a powerful tool that aids lenders in making informed decisions about extending loans. By providing insights into financial performance, risk assessment, creditworthiness, and debt management, ratio analysis helps lenders manage their exposure to risk and ensure the sustainability of their lending practices. ❑

LOAN COMPROMISE AND WRITE OFF IN BANKS - RBI RECENT FRAMEWORK

Introduction:

In general, it is experienced that filing of suits against a defaulting borrower by banks and subsequent loan recovery through the process of court is a cumbersome, expensive and time consuming, without any fruitful results in many cases. One of the main reasons attributed for insufficient loan recovery dues through the court is also the lack of proper follow-up and timely action on the part of banks. Hence, it would be a worthwhile exercise to prefer non legal measures to legal measures. Non legal recovery initiative starts with sending a reminder to a defaulting borrower which is the cheapest mode of recovery.

Generally, response to the reminders particularly from honest borrowers is encouraging. Therefore, for borrowers who do not respond to reminders, a personal visit has to be made to their business or residential place. This is a more dependable recovery measure and, banks' experience has been satisfactory. During the visit, banks can not only recover the amount due but also assess the overall working of the business unit. Over the years, it is observed that the number of visits to the borrowers is going down due to staff shortage in banks. Hence, the task of paying a regular visit to the identified borrowers may be outsourced. In case borrowers are not available, services of professional agencies shall also be utilized to ascertain their whereabouts and take the possession of assets charged to the bank upon serving a notice.



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But care should be taken in appointing professional agencies after examining their credentials and keep a constant vigil on their practices and methods adopted for loan recovery. The next one is debt restructuring for loan recovery which aims at making the borrower's business financially viable in the near future provided the same is technically, commercially & managerially viable and, the borrower continues to be honest and cooperative. For this purpose, the project deserves certain concessions from banks in the form of reduction in the rate of interest, granting more time to pay bank dues in suitable instalments, additional finance, reducing promoter's contribution, financing of cash losses until the project breaks even etc. Towards this end, Reserve Bank of India (RBI) issues guidelines on debt restructuring from time to time. Each bank is required to have a board approved scheme on debt restructuring. This also calls for certain changes needed in the original loan agreement as part of debt restructuring. Overall experience of banks seems to be satisfactory in debt restructuring wherever enough cash surplus is generated.

This holds good in respect of rehabilitation of sick units. For rehabilitation of sick units, Reserve Bank of India (RBI) issues guidelines on identification of a sick unit, preparation of rehabilitation package, implementation of the package. In general, success in rehabilitation exercise has not been encouraging. Lastly, as a last resort, loan compromise and loan write off shall be considered which are currently widely talked about with the recent framework on these two has been brought about by RBI in June 2023. For effective implementation of the framework, there a felt need to create its awareness on the part of officers in banks. Towards this end, the article discusses concept, process and RBI framework of loan compromise and write off for the benefit of bank officers.

Loan Compromise:

Loan compromise means 'agreeing to a borrower's request of accepting a part of outstanding dues in the books of the bank as full and final payment or allowing for the non-compliance of the terms of the loan, after analyzing the alternative courses of action, genuineness and capacity of the borrower to repay'. It is also called as 'voluntary debt reduction' or 'scaling down of dues', mainly interest amount and bank charges. In a situation, where the borrower's ability/capacity to repay the bank's dues and its ability to recover the same by other means are limited, a compromise proposal works well. Government of India (GOI) announces compromise settlement schemes under certain circumstances.

For instance, in 2008, the GOI introduced Agriculture Debt Waiver and Relief Scheme for small, marginal and other farmers. In addition, each bank is also given an autonomy to evolve its own One Time Settlement Scheme (OTS) as per the RBI guidelines. For effective implementation of the bank loan compromise scheme, it is necessary to bring the notice of OTS to the eligible defaulters and mobilize as many proposals as possible to avail of benefits compromise .It is also necessary , to go in for compromise settlement timely. Such proposals should be carefully prepared by the branch manager keeping in mind the bank policy on loan compromise. Otherwise, these may become vigilance cases. It is always better to involve all staff members in mobilizing compromise proposals. Care should be taken that the recovery through compromise should not throw a wrong signal to the borrowers at large who are regular in loan repayment.

Over the years, banks have succeeded to recover bank dues through loan compromise. If the decision is to go in for compromise, all issues must be first sorted out through the Court in the form of a consent decree, so that it will be binding on all defendants. In cases of more than one judgement debtor, the consent of all parties is a must. In any case, the decision on compromise should be on the basis of merit of each case. Similarly, the bank should carry out cost : benefit analysis to estimate the loss which may arise in case compromise is accepted as against the benefit which may accrue if the money so recovered is invested profitably. Before negotiation, valuation of the assets should be done and information about the borrower and his personal assets should be collected from the market.

Compromise proposals can be entertained either at pre-litigation stage or at post-litigation/decree stage. At the pre-litigation stage, concessions are offered in the form of re-schedulement / re-phasement of unpaid loan instalments under bank schemes on debt restructuring or rehabilitation

which would allow some breathing period for loan repayment and reduce the interest burden. This, in turn, would strengthen the repayment capacity of the borrower. However, when such measures initiated in the account do not yield any fruitful result and the borrower incurs heavy cash losses, it is better to go in for compromise or scaling down the bank dues.

Similarly in other cases, where business loss has crept in due to one or the other genuine reasons and the borrower is not a wilful defaulter and requests for concessions such as waiver of penal interest, concession in interest rates, loan repayment in suitable instalments etc., the borrower's offer may be accepted for compromise. Regarding compromise at the post-litigation/decree stage, the proposal for compromise shall be entertained so that the borrower's business activity is uninterrupted. In order to avoid cost, labour and time involved in litigation matters and to have a better image in the market, borrowers may offer a lump-sum amount and request the bank to withdraw the suit against them. At times, it becomes necessary, in some cases, to have the settlement outside the court through an amicable agreement and, the antecedents of the defendants are such that it shall take a sympathetic view and award a lenient decree against the defendants.

Sometimes, after obtaining the decree, if a third party comes forward to purchase the asset, the bank may consider the case even for compromise. It is also possible that the bank may go in for compromise if the decreed asset would not fetch more than the claim amount. In all such cases, a consent decree shall be obtained through the Court so that it will be binding on all defendants. If the concerned parties do not fulfil the promises made, the bank shall approach the Court or Debt Recovery Tribunal to initiate legal action.

Regarding the process, loan compromise has to be decided on the basis of merit of each case. Similarly, lot of home work should be done by the bank before negotiating with the borrower. It is necessary to carry out cost-benefit analysis to estimate the loss which may arise in case compromise is accepted as against the benefit which may accrue if the money so recovered is invested profitably. Before negotiation, valuation of the assets and collection of information about borrower and his personal assets should

be collected from the market. Branch manager is expected to prepare a process note for loan compromise in the light of the broad guidelines issued by the bank.

The process note should contain the amount outstanding and other charges, efforts already made for recovery, means or capacity of the party to repay etc. The proposal recommended by the branch should be referred to the sanctioning authority which examines several factors including fulfilment of terms and conditions of loan compromise, post-disbursement supervision of the account, any laxity in conduct, any act of commission or omission on the part of staff leading to the debt proving irrecoverable, staff accountability, valuation of securities, interest to be charged in respect of settlement through instalments, etc.

RBI has given autonomy to banks to come forward with a Board approved compromise policy for different types of borrowers. Decisions on compromise proposals should be taken by adopting a 'committee approach'. In this regard, banks have been advised to set up a Settlement Advisory Committee which is given certain powers by their Board. Thus, loan compromise is considered to be an effective recovery measure in genuine cases. Currently, banks are found to be active in loan compromise in deserving cases for quick loan recovery.

Besides entertaining Loan compromise cases at the bank level, Lokadalats are also engaged in dealing loan compromise cases. In India, Lokadalats were introduced in 1982 for providing quick and convenient legal aid. By now, it is known for effecting mediation and counselling between the two parties i.e. bank and borrower and to reduce the burden of work on the Court, especially with regard to small loans. Large number of Lokadalats are being organized in different parts of the country and have got recognition and patronage from every segment of the society. Based on the experiences of several states, a Central Act, known as Legal Services Authorities Act, 1987 was passed for providing legal basis for the Lokadalats and legal authority to the compromise arrived at between the two parties.

These are presided over by two or three senior persons including retired senior civil servants, defence personnel and judicial officers. They take- up cases which are suitable for settlement of debt for certain consideration. Parties are given a good hearing while they explain their legal position. They are then advised to reach to some settlement due to social pressure of the senior bureaucrats, judicial officers or social workers. If the compromise is arrived at, the parties to the litigation sign a statement in presence of authorities of the Lokadalat which is expected to be filed in the court to obtain a consent decree.

To arrive at a reasonable compromise with the party, banks may provide remission of interest. In this context, certain guidelines have been formulated by banks in consultation with the Indian Banks Association (IBA). Accordingly, bank-suits involving claims up to Rs.20 lakhs may be brought before the Lokadalat. Now-a-days, even non-suit filed cases in the doubtful and loss categories can be considered for settlement. Debt Recovery Tribunals also organize Lokadalats. Thus, banks have taken the maximum benefit of Lokaadalats and recovered the loan amount particularly from small borrowers through settlements. Over the years, Lokadlats are known for bringing down the number of small NPA accounts through an amicable settlement.

Loan Write-off:

As per the recent RBI circular of June 08, 2023 discussing the Framework for Compromise settlement and loan write off, banks should put in place the Board-approved policies for undertaking loan compromise and technical write off. For technical write-off, non-performing assets ((NPAs) are written-off (fully or partially) by the bank only for accounting purposes, without involving any waiver of claims against the borrower, and without prejudice to the recovery of the same. Such policies shall also put in place a graded framework for examination of staff accountability in such cases with reasonable thresholds and timelines as may be decided by the Board.

Through the technical write-off, no revenue is generated by the bank. But, it is possible to reduce the level of NPAs. In general, it is believed that it is going to be non-remunerative either to go in for legal action to file suit or continuing the account in the bank's books. In these cases, it is advisable to waive off legal action and go in for write-off. The waiver of legal action is suggested when : (i) the means of the borrower are negligible, (ii) borrowers are below the poverty- line, (iii) cost of recovery is higher, (iv) beneficiaries are absconding, (v) it is difficult to obtain periodic balance confirmation of debt-cum-acknowledgement of debt, (vi) securities are already sold by the borrower, etc.

Similarly, the write-off is also proposed under other circumstances such as : (i) borrowers are adjudicated as insolvent and, the bank has already realized the part of the dues as a secured creditor, (ii) revenue authorities under the State Public Recovery Act have recovered their dues and there is no further chance of any recovery, (iii) both the borrower and the guarantor are untraceable after selling their assets, and (iv) decrees remain unexecuted several times due to reasons beyond the control of the bank. Decisions to waive the legal action or write-off are taken at the controlling office in the bank on the recommendation of the branch manager.

The write-off is an internal exercise and the branch staff

should keep the matter confidential. And, even after write-off, recovery efforts should continue. The concerned NPA is removed from the bank's books but a shadow loan account is created to pursue loan recovery though it is written off. Thereafter, there will be no need to make provisions against it. To the extent of loan write off, the tax liability will also come down as the written off amount is reduced from the profit. The writing off NPAs is a regular exercise carried by banks to clean up the balance sheet. Further, the write-off, at times, shall be a viable business strategy in respect of wilful defaulters who may spoil the credit culture of society.

Regulatory Aspects of Loan Compromise and Write Off:

In 2003, RBI asked all public sector banks (PBSs) to uniformly implement guidelines for compromise settlements from NPAs in all sectors irrespective of the nature of business, which have become doubtful or loss and, those NPAs classified as sub-standard which have subsequently become doubtful or loss with outstanding balance up to Rs. 10 crore (1). In addition, cases on which the banks had initiated action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAE) Act, 2002 and also those cases pending before Court / Debt Recovery Tribunal /Board for Industrial Finance and Reconstruction , subject to the consent decree being obtained from these agencies were also considered. But, those cases of wilful default, fraud and malfeasance will not be covered.

Further, adequate care should be taken to ensure that the compromise settlements are done in a fair and transparent manner and in full compliance with the RBI guidelines on the matter. Further, the concerned authority sanctioning a compromise/OTS should append a certificate stating that the compromise settlements are in conformity with the RBI guidelines (2). Similarly, compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring (3). Recently in June 2023, RBI has brought out a comprehensive Framework for Compromise Settlements and Technical Write-offs (4). As per the Framework, the compromise settlement refers to any negotiated arrangement with the borrower to fully settle the claims of the bank against the borrower in cash; it may entail some sacrifice on the part of the banks in the form of waiver of part of the claims from the borrower.

The Board approved policy shall inter alia should contain provisions relating to permissible sacrifice for various categories of exposures while arriving at the settlement amount and after prudently reckoning the current realisable value of security/collateral, if available. The methodology for arriving at the realisable value of the security shall also form part of the Board approved policy whose objective should be to maximise the possible recovery from a distressed borrower at minimum expense and in the best interest of the bank.

The delegation of power for such approvals rests with an authority (individual or committee, as the case may be) which is at least one level higher in hierarchy than the authority vested with the power to sanction the credit / investment exposure.

It is important to state that any official who was part of sanctioning the loan (as individual or part of a committee) shall not be part of the approving the proposal for compromise settlement of the same loan account. Similarly, proposals for compromise settlements in respect of debtors classified as fraud or wilful defaulter shall require the approval of the Board in all cases.

Lastly, the cooling period to be adopted in respect of exposures subjected to technical write-offs shall be as per the Board approved policies of the banks. Thus, the Framework provides sufficient clarity in the matters concerning loan compromise and write offs.

Trends in Loan Compromise and Loan Write off:

Data relating to loan compromise by banks at the aggregate level are not available. But, some idea regarding loan compromise shall be developed by looking into performance of Lokaadalts which are engaged in recovery of bank dues from small borrowers through counselling and amicable settlement. Accordingly, the amount of loan outstanding of the cases referred to Lokadalts for loan recovery through compromise settlement stood at Rs. 67,801, Rs. 28,084 and Rs. 119,005 crores as on Mach end, 2020, 2021 and 2022 respectively.

But, the percentage of actual recovery from the amount of loan involved in the above remained insignificant being just 6.2, 4.0 and 2.3 as on March end, 2020, 2021 and 2022 respectively. In view of low loan recovery through Lokadalats, it is necessary to strengthen Lokadalts on one hand and create awareness of the Lokadalats on the part of bank officers (5). In respect of technical loan write off, the situation is different. To elaborate, as per the recent RBI's RTI, banks in India wrote off bad loans worth over Rs 2.09, Rs. 1.74 and Rs. 2.03 lakh crore by March end 2023, 2022 and 2021 respectively.

However, the actual loan recovery after the written off cases is hardly Rs. 45,548, Rs. 33,534 and Rs. 30,104 crores by March end, 2023, 2022 and 2021 respectively. Regarding the bank wise data relating to reduction in NPAs due to write-offs in 2022-23, the position of major banks in public sector is : State Bank of India = Rs 24,061 crore, Punjab National Bank = Rs 16,578 crore, Union Bank= Rs 19,175 crore, Central Bank of India = Rs 10,258 crore and Bank of Baroda = Rs 17,998 crore. (6). Thus, efforts of banks need to be strengthened in stepping up loan recovery from compromise and written off cases.

Conclusion:

To summarise, non legal recovery measures are always preferred to legal recovery measures. Now a days, loan compromise and write off are given importance since the introduction of the recent Framework by RBI in June 2023 to provide clarity and adopt uniform approach in the interest of banks and borrowers. It is necessary to observe due diligence of the Board approved policies on loan compromise and loan write off. For any violation of the same may question the staff accountability.

In particular, it is necessary to create awareness of loan compromise scheme of the banks so that more eligible compromise proposals shall be mobilised. But, care should be taken to avoid this drive not to give a wrong signal to regular borrowers at large. The valuation of assets charged, negotiation with the borrower and adoption of the committee approach would decide the success of the loan compromise.

Similarly, the success of loan technical write off depends on the timing of cases considered, valuation of securities charged, delegation of power and observance of due diligence of the Board approved policy. In both loan compromise and loan technical write off cases, professional approach is called for.

Even today, there has been hesitancy on the part of bank staff to go in for the compromise and technical write off due to lack of clarity. Hence, the RBI has rightly brought out the Framework for loan compromise and loan write off and, banks have to create awareness of the same so that collective efforts shall be put in to reduce the level of NPAs.

In addition, bank officers shall be exposed to training to encourage them to initiate loan compromise and loan write off more professionally and in line with the Framework. In addition, top management in the banks shall create a conducive environment for the officers to go in loan compromise and loan write off in terms of the Framework without any fear of staff accountability. Towards this end, banks have a long way to go.

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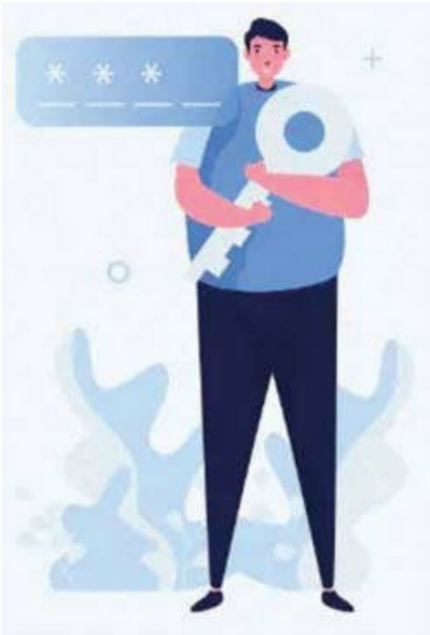
UDGAM "UNCLAIMED DEPOSITS - GATEWAY TO ACCESS INFORMATION"



Introduction

The Reserve Bank of India (RBI) has introduced a new online platform called the UDGAM Portal, which aims to help people find their unclaimed deposits or accounts across different banks. This portal, accessible at udgam.rbi.org.in, allows individuals to easily register and log in to search for any unclaimed deposits they may have. With the UDGAM Portal, RBI aims to simplify the process of locating and claiming unclaimed funds, promoting financial transparency and inclusion for all.

RBI UDGAM Portal

The RBI UDGAM Portal is an innovative online platform launched by the Reserve Bank of India (RBI). UDGAM stands for "Unclaimed Deposits - Gateway to Access InforMation." This centralized web portal is designed to assist individuals in identifying and claiming their unclaimed deposits or accounts across multiple banks. By providing a user-friendly interface, the UDGAM Portal simplifies the process of searching for and accessing dormant funds, enhancing financial awareness and accessibility for account holders. Through this initiative, RBI aims to promote greater transparency and facilitate the retrieval of unutilized funds for the benefit of individuals.

RBI Udgam Portal Login Link

At present, the RBI has introduced a selection of six banks tailored for individual users. These banks include prominent names such as SBI, Punjab National Bank, Central Bank of India, Dhanlaxmi Bank, South Indian Bank and DBS Bank India. Moreover, for non-individual entities, Citibank stands as the sole option available on the udgam.rbi.org.in portal. However, it's noteworthy that additional banks are set to be incorporated into the portal's offerings by the 15th of October, 2023. For seamless access, users can utilize the designated RBI Udgam Portal Login Link: https://udgam.rbi.org.in/.

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UDGAM Portal Registration

The UDGAM Portal Registration process provides individuals and non-individuals an easy and efficient way to manage their unclaimed deposits across multiple banks. To initiate the registration, follow these straightforward steps:

- **Step 1: Visit the UDGAM RBI Portal**
  - Go to the official website: udgam.rbi.org.in
- **Step 2: Enter Your Details**
  - Provide your name and mobile number.
- **Step 3: Create a Password**
  - Choose a secure password and enter the shown code Captcha
- **Step 4: Proceed to the Next Step**
  - Agree to the terms and click "Next".
- **Step 5: Verify with OTP**
  - Enter the One-Time Password (OTP) sent to your phone.

UDGAM Portal Login

To log in to the UDGAM Portal, visit the website using the link provided. Enter your registered mobile number and password and click "Login". You will receive a code on your mobile, which you should enter. Once done, you can access your account and manage your unclaimed deposits.

- **Step 1:** Visit the UDGAM Portal using this link: https://udgam.rbi.org.in/
- **Step 2:** Enter your registered mobile number and password on the login page.
- **Step 3:** A code will be sent to your mobile. Enter this code on the portal.
- **Step 4:** After verifying the code, you will be logged in to your UDGAM RBI Portal account.
- **Step 5:** Now you can access and manage your unclaimed deposits easily.

Benefits of UDGAM RBI Portal

- **Convenient Access:** The portal provides a centralized platform for easy access to information about unclaimed deposits across multiple banks.
- **Simplified Claims:** Users can identify their unclaimed deposits/accounts and initiate the process to either claim the deposit amount or activate their deposit accounts at their respective banks.
- **Time-Saving:** Instead of visiting multiple banks individually, users can search for unclaimed deposits from various banks in one place, saving time and effort.
- **User-Friendly Interface:** The portal is designed for user convenience, making it easy for both individuals and non-individuals to navigate and retrieve information.
- **Enhanced Transparency:** The UDGAM RBI Portal promotes transparency by providing clear details of unclaimed deposits, helping users make informed decisions.
- **Collaborative Effort:** Developed through a collaboration between RBI, Reserve Bank Information Technology Pvt Ltd (ReBIT), Indian Financial Technology & Allied Services (IFTAS), and participating banks, the portal reflects a collective initiative for public welfare.
- **Empowerment:** Users gain greater control over their unclaimed funds, whether it's reclaiming deposits or making dormant accounts operational.
- **Future Expansion:** While currently limited to a select number of banks, the portal will gradually include more banks, further extending its benefits to a wider audience.

Check Unclaimed Deposit On UDGAM Portal

- **Step 1:** Visit the UDGAM Portal by clicking on this link: https://udgam.rbi.org.in/.
- **Step 2:** Look for the option to "Check Unclaimed Deposits" on the portal's homepage and click on it.
- **Step 3:** If you have an account, log in using your mobile number and password. If not, register by clicking on "Register" or "Sign Up."
- **Step 4:** Complete any verification steps, providing necessary information like your name, account details, or identification numbers.
- **Step 5:** After verification, you will see a search form. Enter details such as your name and bank name.
- **Step 6:** Click "Search" to initiate the search for unclaimed deposits linked to your account.
- **Step 7:** If unclaimed deposits are found, the portal will display relevant information like bank name and deposit amount.
- **Step 8:** Depending on the results, you can proceed to claim the deposit amount or follow the portal's guidance.

❖ **Step 9:** If no unclaimed deposits are found, the portal will indicate this.

Beneficiaries of the RBI UDGAM Portal

The beneficiaries of the RBI UDGAM Portal are individuals and non-individuals who have unclaimed deposits in the participating banks. This portal provides a centralized platform for account holders to easily identify and access their unclaimed deposits across multiple banks. It offers a convenient way for both individuals and non-individual entities to claim their funds or make their deposit accounts active, ensuring that the unclaimed deposits are effectively utilized by the rightful owners.

Conclusion

In conclusion, the RBI's UDGAM Portal serves as a valuable tool for individuals and non-individuals to conveniently locate and claim their unclaimed deposits from various banks. With its user-friendly interface and centralized approach, the portal aims to ensure that rightful owners can access their funds easily and efficiently, promoting financial awareness and empowerment.

Frequently Asked Questions

What is the UDGAM Portal?

The UDGAM Portal is a centralized web platform launched by the Reserve Bank of India (RBI) to help individuals and non-individuals locate and claim their unclaimed deposits from different banks.

Who can benefit from the UDGAM Portal?

The UDGAM Portal benefits both individuals and non-individuals who have unclaimed deposits in various banks.

Which banks are currently available on the UDGAM Portal?

As of now, the UDGAM Portal includes the State Bank of India (SBI), Punjab National Bank, Central Bank of India, Dhanlaxmi Bank, South Indian Bank, DBS Bank India and Citibank for non-individuals.

How can I check for unclaimed deposits on the UDGAM Portal?

To check for unclaimed deposits, follow these steps: Visit the UDGAM Portal at udgam.rbi.org.in. Register and log in to your account. Enter relevant details like your name, bank name, PAN number, etc. The portal will display the search results.

What if my bank is not currently listed on the UDGAM Portal?

If your bank is not listed, you may need to wait until October 15, 2023, as more banks will be added to the portal in phases. ❑

RBI Guv asks urban co-op banks for rigorous follow-up to recover bad loans

Reserve Bank Governor Shaktikanta Das asked urban cooperative banks to go for rigorous follow-up of large NPA borrowers for effective recovery, and not to camouflage their actual financial position by innovative accounting practices. In a statement, the RBI said the Governor held a conference of directors on the boards of select large urban cooperative banks (UCBs) in Mumbai Zone.

The Reserve Bank has started engaging with the directors of its regulated entities functioning in different segments of the financial system. Two separate conferences were held with directors on boards of public sector banks and private sector banks in May 2023.

The governor reinforced the need for board's involvement in upholding rigorous credit risk management including robust underwriting standards, effective post sanction monitoring, timely recognition and mitigation of incipient stress, rigorous follow-up of large NPA borrowers for effective recovery, and maintaining adequate provisioning.

"He emphasised that the role of Directors is very significant in ensuring the integrity and transparency of financial statements, and cautioned against use of innovative accounting practices to camouflage the actual financial position," the central bank said. Das urged the Boards to be more proactive in asset liability management and the necessity of managing liquidity risk in a more systematic manner.

RANSOMWARE-AS-A-SERVICE (RAAS): FUELING THE RISE OF CYBER EXTORTION

Introduction:

In the evolving landscape of cybercrime, one phenomenon that has gained significant attention and concern is Ransomware as a Service (RaaS). RaaS has revolutionized the cybercriminal ecosystem, enabling even the most inexperienced individuals to unleash devastating ransomware attacks. This article delves deeper into the workings of RaaS, its impact on individuals and organizations, and the urgent need for proactive measures to counter this growing threat.

Ransomware as a Service (RaaS) is a cybercriminal business model in which threat actors or hackers develop and distribute ransomware to other malicious actors, who then use the ransomware to carry out attacks. In this model, the ransomware developers act as service providers, offering their malware to other individuals or groups in exchange for a cut of the ransom payments.

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The Rise of Ransomware as a Service:

Ransomware attacks are increasingly prevalent and sophisticated, resulting in substantial financial losses and operational disruptions for victims. RaaS has played a pivotal role in the proliferation of ransomware attacks by lowering the barrier to entry. In the past, only skilled cybercriminals had the expertise to develop and distribute ransomware. RaaS has now commoditized ransomware, making it readily accessible to a wider range of criminals, even those with a lower skillset.

Some key aspects of Ransomware as a Service:

Availability: RaaS makes sophisticated ransomware readily available to less technically skilled cybercriminals. This lowers the barrier to entry for carrying out ransomware attacks, as aspiring attackers can simply acquire pre-developed ransomware from RaaS providers.

Customization: RaaS providers offer customization options for the ransomware. This allows users to modify certain features of the malware, such as the ransom note, encryption methods, or target selection, to suit their specific attack objectives.

Revenue Sharing: RaaS providers typically implement revenue-sharing models, where they receive a percentage of the ransom payments made by the victims. This creates an incentive for both the ransomware developers and the attackers to collaborate and maximize their financial gains.

Support and Infrastructure: RaaS providers may offer technical support, hosting services, and infrastructure to their customers. This includes providing command-and-control (C&C) servers, payment portals, and communication channels to facilitate the interaction between the attackers and the victims during the ransomware attacks.

Criminal Ecosystems: RaaS contributes to the development of criminal ecosystems by connecting ransomware developers, distributors, and attackers. This collaborative model allows cybercriminals with varying skill sets to collaborate, share resources, and profit from ransomware attacks collectively.

Escalation of Attacks: RaaS has contributed to the widespread proliferation and evolution of ransomware attacks. It has enabled the rapid development and distribution of new ransomware variants, leading to an increase in the frequency and sophistication of attacks globally.

Affiliate Programs: Some RaaS platforms operate affiliate programs, where individuals or groups can sign up to become affiliates. Affiliates receive a portion of the ransom payments or earn referral fees for bringing new customers to the RaaS platform. This incentivizes more individuals to participate in the distribution and use of ransomware.

Monetization Model: RaaS providers often offer different pricing models to their customers, such as one-time fees, subscription-based plans, or revenue sharing based on the ransom payments. This flexibility allows attackers to choose the payment structure that aligns with their preferences and potential earnings.

Exploit Kits Integration: RaaS can be integrated with exploit kits, which are toolsets used to exploit software vulnerabilities and deliver malware. This integration enhances the capabilities of the ransomware, allowing it to spread more efficiently and target a larger number of potential victims.

Common RaaS Models:

1. Monthly subscription for a flat fee.
2. Affiliate programs, which are the same as a monthly fee model but with a percent of the profits (typically 20-30%) going to the ransomware developer.
3. One-time license fee with no profit sharing.
4. Pure profit sharing.

Implications and Impact: The widespread availability of RaaS has resulted in a surge of ransomware attacks, affecting individuals, businesses, healthcare organizations, and even critical infrastructure providers. The financial impact is staggering, with victims often left with no choice but to pay exorbitant ransoms to regain access to their encrypted data. The collateral damage caused by these attacks includes reputational harm, legal repercussions, and the erosion of public trust in digital systems.

Examples of RaaS:

Hive: Hive is a RaaS group that became popular in April 2022 when they targeted a large number of Microsoft's Exchange Server customers using a pass-the-hash technique. Organizations included financial firms, non-profits, healthcare organizations, among many more. On January 26, 2023, the United States Department of Justice announced they had disrupted Hive operations by seizing two back-end servers belonging to the group in Los Angeles,

CA. It is estimated that Hive left behind over 1,500 victims worldwide and extorted millions of dollars in ransom payments.

DarkSide: DarkSide is a RaaS operation associated with an eCrime group tracked by CrowdStrike as CARBON SPIDER. DarkSide operators traditionally focused on Windows machines and have recently expanded to Linux, targeting enterprise environments running unpatched VMware ESXi hypervisors or stealing vCenter credentials. On May 10, the FBI publicly indicated that the Colonial Pipeline incident involved the DarkSide ransomware. It was later reported that Colonial Pipeline had approximately 100GB of data stolen from their network, and the organization allegedly paid almost $5 million USD to a DarkSide affiliate.

REvil: REvil, also known as Sodinokibi, was identified as the ransomware behind one of the largest ransom demands on record: $10 million. It is sold by the criminal group PINCHY SPIDER, which sells RaaS under the affiliate model and typically takes 40% of the profits.

Like TWISTED SPIDER's initial leaks, PINCHY SPIDER warns victims of the planned data leak, usually via a blog post on their DLS containing sample data as proof, before releasing the bulk of the data after a given amount of time. REvil will also provide a link to the blog post within the ransom note. The link displays the leak to the affected victim prior to being exposed to the public. Upon visiting the link, a countdown timer will begin, which will cause the leak to be published once the given amount of time has elapsed.

Dharma: Dharma ransomware attacks have been attributed to a financially motivated Iranian threat group. This RaaS has been available on the dark web since 2016 and is mainly associated with remote desktop protocol (RDP) attacks. Attackers usually demand 1-5 bitcoins from targets across a wide range of industries. Dharma is not centrally controlled, unlike REvil and other RaaS kits.

Dharma variants come from many sources, and most incidents in which CrowdStrike identified Dharma revealed nearly a 100% match between sample files. The only differences were the encryption keys, contact email, and a few other things that can be customized through a RaaS portal. Because Dharma attacks are nearly identical, threat hunters are not able to learn much about who is behind a Dharma attack and how they operate from a single incident.

LockBit: In development since at least September 2019, LockBit is available as a RaaS and is advertised to Russian-speaking users or English speakers with a Russian-speaking guarantor. In May 2020, an affiliate operating LockBit posted a threat to leak data on a popular Russian-language criminal forum.

Combating RaaS:

Addressing the issue of Ransomware as a Service (RaaS) requires a multi-faceted approach involving various stakeholders. Here are some key solutions that may help mitigate the impact of RaaS:

1. **Enhanced Cybersecurity Measures:** Organizations should implement robust cybersecurity measures to protect their networks, systems, and data. This includes using up-to-date security software, regularly patching vulnerabilities, enforcing strong access controls, and conducting regular security audits and risk assessments.

2. **Employee Training and Awareness:** Education and training programs are vital to raise awareness among employees about the risks of ransomware and how to recognize and respond to potential threats. This includes educating them on best practices for email and web browsing, avoiding suspicious links and attachments, and reporting any suspicious activity promptly.

3. **Regular Data Backups:** Maintaining regular backups of critical data is essential to minimize the impact of a ransomware attack. Organizations should follow the 3-2-1 backup rule, which involves keeping at least three

copies of data, stored on two different media, with one copy stored off-site or offline.

4. **Incident Response Planning:** Developing a comprehensive incident response plan enables organizations to respond effectively in the event of a ransomware attack. The plan should include procedures for isolating affected systems, contacting law enforcement, engaging with cybersecurity experts, and restoring data from backups.

5. **Collaboration and Information Sharing:** Public-private partnerships between government agencies, law enforcement, cybersecurity firms, and industry associations can foster collaboration and information sharing to combat RaaS. Sharing threat intelligence, indicators of compromise (IOCs), and best practices helps organizations stay ahead of evolving ransomware threats.

6. **International Cooperation:** Ransomware attacks are often carried out across borders, making international cooperation crucial. Governments and law enforcement agencies should collaborate to extradite and prosecute cybercriminals involved in RaaS activities, dismantle criminal networks, and enforce stricter penalties for cybercrimes.

7. **Public Awareness Campaigns:** Raising public awareness about ransomware risks and prevention measures can help individuals and businesses protect themselves. Governments, industry associations, and cybersecurity organizations can launch public awareness campaigns to educate users about safe online practices and the consequences of engaging with RaaS.

8. **Continuous Monitoring and Threat Hunting:** Implementing robust security monitoring and threat hunting capabilities allows organizations to detect and respond to ransomware attacks promptly. This involves utilizing advanced threat detection technologies, behavioural analytics, and security information and event management (SIEM) solutions to identify and mitigate threats in real-time.

In coming future, Ransomware as a Service (RaaS) represents a significant threat to individuals, organizations, and society as a whole. Its accessibility and customizable nature have fuelled the growth of ransomware attacks, leading to devastating consequences. Combating RaaS requires a collective effort, with technology advancements, robust security measures, and collaboration between stakeholders. By staying vigilant, proactive, and informed, we can mitigate the risks posed by RaaS and safeguard the digital landscape against this evolving cyber extortion threat.

RBI determined to bring down inflation to 4%: RBI Guv

RBI is determined to bringing down inflation to 4 per cent and will remain watchful of risks as more frequent global supply shocks can have profound implications on the management of the price situation, RBI Governor Shaktikanta Das said in a lecture at the Delhi School of Economics.

The Central Bank remains on guard to ensure that the second-order effects in the form of generalisation and persistence with regard to inflation are not allowed to take hold, he added. The government has mandated the RBI to keep inflation at 4 per cent with a margin of 2 per cent on either side, that is the tolerance limit being 2-6 per cent.

"The frequent incidences of recurring food price shocks pose a risk to the anchoring of inflation expectations, which has been underway since February 2022. We will remain watchful of this aspect also," Das said. "The role of continued and timely supply side interventions as is being undertaken by the government assumes criticality in limiting the severity and duration of such food price shocks," he added in his address.

In these circumstances, he said, it is necessary to be watchful of any risk to price stability and act timely and appropriately. "We remained firmly focused on aligning inflation to the target of 4 per cent," he said without giving any timeframe.

ETHICS IN BANKING

There has been a history of frauds in banking system since long. With the passage of time, many new methods are being adopted by fraudsters. In the RBI annual report, it is mentioned that FY22 saw more number of frauds reported by banks and other financial institutions. but value decreased by half. In 2021-22 , frauds to the tune of Rs. 60,414 crore were reported, down 56.28 % from Rs. 1.38 trillion in 2020-21. In terms of number of frauds, these entities reported 23.69% higher frauds, at 9,103 in 2021-22 as against 7,359 frauds in 2020-21. The RBI data considers frauds of Rs. 1 lakh and above only. In publicly available sources, insider involvement and management, dishonesty or breach of regulatory guidelines was the major reason.

While the number of frauds reported by private sector banks was mainly on account of small value card/internet frauds, the fraud amount reported by public sector banks was mainly in loan portfolio.

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Also, frauds have occurred in the loan portfolio, both in terms of number and value. In the number of frauds, advances constituted 42.2 per cent and in value terms it was almost 97 per cent at Rs 58,328 crores. Cards/internet constituted 39.5 per cent of the number of frauds but in value terms it was just 0.2 per cent.

Frauds can be broadly categorized into external frauds and internal frauds. However, frauds in banks arising out of both system and human failures may be grouped into 4 categories on the basis of perpetrator of fraud

1. Frauds committed by employees.
2. Frauds committed by employees in collusion with outsiders who may or may not be customers of the bank.
3. Frauds committed by outsiders / customers with insider support / involvement.
4. Frauds committed exclusively by outsider who may or may not be the customer of the bank.

Table 1: Fraud Cases - Bank Group-wise

(Amount in Rs. crore)

Bank Group/Institution	2019-20		2020-21		2021-2022	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Public Sector Banks	4.410	1,48,224	2,901	81,901	3,078	40,282
	(50.7)	*(79.9)*	*(39.4)*	*(59.2)*	*(33.8)*	*(66.7)*
Private Sector Bank	3,065	34,211	3,710	46,335	5,334	17,588
	(35.2)	*(18.5)*	*(50.4)*	*(33.5)*	*(58.6)*	*(29.1)*
Foreign Banks	1,026	972	520	3,280	494	1,206
	(11.8)	*(0.5)*	*(7.1)*	*(2.4)*	*(5.5)*	*(2.0)*
Financial Institutions	15	2,048	24	6,663	10	1,305
	(0.2)	*(1.1)*	*(0.3)*	*(4.9)*	*(0.1)*	*(2.2)*
Small Finance Banks	147	11	114	30	155	30
	(1.7)	---	*(1.6)*	---	*(1.7)*	---
Payments Banks	38	2	88	2	30	1
	(0.4)	---	*(1.2)*	---	*(0.3)*	---
Local Area Banks	2	---	2	---	2	2
	---	---	---	---	---	---
Total	**9,703**	**1,85,468**	**7,359**	**1,38,211**	**9,103**	**60,414**
	(100.0)	***(100.0)***	***(100.0)***	***(100.0)***	***(100.0)***	***(100.0)***

--- : Nil / Negligible.

Note: 1. Figures in parenttheses represent the percentage share of the total.
2. The above data is in respect of frauds of Rs. 1 lakh and above reported during the period.
3. The figures reported by banks & FIs are subject to change based on revisions filed by them.
4. Frauds reported in a year occurred several years prior to the year of reporting.
5. Amounts involved reported do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved is not necessarily diverted.

Source: RBI Supervisory Returns.

Table 2: Fraud Cases - Area of Operations

(Amount in Rs. crore)

Area of Operation	2019-20		2020-21		2021-2022	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Advances	4,608	1,81,942	3,497	1,36,812	3,839	58,328
	(52.9)	*(98.1)*	*(47.5)*	*(99.0)*	*(42.2)*	*(96.5)*
Off-balance Sheet	34	2,445	23	535	21	1077
	(0.4)	*(1.4)*	*(0.3)*	*(0.4)*	*(0.2)*	*(1.8)*
Forex Transactions	8	54	4	129	7	7
	(0.1)	---	*(0.1)*	*(0.1)*	*(0.1)*	---
Card/Internet	2,677	129	2,545	119	3,596	155
	(30.7)	*(0.1)*	*(34.6)*	*(0.1)*	*(39.5)*	*(0.2)*
Deposits	530	616	504	434	471	493
	(6.1)	*(0.3)*	*(6.8)*	*(0.3)*	*(5.2)*	*(0.8)*
Inter-Branch Accounts	2	---	2	---	3	2
	---	---	---	---	---	---
Cash	371	63	329	39	649	93
	(4.3)	---	*(4.5)*	---	*(7.1)*	---
Cheques/DDs, etc.	201	39	163	85	201	158
	(2.3)	---	*(2.2)*	*(0.1)*	*(2.2)*	*(0.3)*
Clearing Accounts	22	7	14	4	16	1
	(0.3)	---	*(0.2)*	---	*(0.2)*	---
Others	250	173	278	54	300	100
	(2.9)	*(0.1)*	*(3.8)*	---	*(3.3)*	*(0.2)*
Total	**8,703**	**1,85,468**	**7,359**	**1,38,211**	**9,103**	**60,414**
	(100.0)	***(100.0)***	***(100.0)***	***(100.0)***	***(100.0)***	***(100.0)***

--- : Nil / Negligible.

Note: 1. Figures in parenttheses represent the percentage share of the total.
2. Refer to footnotes 2-5 of Table VI.1.

Source: RBI Supervisory Returns.

The points 1 & 2 above clearly mention that such frauds happen due to involvement of employees/staff. The reason behind such involvement is lack of ethics and ethical behaviour. There is a need of ethics to be followed by every employee whether it is business, governance, banking, other financial institution and other places.

In this article, we will discuss in detail, the various aspects of ethics in business, banking and the habits/values to be developed to become an ethical banker.

The purpose of business is to make money. If it does not, it will fail in its primary objective. It should be in the ethical way. Ethics is equally pertinent for individuals as well as for the business. The word ethics is derived from the Greek word ethos (character) and from the Latin word mores (customs). Together, they combine to define how individuals choose to interact with one another. In philosophy, ethics defines what is good, both for the individual as well as for the society, and establishes the nature of duties that people owe to themselves and to one another. Hobbes is called the father of modern ethics.

There are three dimensions of ethics namely personal, professional and managerial. Certain values that are essential for professional are responsibility, respect, fairness and honesty. In business, ethics deals with the question whether specific business practices are acceptable. In case of managers, business ethics helps in arriving at ethical decision during complex situations. For example- In a sales presentation to a client, should a sales person omit the facts about a product's poor safety records? Ethics for the managers is a combination of a moral person and a moral manager. It also means communicating openly, explicitly and frequently about ethics and values. Personal values have significant influence on ethical decision making. For example, doing personal work during office such as searching on the Internet, taking credit for others work, doing homework of the children at office time etc.

Ethics is known as moral philosophy and as a science of morality. Ethics can be described as a science that examines the general principles for determining the true worth of the ultimate ends of human conduct. Ethics that develops principles pertaining to the morality of human actions is general ethics. While application of principles, developed in general ethics to people's conduct towards themselves, other human beings, society and the state is special ethics. Special ethics is also known as applied ethics. Hence for an individual, values and judgements play a critical role whenever he or she is making ethical decisions.

Consequences of ethics in human actions:

Ethics significantly focuses on human behaviour, which is driven by human actions. Ethics is concerned with human actions that are deliberate i.e.

1) it was done voluntarily
2) It was done with some knowledge
3) Such actions were freely done

Human actions are subject to scrutiny, if the action is carried under the factors such as-

1) Ignorance or lack of knowledge
2) Passion
3) Under the influence of fear
4) action influenced by violence
5) Actions performed out of habit or voluntariness
6) Temperament
7) Pathological states

Business Ethics and Business Values

Business values are an informal term and it explains the core principles or standards that guide the way business is done. Values sum up what your business stands for and what makes it special.

Business Ethics	Business Values
Ethics refers to the guidelines for conduct that address questions about morality	Value is defined as the principles and ideals which help them in making engagement of what is more important
Moral principle system	Induces thinking
What is morally correct or incorrect in the given situation?	What we want to do or achieve?
Magnitude of rightness or wrongness of one's options	It explains the level of significance

Principles of Business Ethics

Being ethical is of utmost importance for business in present times. Every organisation needs to have a standard code of ethics. Influence of strong business ethics will lead to a profitable and successful business firm. The following undernoted business principles can result into an unprecedented business success:

Dignity: The most important principle of ethics is to treat each other with utmost respect regardless of difference, which is treating each individual as an end rather than as a means to an end. Similarly, while dealing with customers, a business' ultimate objective should not be only profit making but also the customers' interest. Courtesy is a major element of dignity, and it is essential to treat people with courtesy.

Fairness: It is about displaying concern with actions, process and consequences that are morally right, honourable and equitable. The primary advantage of fairness is that it establishes moral standards for decisions that affect others.

Honesty: Honesty means being truthful and straight forward. It is an attribute that is largely linked to an individual rather than a situation. Integrity is also linked to honesty.

Openness: The concept of openness is that things should be as they are supposed to be, and not in a concealed manner.

Reputation/Goodwill: Goodwill is one of the most important assets of a business and also one of the most difficult to rebuild, if it is lost. Business should work on building a good reputation along with high morale for its staff. Good reputation or goodwill helps in resolving many problems and also has a material value.

Prudence: It is the ability of a business to make right decision and which is gained over a period of time from experiences and knowledge. It is required to exercise a degree of judgement that makes the situation no worse, but rather improve the circumstances.

Concern for others/Social responsibility: Every business takes birth, survives and grows with the consent and corporation of the society. Since, it is an integral part of the society, it makes the business morally responsible towards society to build a better quality of life by harmonizing organisational actions with society wants'.

Need and importance of ethics in banking

Similar to any other type of business, there are a lot of reasons for ethics to be implemented in banking because it creates credibility for the banks as it is related to punctuality of fulfilling obligations and honouring the terms of contracts. Banks need to deliver high quality service to its customers. Also, with the continuing progression of internalisation, along with the global integration, the continuous financial innovations have brought the possibilities of minimum direct influence on banking operations. Ethics helps in dealing with dilemmas, guards reputation and Goodwill as well as helps to avoid risk.

Principles of ethical banking:

Principles of ethics in Banking business provide a guideline to the banking professional, which helps them to deal with the ethical issues. Banks are responsible not only towards its customers, but also to its employees, community, investors and Government.

Trust : The first and foremost principal of ethical banking is trust. Money being an integral part of the economy and standard medium of exchange across the world, the whole banking system is dependent on the trust of the society. Trust is the confidence in quality for attribute of a person or a thing which also includes truth of a statement, truthfulness and trustfulness. Trust is defined as a vital factor in successful leadership and management. Mutual trust has significant importance for successful functioning of any business system.

Integrity: It is a very important for business ethics and moral behaviour. This principle means that there is no intention to treat the business partner in an immoral way, whether it refers to deception, theft or some other undesirable way of treating a business partner.

Neutrality: Bank should not differentiate among its employees and customers and refrain from any kind of biased behaviour.

Reliability: Banks should provide information to its customers that is understandable, clear and accurate while performing their services and operations.

Transparency: Banks should keep its customers clearly updated about their rights and obligations and all aspects of products and services offered to them.

Responsiveness: Local government should always try to serve the needs of the entire community while balancing competing interests in a timely, appropriate and responsive manner.

Ethics and Morality

For it, first we have to understand what morality is. Morality is the belief system of society, culture or religion. It is the values an individual has and it helps differentiate 'right' from 'wrong'. Morals are standard rules created by society. It is for an individual to decide what is right and follow the morals. For example - speak truth, being loyal, should not steal, be patient etc.

In certain cases, being morally correct might not mean that it is objectively right and therefore, sometimes an action may be morally correct but it might not be correctly legally or vice versa.

Difference between Ethics and Morality

1. Morals are general guidelines framed by the society, like respect your elders while ethics is an application of these guidelines to a particular situation.
2. Morals are prescribed by society, culture or religion whereas ethics that governs an individual's life is chosen by individual himself.
3. Morals are largely related with principles of right or wrong. On other hand, ethics emphasizes more on right and wrong conduct.
4. Morals usually differ from society to society and culture to culture as opposed to Ethics, which remains identical, irrespective of any culture, religion or society.
5. Morals do not have any business applicability, while Ethics is broadly pertinent in the business as business ethics.

Ethics is about moral principles. Codes of ethics are general standards which have to be uniformly followed by everyone engaged in the same profession. Code of conduct is enforceable while codes of ethics are standards which have to be followed voluntarily by members in the interest of their clients as well as their own.

Code of ethics is required:

- To define acceptable behaviours
- To promote high standards of practice
- To provide benchmark for members to use self-evaluation
- To establish a framework for professional behaviour and responsibilities
- As a vehicle for occupational identity
- As a mark of occupational maturity

Code of ethics includes codes of ethics of integrity, objectivity, competence, fairness, confidentiality, professionalism, diligence and codes of ethics of compliance. As a regulator, building these codes may not be a big challenge but the critical part is how an organisation like a bank can deal with the same internally.

Personal Ethics and Business Ethics

Personal ethics: Personal ethics is a class of philosophy that governs an individual's beliefs about morality and correct or incorrect behaviours. Personal ethics is the basic standards and values that influence interaction among individuals.

Business ethics: Business ethics can be explained as either written or unwritten codes of guidelines and values that influence the decisions and actions within a company. In the business world, the organisation's culture sets standards for determining the difference between good and bad decision making and behaviour.

Conflict between Personal ethics and Business ethics :

Ethical clashes or dilemmas may arise in several situations like:

1. The individual ethics may clash with the group ethics predominant in the organisation.
2. The individual ethics of a single powerful person in the organisation may be predominant in the organisation. If that individual is ethical and works for the good of all the shareholders, it results in the positive outcome but if that person is unethical, it may result in negative impact on the organisation.
3. In some cases, employees may be taught to ignore any issue, which he or she thinks is unethical.

Although it is important to resolve these ethical dilemmas, the answer is not to compromise and go along with management or the group on business ethics issues. Open discussion of ethical issues with honesty is important to successful ethical decision making.

Application of Business Ethics:

Ethics of human resource management: Ethics is significantly important in Human resource management since it is concerned with human issues, such as health and safety at workplace, skill enhancement and development, compensation and overall employee - employer relationship.

Ethics of sales and marketing: Ethics in marketing is a philosophy that promotes honesty, fairness and responsibility in all sales and marketing activities performed by an enterprise. Since advertising is a mode of communication, therefore it should not be misleading and manipulative.

Ethics of production: Business needs to provide its customers best quality products, and should not compromise to s\achieve cost efficiencies. Production process and technology should also be updated to match administered standards.

Ethics of finance: Professionals in business of financial services have to serve both their customers and company with integrity and honesty. They must avoid conflict of interest and provide information to its customers in full accuracy, fair, timely and understandable manner. Professionals must also respect the confidentiality of information they obtain during the course of business and should not use it for personal advantage.

Ethical dilemma

Ethical dilemma occurs when there is a clash between two rights. It is not disagreement between right and wrong but it is a conflict amongst two equally right moral perspectives. An ethical dilemma exists when one is faced with having to make choice among the following alternatives

1. Significant value - conflicts among differing interest
2. Real alternatives that is equally justifiable
3. Significant consequences on stakeholders in situation

Ethical dilemma are required to be thought about and analyzed in a broader perspective. Steps for dealing with ethical dilemma are as follows-

- ❖ Acknowledge that there is a moral issue
- ❖ Ascertain the people who will be affected by the decision. Also, determine your role.
- ❖ Gather the facts about sequence of occurrence of events.
- ❖ Ascertain your test for right vs. wrong. How would you define the problem, if you were to stand on the other side of the fence.
- ❖ Ascertain the test for right versus right theory For example trust vs. loyalty, justice vs. mercy etc.
- ❖ Your approach must look reasonable and persuasive.
- ❖ Investigate if there is any third way out of the situation
- ❖ Make decision take action
- ❖ Revisit and reflect on the decision

Ethical dilemma exists in providing banking services to the customer during various phases. For instance, opening an account, KYC norms have been adhered to or not, charging the interest on different products and services, disbursement of loans and advances as per the process and need of the customer, carrying out due diligence in credit proposals, monitoring the account and proper implementation of provisioning norms etc. At every stage, the bank staff should follow the ethical principles not withstanding any outside or inside pressures. Staff must refer to the Law or Code of Ethics or internal guidelines.

Business Ethics and customers

Customer being the back bone of the banking business, it is essential that both parties i.e. bank and customer understand all ethical dimensions in conducting the banking activities.

Starting from the account opening to the end of closing the account, the life cycle of a customer relationship with any bank is to be covered by the Code of Ethics laid down by the management of the bank in line with the regulatory framework. Business ethics refers to honesty, integrity, loyalty, correctness, care, respect for others, respect for law, and concern for excellence, leadership, reputation and responsibility.

Consequences of unethical behaviour can lead to:

- ❖ Affecting fame and reputation of the bank
- ❖ Disappearance of the bank
- ❖ Losing clients and business partners
- ❖ Wasting resources to hide unethical behavior

- Cheating customers with unfair practices/pricing
- Dishonest/misleading advertising
- Breach confidentially of customers/clients

In the recent past, it can be observed that there has been an increasing gap between customer expectations and the banking services. Post 2008 global financial crisis, regulatory measures held in regaining customer confidence. However, instances of ethical problems and dilemmas continue to shake the customer confidence.

Ethical considerations begin with every stage of managing a customer. One should not entertain customers based on their affinity with caste, religion or economic status in the society. Bank staff should be trained in such a way that they understand the adverse impact of one dissatisfied customer that can create a negative image for the bank.

Ethics in marketing mix

Ethical marketing is aimed at promoting honesty, fairness and responsibility in advertising based on set of laid down guidelines to ensure that the right communication is taking place. In practice, it is necessary that banks use fair practices to compete with each other. Ethical dilemma arises while providing after sales service to the customer. During the sales, one may promise some benefits of the product and does not provide any after sale service. If the banker is not able to provide the required service to the customer, he/she has to explain the customer well in advance what to expect and what not so that customer is clear about the facts.

Unethical marketing practices can be observed in cases of managers having negative personality traits that prompt from self-interested manipulation in interpersonal relationships and may lead to an ethical behavior. Aggressive mis-selling of banking products like interest rate and foreign exchange derivatives, to small and medium enterprises without making them aware of the inherent risks involved, have caused losses not only to the businesses but also to the bank as most of such became NPAs.

Ethics in advertising and product promotion

Banks are expected to follow the laid down ethical framework in advertising and promoting their products and services. Ethics in advertising refers to

- Conveying the information of product or service clearly
- Information that helps customer's buying decision
- Advertisement should contain true and honest information of the product or service
- Advertisement should not be deceptive
- Advertisement should not exploit emotions
- Advertisement should respect human values

Abuse of Official Position

Employees are advised to follow Code of Conduct laid down by the bank. Abuse of official position for personal gains or providing gains to friends, family members and others with selfish motive, amounts to violation of employee's obligation to the bank. Examples of abuse of power can be:

- Bank employee goes for a personal travel and claims reimbursement as official
- Showing discrimination to the customers based on their proximity to the employee (his/her relatives, friends etc. showing special preference)
- Use of official resources for personal use
- False claims beyond the fixed perquisites

Insider trading: Employee trading based on the internal information of the client which is not available to the public amounts to insider trading.

Proprietary data: Proprietary data refers to the information relating to the intellectual property rights and trade secrets of any company.

Bribes: Bribes refer to paying money or gift to person with a motive of getting some favour done.

Employees as Ethics Ambassadors and Managers as Ethical Leaders:

The ethical culture from the senior leadership percolates down in the bank. However, the employees do not personally know the senior leaders. They form their opinions based on what they come to know through others or when they listen to the top leaders. Therefore, the senior leadership should convey the importance of ethics in a variety of ways and in such a manner as to reach to every employee in the organisation. If senior managers talk about ethics regularly and also put their words in action, without exception, they will develop a reputation for their ethical leadership.

Work ethics and the workplace

An acceptable ethical behaviour involves an employee's general set of beliefs, values and behaviour that he/she shapes up for the regular day-to-day method of service delivery dealing with all categories of customers and to other co-employees of the own organisation. An ethical workplace can be identified easily by even ordinary persons who may not have any expertise in fields like organisation theories, philosophy, law communications etc. Following are some of the ways and means to recognize an ethical workplace -

- Respectful treatment of all categories of customers by the front office personnel Employees' awareness of the business processes and quick and to the point clear answer to the queries
- Giving correct and authentic information to customers on matters like interest rates/ premature withdrawal of term deposits etc.
- Guiding a person on a short visit for multi currency travel card and weather to take fixed exchange rate or go in for real time exchange rate
- Strict adherence to minimal prescribed documentation as prescribed by the regulator/ internal management and not insisting for additional documents from the borrower
- Appropriate attire befitting the profession of the employee and it should provide comfort to all the customers who need to speak to the employee
- Acceptable body language of the employees at the workplace
- High degree of energy level and commitment to work and going the extra mile to help customers
- Confining to work related talks and avoiding all other matters not relating to the work directly

- No direct or indirect hints to customers to meet the employees outside the workplace for any favour for guidance to get a benefit
- No expectations or acceptance of gifts/favours (irrespective of the amount)
- Fair and appropriate treatment given to all co-employees
- A prominent display of the names of all the major officials of the organisation's branch who are responsible for core activities for the benefit of the customers

The major causes for unethical behaviour at workplace are as follows

- Non-availability of Code of Ethics manual
- Lack of fear of action
- Unrealistic targets
- Influence of Co-employees
- Unprincipled leadership
- Means are not appreciated

Ethics of a Banker

A banker can be evaluated for ethical commitment at three stages of his/her career

i. at the initial stages up to first 5 to 7 years of taking up banking as a career

ii. at the middle management stage, typically after 7 to 15 years into banking sector , and

iii. at the senior management level, normally after 15 years into banking service

The following are some of the major ethical qualities expected of a banker throughout his/her career

1. Honesty and Integrity
2. Commitment to customers
3. Confidentiality
4. Fair treatment
5. Transparency
6. Duty mindedness

Institutionalizing ethics in bank

Institutionalising ethics in bank refers to creating a Code of Ethics and implementing the code in letter and spirit. It includes all activities of banks like sales and marketing, customer relationship, service delivery, credit management, regulatory compliance etc. Ethics, corporate governance and responsible financing are interlinked.

The employees must be sensitized for the following aspects:

a) Conflicts of interest
b) Confidential information
c) Fair dealing
d) Policy on social media
e) Employee relations - for the fresher as well as for the experienced
f) Sharing Bank's own experience in ethical compromises

Commercial banks in India may also take up some additional measures (mentioned below) to better strengthen the ethical environment in their banks

i. An officer of established ethical conduct can be handed over the responsibility to look after the ethics (besides compliance) in the banks . He / She may publicize the ethical aspects to all employees from time to time on bank's intranet.
ii. Digitisation and online availability of credit appraisals more than what regulator prescribes
iii. Felicitating employee of the month for highest ethical conduct
iv. Making all employees to work towards maximization of profits for the bank without compromising on ethical principles.
v. Acting strictly in accordance with the banking principles and not individual discretion
vi. Not succumbing to pressure from top when there is no justification
vii. Helping the loan applicants who are financially most deserving, even if it requires spending extra time and efforts
viii. Incorporating ethical conduct as a parameter in annual appraisals

Four broad aspects can be identified to justify why banks need separate Code of Ethics for their employees. These are

1. sensitizing their employees to their responsibilities
2. To display that banks value integrity
3. To avoid innocent violations
4. To deal with habitual violators

Why codes of Ethics fail ?

Organisations where a code of ethics might grossly and significantly fail to bring in any difference to the ethical working of the employees could be when :

1. Language used in code of ethics is very complex and ambiguous
2. Code of ethics commits for something that is very difficult for a bank to ensure
3. Top management does not find time to periodically meet and take stock of the collated and reported information of employees violating code of ethics
4. Management either remains biased or is perceived to be biased in dealing similar cases of code violation and awarding different penalties

Way forward

In the Indian and global contexts, there are adequate number of Ethical Codes. Corporate Governance Codes, Rules from the regulators, Laws, directions from select enforcement agencies and government authorities in context of the acceptable behaviour at work. There is also substantial literature that is available both in the form of books, research reports etc. The fact of the matter is that the ethical behaviour has not yet been imbibed by the entire fraternity of the financial sector. The reasons could be many such as materialistic behavior, greed, negligence, pressure from the unscrupulous borrowers, lack of involvement in work or inadequate diligence and above all the lack of fear that the career will be damaged, if the employee is caught and faces punishment.

Some ways in which employees may be persuaded to remain ethical in their career and life is through efforts by top managements in the form of training the personnel at the stage of induction and orienting them towards ethical conduct and some motivational sessions by the outside experts who themselves have been known for their impeccable track records throughout their career. Besides, there can be some reward and recognition system for those who have remained ethical in their duties rather than treating it as a job.

Sources

1) Book on "Ethics in Banking' by IIBF
2) Book "Business Ethics" by C.S.V. Murthy
3) Rbi.org.in
4) Business standard.com
5) Internet

"Newgen has traversed a long way since its inception in 1992. What started as a small entity from India has now metamorphosed into a global software company with offices in different parts of the world. We are globally recognized for digitalizing enterprises with native process automation, content services, and communication management capabilities."

Varun Goswami
Head of Product Management
Newgen Software

Q. Commencing its journey in 1992, Newgen now stands at the remarkable juncture of completing three decades in the industry. How has the company's journey been over these years?

Newgen has traversed a long way since its inception in 1992. What started as a small entity from India has now metamorphosed into a global software company with offices in different parts of the world.

We are globally recognized for digitalizing enterprises with native process automation, content services, and communication management capabilities. Newgen has emerged as the preferred technology partner for global digital transformation initiatives. It caters to multiple industries, including banking, insurance, government, shared services, healthcare, energy, and utilities. We have filed for 44 patents, out of which 23 have been granted in India and the US.

Q. How has Newgen evolved into a global player in diverse regions such as the US, Canada, Europe, the Middle East, South East Asia, and Australia? Can you also shed some light on the company's future plans?

We have over 520 active clients spread across 74 countries, of which many of our customers from the US fall under Fortune 100 companies. We are constantly exploring new avenues to expand more in these regions. Newgen created new benchmarks for its product and financial parameters in this FY. We have been named a Leader in the Forrester Wave™: Content Platforms Report. Our platform today is driving deeper penetration into our customer base, and it is used for achieving automation at scale and the future looks promising.

Q. Newgen has established itself as a prominent software provider in the BFSI sector. Could you please elaborate on how customer demands have evolved in this sector over the years and how Newgen has effectively adapted to these changing needs?

Our platform today is driving deeper penetration into our customer base, and it is used for achieving automation at scale and the future looks promising.

BFSI is one of the fastest-changing industries and early adopters of technologies. Customer demands in the BFSI sector have undergone a significant transformation in recent years. Traditionally, customers sought stability and reliability in visiting banks and having in-person interactions. However, the digital revolution has reshaped these expectations. In a broader sense, customer demands come in three forms:

Customer Experience: How can the industry enhance customer experience across channels by providing seamless, convenient, and personalized experiences? How can the customers achieve more and more straight-through processing?

Operational Excellence: How can businesses improve the TAT of processes, one of the true reflections of customer experience? How can they provide the right information to the right person at the right time for better decision-making?

Business Innovation: How can businesses build more innovative apps rapidly based on the accumulated data? How fast can they respond to the change to stay ahead of the curve?

Superior customer experience is not a single entity but rather a culmination of various factors that come together to elicit positive emotions from our customers. It is not a one-time affair, either. Over time, we must achieve it consistently across touchpoints and the customer journey. We must ensure our strategy and operations are customer-centric to make it happen.

Q. Low code has brought a paradigm shift in how the financial sector operates. How is Newgen helping the financial institutions in that aspect?

Newgen empowers financial institutions with NewgenONE- a low-code platform to create business applications more rapidly than ever. This helps them gain agility, achieve faster time-to-market, and achieve automation at scale. With a lowcode platform, banks can now automate their front, mid, and back offices and create applicationsthat carry a seamless flow of data across applications.

Banks are creating onboarding, lending, trade finance, payroll, and credit card applications that includeintuitive customer-centric apps and backend processes. The low-code process automation software enables financial institutions

Over time, we must achieve it consistently across touchpoints and the customer journey. We must ensure our strategy and operations are customer-centric to make it happen.

to intelligently automate the end-to-end business application, from origination to disbursal. Banks and credit unions can use one platform to automate all loans, accounts, and service offerings.

Q. The current customer-centric landscape calls for personalized and hassle-free interactions at every customer touchpoint. How does the NewgenONE platform help deliver those in modern financial institutions?

NewgenONE is a comprehensive platform capable of streamlining end-to-end processes for financial institutions. The platform automates all aspects of business for efficient operations, resulting in seamless customer journeys. The customers of financial institutions, particularly millennials, demand personalized and meaningful interactions at every touchpoint. We have built NewgenONE keeping customer-centricity in our strategy and operations and designed it so that the customer sails smoothly through the various financial processes. Furthermore, we have bridged silos and created an integrated operational environment.

Q. Walk us through Newgen's Contextual Content Services platform and how it assists enterprises in managing the growing influx of content.

Newgen's Contextual Content Services is one of the core functionalities of our NewgenONE platform, apart from Intelligent Process Automation and Omnichannel Customer Engagement. It comprises Content Lifecycle Management, Business Process Digitization, Content Intelligence, and more. Enterprises can leverage our ECM suite to manage content, processes, and communication with a single platform. It helps automate content lifecycle management for all types of content across the organization and ensures access to documents and information anytime, anywhere.

Q. How does NewgenONE facilitate operations inte-

gration across all areas of a modern enterprise, including the front, middle, and back offices?

NewgenONE, built on a low code framework, offers a visual and intuitive development environment, enabling enterprises to design and implement custom applications and workflows. This empowers enterprises to swiftly streamline and automate their processes at scale, whether it's customer relationship management in the front office, transaction processing in the middle office, or resource management in the back office.

Moreover, NewgenONE is equipped with pre-built connectors and APIs, simplifying the integration of disparate systems, data sources, and services, thereby fostering the efficient exchange of information and processes between different operational units. This not only enhances productivity and agility but also paves the way for data-driven decision-making, ultimately contributing to the overall success and competitiveness of the modern enterprise.

Q. Newgen has been recognized as 'Leader' in The Forrester Wave: Content Platforms, Q1 2023, and 'Niche Player' in Gartner Magic Quadrant for Enterprise Low-Code Application Platforms, 2023. What do these recognitions signify to you?

We believe these recognitions further validate our commitment to accelerate development through low code, spark digital innovation by facilitating collaboration between business and professional developers, and expand the developer pool beyond central IT. The report aligns with Newgen's commitment to rapidly develop and deploy complex, content-driven applications. It affirms that low-code technology is increasingly used for large and critical use cases. ❑

RBI likely to launch digital rupee pilot for interbank transactions by October

The Reserve Bank of India (RBI) is likely to launch the pilot of Central Bank Digital Currency (CBDC) for transactions for interbank borrowing or call money market by this October, Central Bank Executive Director Ajay Kumar Choudhary said. Speaking on the sidelines of the G20 Summit here, Choudhary said, "The RBI will introduce the wholesale CBDC in the call market either this month or next month."

In November 2022, the pilot of the wholesale CBDC, known as the Digital Rupee-Wholesale (e-W), was launched with the use case being limited to the settlement of secondary market transactions in government securities, according to PTI reports. Finance Minister Nirmala Sitharaman announced the introduction of CBDC in the Union Budget 2022-23 and necessary amendments to the relevant section of the RBI Act, 1934, were made with the passage of the Finance Bill 2022.

The RBI picked nine banks -- State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, YES Bank, IDFC First Bank, and HSBC -- for its pilot project for wholesale CBDC, PTI reported.

In addition, the central bank has already rolled out a pilot in the retail version of the CBDC (e-R) on December 1, 2022. The e-R is in the form of a digital token that represents legal tender. It is being issued in the same denominations as the paper currency and coins. It is being distributed through financial intermediaries like banks. Users can transact with e-R through a digital wallet offered by the participating banks, as per PTI reports.

The RBI is showcasing various digital initiatives in the financial sector at the exhibition pavilion during the G20 Summit. These include Public Tech Platform (PTP) for Frictionless Credit, CBDC, UPI One World, RuPay On-The-Go, and Bharat Bill Payment System. *(Source : Mint)*

AI can free up people for productive jobs

Global technology leaders said Artificial Intelligence (AI) can enhance productivity while they urged for the development of AI in a responsible manner.

Speaking at B20 Summit India 2023 organised by CII, IBM Chairman and Chief Executive Officer Arvind Krishna said AI can free up people for more productive work and reduce cost for businesses.

He said coding can be improved by about 60 per cent by using AI assistance.

"Inside IBM, we think about 20 per cent of the total activity, which we call lower order cognitive work, about 30 per cent of that can be easily made productive through AI. That frees up more people to do more value adding work. It's not that there aren't jobs. If you have productivity then you can access way more clients. You can provide things at a lower cost point," Krishna said.

He said things like human resources, the higher level cognitive task like advising people on what kind of team is required, developing people etc are very much human-centric work at present and for the foreseeable future.

"There are a bunch of activities under it, I call them more mundane, could be automated but are hard to do so. Whether it be about promoting people, whether it is about assessing people, those can begin to be done by AI. In our case we are doing 90 per cent of that through AI," Krishna said.

He said the actual invention of foundation models, large language models, and building together computer infrastructure do need people with those incredible skills.

"We are happy to have them but we don't need everyone else," Krishna said.

Talking about India, Adobe, Chair and Chief Executive Officer Shantanu Narayen said with 46 per cent of the worldwide digital payments, billion people with Aadhaar card and 850 million smartphone and internet users, India presents a massive opportunity to be at the forefront of AI.

Tata Sons Chairman N Chandrasekaran said digital transformation has been a theme around the world for at least a decade and now it's time to talk about AI transition.

He said India and many countries in Global South have problems providing access to services to their people.

"An estimated 300 million lack access to services like healthcare, education and sometime ago for banking. On the other hand we have a lot of people looking for jobs. There are 10-12 million people coming to the workforce every year. We need to solve both problems. The only way to solve these problems is by adopting technology at scale that has never been done before," Chandrasekaran said.

He said that in the last 10 years, India has put in digital infrastructure through which it has been able to deliver service at scale with ease.

"We have got to figure out a way of embracing AI in such a way that we can innovate faster and protect privacy," Chandrasekaran said.

Microsoft President and Vice Chairman Brad Smith said wherever he goes, people say that mistakes done in the case of social media should not be repeated in AI development.

"I think it's fair to say that everybody, not just the companies that were involved in it, say the biggest social media sites, perhaps became a little too euphoric about the good thing that social media will bring to the world without thinking of the risks as well," Smith said.

He said the Arab Spring saw one side of social media and it was different at the time of the 2016 US Presidential election.

"We need to be excited about the opportunity but thoughtful, perhaps even concerned about the downside and we need to construct guard rails from the outset as industry, as company and as governments and countries," Smith said. *(Source: Business Standard)*

PM Vishwakarma Scheme

On September 17, Prime Minister Narendra Modi launched the PM Vishwakarma scheme in New Delhi on the occasion of Vishwakarma Jayanti, for giving government support to workers engaged in traditional crafts and skills.

First announced during his Independence Day speech around a month ago, the scheme is also being seen as a means for the government to reach out to the economically marginalised and socially backward communities - particularly the Other Backward Classes (OBC) groups - before the 2024 Lok Sabha polls. Here's who the scheme targets and what its provisions say.

What is the Vishwakarma scheme?

It is a new scheme with an outlay of Rs 13,000 crore and is fully funded by the Central government. "On this Vishwakarma Jayanti, we will give about Rs 13,000-15,000 crore to the people who live with traditional skills, who work with tools and with their own hands, mostly from the OBC community. Be it our carpenters, our goldsmiths, our masons, our laundry workers, our barber brothers, and sisters..." Modi had said on August 15.

Vishwakarma, in Hindu mythology, is seen as the architect of the gods and was the divine carpenter and master craftsman who fashioned the weapons of the gods and built their cities and chariots. Some legends say he was the architect of the mythical city Lanka mentioned in the Hindu epic Ramayana and is also said to have made the great image of Jagannatha at Puri in Odisha. He is considered the patron deity of workers, artisans, and artists.

Who is eligible for the Vishwakarma scheme?

A video from the government that was played at the launch event talked about how the professionals engaged in traditional crafts and skills for centuries, often taught by elders in the family, have faced certain problems. These include a lack of professional training for their work, of modern tools, the issue of distance from the markets relevant to them and the availability of little capital for investment.

Families associated with 18 such different sectors will be helped in all possible ways, the PM said. These include:

(i) Carpenters
(ii) Boat Makers
(iii) Armourers
(iv) Blacksmiths
(v) Hammer and Tool Kit Makers
(vi) Locksmiths
(vii) Goldsmiths
(viii) Potters
(ix) Sculptor, Stone breakers
(x) Cobblers (Shoesmiths/ Footwear artisans)
(xi) Masons (Rajmistri)
(xii) Basket/Mat/Broom Makers/Coir Weavers
(xiii) Doll & Toy Makers (Traditional)
(xiv) Barbers
(xv) Garland makers
(xvi) Washermen
(xvii) Tailors
(xviii) Fishing Net Makes.

What benefits can be availed of through the Vishwakarma Scheme?

The scheme is to help enhance the skills of workers employed in these fields and help them avail loans easily to aid their earnings.

Under the scheme, the Vishwakarma workers will be registered for free through Common Services Centres using the biometric-based PM Vishwakarma portal.

They will then be provided recognition through the PM Vishwakarma certificate and ID card, given skill upgradation involving basic and advanced training, a toolkit incentive of Rs. 15,000, collateral-free credit support up to Rs. 1 lakh (first tranche) and Rs. 2 lakh (second tranche) at a concessional interest rate of 5%, incentive for digital transactions and marketing support. *(Source: The Indian Express)*

Mediation Bill: A new beacon of hope?

The Mediation Bill, as passed by both Houses in August 2023 and currently awaiting Presidential assent, seeks to codify, institutionalise and promote the process of mediation by establishing the Mediation Council of India recognising mediation service providers and providing for the registration of mediators. It also provides for online and community mediation.

Essentially, it makes prelitigation mediation voluntary in nature, allowing parties to choose if they want to participate in the process. Originally the Bill had made prelitigation mediation compulsory, but the Standing Committee on Personnel, Public Grievances, Law and Justice proposed to make prelitigation mediation voluntary and not mandatory. Now, a provision acknowledges the autonomy of the involved parties and allows them to opt out of mediation after Now, mediation can be coaxed but not forced undergoing two sessions if they desire. Mediation can be coaxed but not forced.

Further, the Bill provides for creation of a 'Mediation Service Provider' or MSP, to conduct mediation procedures, accreditation, maintenance of panels and all operations ancillary thereof. The MSP will be graded by the Mediation Council of India. The Bill also provides an indicative list of subject matters not fit for mediation, including disputes involving allegations of fraud, forgery, claims involving minors, persons suffering from intellectual disabilities, tax disputes, disputes under the Competition Act, among others.

Although, an indicative list goes a long way in reducing doubt, broadly worded subject matters such as "settlement of matters which are prohibited being in conflict with public policy or is opposed to basic notions of morality or justice or under any law for the time being in force" would possibly warrant liberal interpretation, which may prove to be a bone of contention between parties.

The Bill expands mediation to include family disputes, community conflicts and other unconventional domains in addition to civil and commercial disputes. Moreover, the Mediation Bill will have an overriding effect for conducting mediation over other laws, except for legislations specified under the second schedule and to proceedings conducted by the Lok Adalat.

Further, the Bill initially envisaged that the mediation process must be completed within 180 days, which may be extended by another 180 days by the parties. However, it appears that adhering to the suggestions of the Report of the Standing Committee, this was reduced to an initial period of 120 days, which could be extended by 60 days. Even if the parties fail to reach a settlement through prelitigation mediation, the court or tribunal may at any stage refer the parties to mediation if they request the same.

Enforcing Settlements

The Bill seeks to enforce mediated settlement agreements as per the provisions of Civil Procedure Code, as if it were a judgement or decree passed by the court. With this development, parties to the dispute will have quicker access to resolution in addition to reduced burden on the courts.

By following the suit of codifying the mediation provisions from various international instruments, the code emerges as a beacon of hope in addressing the issues of binding confidentiality, party empowerment, procedural clarity, bias and neutrality.

However, the loopholes require immediate attention so as to instil confidence in the process. *(Source: Business Line)* sustainability initiatives. Being able to convey complex concepts in a clear and concise manner is highly valued.

Analytical and problem-solving abilities: Strong analytical skills will help you assess environmental impacts, identify areas for improvement, and develop sustainable solutions. Problem-solving abilities will enable you to tackle challenges and find innovative ways to address sustainability issues.

Collaboration and leadership: Sustainability often requires working with interdisciplinary teams and engaging stakeholders from various sectors. Being able to collaborate effectively, influence others, and lead sustainability initiatives will enhance your career prospects.

Balancing of attitude and aptitude is key to thriving in the field of sustainability.:

Attitude: Having a passion for sustainability, a genuine commitment to making a positive impact, and a proactive mindset are crucial. Employers look for individuals who demonstrate dedication to sustainable practices, resilience in the face of challenges, and a long-term vision for a sustainable future.

Aptitude: Demonstrating the required skills, knowledge, and expertise is equally important. Employers seek candidates who possess the technical competencies necessary to address sustainability issues effectively. The ability to learn and adapt to new technologies and evolving practices is also highly valued.

Possessing the right qualifications, technical skills, industry knowledge, and communication abilities will open doors to opportunities. However, an enthusiastic attitude, passion, and commitment to sustainability are equally essential to drive positive change and contribute to a more sustainable world. *(Source: ToI)*

RBI issues guidelines for responsible lending; sets 30 day-limit to release property documents after loan closure

The Reserve Bank of India (RBI) on Wednesday issued guidelines for banks, non-banking financial companies (NBFCs) and other regulated entities to address the issues faced by the borrowers and towards promoting responsible lending conduct among such entities.

The RBI said that the Regulated Entities (RE) shall release all the original movable or immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment or settlement of the loan account. Moreover, the borrower shall be given the option of collecting the original movable or immovable property documents either from the banking outlet or branch where the loan account was serviced or any other office of the RE where the documents are available, as per his preference.

In order to address the contingent event of demise of the sole borrower or joint borrowers, the REs shall have a well laid out procedure for return of original movable / immovable property documents to the legal heirs. Such procedures shall be displayed on the website of the REs along with other similar policies and procedures for customer information, the RBI notification said.

In case of delay in releasing of original property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after settlement of loan, the RE shall communicate to the borrower reasons for such delay.

However, if the delay is attributable to the RE, it shall compensate the borrower at the rate of ?5,000 for each day of delay, the RBI said.

Additionally, in case of loss or damage to original property documents, the REs shall assist the borrower in obtaining duplicate or certified copies of the property documents and shall bear the associated costs, in addition to paying compensation. However, in such cases, an additional time of 30 days will be available to the REs to complete this procedure and the delayed period penalty will be calculated thereafter. These directions shall be applicable to all cases where release of original property documents falls due on or after December 1, 2023. *(Source : Mint)*

RBI CIRCULAR

Display of information - Secured assets possessed under the SARFAESI Act, 2002

September 25, 2023

1. As a part of the move towards greater transparency, it has been decided that the Regulated Entities (REs) of the Reserve Bank which are secured creditors as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, shall display information in respect of the borrowers whose secured assets have been taken into possession by the REs under the Act.
2. REs shall upload this information on their website in the format as prescribed in the Annex. The first such list shall be displayed on the website of REs within six (6) months from the date of this circular, and the list shall be updated on monthly basis.

Data Quality Index for Commercial and Microfinance Segments by Credit Information Companies

September 20, 2023

1. Please refer to our circular DBOD.No.CID.BC.127/ 20.16.056/2013-14 dated June 27, 2014, inter alia setting out a common Data Quality Index (DQI) for assessing the quality of data submissions by Credit Institutions (CIs) to Credit Information Companies (CICs) and improving the same over a period of time. Currently, the DQI is being used for data submitted under the consumer segment.
2. With a view to enable further implementation of DQI, it has been decided that CICs shall prepare DQIs for Commercial and Microfinance segments also as per Annex I and II, respectively. CICs shall provide the DQIs for Commercial and Microfinance segments to all CIs latest by March 31, 2024.
3. Further, CICs are advised as under:
   i. CICs shall provide DQIs for Commercial and Microfinance segments in the form of numeric scores on a monthly basis to all member credit institutions.
   ii. DQI scores for Commercial and Microfinance segments shall be provided at CI and file level. The DQI scores for Commercial and Microfinance segments at CI level shall be computed as weighted average of file level DQI scores of commercial and microfinance segment respectively of that CI.
   iii. CICs shall compute industry level DQIs for each of the three reporting segments1 as weighted average of the CI level DQI in their respective category (e.g. Public Sector Banks, Private Sector Banks, Foreign Banks, Co-operative Banks, RRBs, NBFCs etc.) on monthly basis. Further, a half yearly Industry Benchmark shall be calculated as a rolling average of preceding six months Industry level DQI score of respective category of CIs.
   iv. CICs shall provide reasons for decline in score to each CI, if its (a) CI level score has declined over

the previous month or (b) CI level score is lower than the half yearly industry benchmark.

v. CICs shall provide monthly data of CI level DQI and industry level DQI of all segments to Department of Supervision, Reserve Bank of India, Central Office at half yearly intervals as on September 30 and March 31 each year, for information and monitoring purposes.

4. CIs are advised to undertake half yearly review of the DQI for all segments to improve the quality of the data being submitted to CICs. Corrective steps taken on the above issues along with a report on the same shall be placed before its top management by each CI for review within two months from the end of that half-year.

Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans

September 13, 2023

1. In terms of the guidelines on Fair Practices Code issued to various Regulated Entities (REs) since 2003, REs are required to release all movable / immovable property documents upon receiving full repayment and closure of loan account. However, it has been observed that the REs follow divergent practices in release of such movable / immovable property documents leading to customer grievances and disputes. To address the issues faced by the borrowers and towards promoting responsible lending conduct among the REs, the following Directions are being issued:

Release of Movable / Immovable Property Documents

2. The REs shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
3. The borrower shall be given the option of collecting the original movable / immovable property documents either from the banking outlet / branch where the loan account was serviced or any other office of the RE where the documents are available, as per her / his preference.
4. The timeline and place of return of original movable / immovable property documents will be mentioned in the loan sanction letters issued on or after the effective date.
5. In order to address the contingent event of demise of the sole borrower or joint borrowers, the REs shall have a well laid out procedure for return of original movable / immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the REs along with other similar policies and procedures for customer information.

Compensation for delay in release of Movable / Immovable Property Documents

6. In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the RE shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the RE, it shall compensate the borrower at the rate of ?5,000/- for each day of delay.
7. In case of loss/damage to original movable / immovable property documents, either in part or in full, the REs shall assist the borrower in obtaining duplicate/ certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at paragraph 6 above. However, in such cases, an additional time of 30 days will be available to the REs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
8. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

Applicability

9. These Directions shall be applicable to all cases where release of original movable / immovable property documents falls due on or after December 1, 2023.
10. The above Directions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA and 45L of the Reserve Bank of India Act, 1934, and section 30A of the National Housing Bank Act, 1987. ❑

Public Sector Banks : Ratios

As on March 31 *(In Per Cent)*

S. N.	Banks	Opr.Exp. as % to Total Expenses			Return on Assets [%]			Capital Adequacy Ratio-Basel III [%]		
I	**NATIONALISED BANKS**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
1	Allahabad Bank	29.57	---	---	(2.22)	---	---	12.01	---	---
2	Andhra Bank	26.61	---	---	(0.50)	---	---	11.12	---	---
3	Bank of Baroda	28.00	33.01	36.82	0.05	0.07	0.60	13.30	14.99	15.98
4	Bank of India	27.83	29.16	33.23	(0.43)	0.28	0.43	13.10	14.93	17.04
5	Bank of Maharashtra	29.92	33.84	35.56	0.23	0.30	0.55	13.52	14.49	16.85
6	Canara Bank	24.43	29.97	31.51	(0.32)	0.23	0.48	13.65	13.18	14.90
7	Central Bank of India	30.28	31.89	33.52	(0.35)	(0.26)	0.30	11.72	12.78	13.84
8	Corporation Bank	32.11	---	---	(1.13)	---	---	11.53	---	---
9	Indian Bank	24.26	30.63	33.06	0.26	0.50	0.63	14.12	15.71	16.53
10	Indian Overseas Bank	29.76	33.45	34.35	(2.95)	0.31	0.59	10.72	15.32	13.83
11	Oriental Bank of Commerce	30.06	---	---	(0.83)	---	---	11.55	---	---
12	Punjab & Sind Bank	24.04	33.68	33.91	(0.91)	(2.55)	0.85	12.76	17.06	18.54
13	Punjab National Bank	24.77	28.77	30.48	0.04	0.15	0.26	14.14	14.32	14.50
14	Syndicate Bank	31.39	---	---	(1.20)	---	---	11.52	---	---
15	UCO Bank	23.75	34.65	35.95	(0.96)	0.06	0.34	11.70	13.74	13.74
16	Union Bank of India	22.56	27.56	31.47	(0.53)	0.27	0.47	12.81	12.56	14.52
17	United Bank of India	44.76	---	---	(4.17)	---	---	5.56	---	---
	TOTAL OF NATIONALISED BANKS [I]	**27.57**	**30.42**	**32.97**						
II	State Bank of India (SBI)	32.07	34.86	37.64	0.38	0.48	0.67	13.06	13.74	13.83
	TOTAL OF PUBLIC SECTOR BANKS [I+II]	**29.17**	**32.08**	**34.81**						

Source : Reserve Bank of India.

Private Sector Banks : Ratios

As on March 31 *(In Per Cent)*

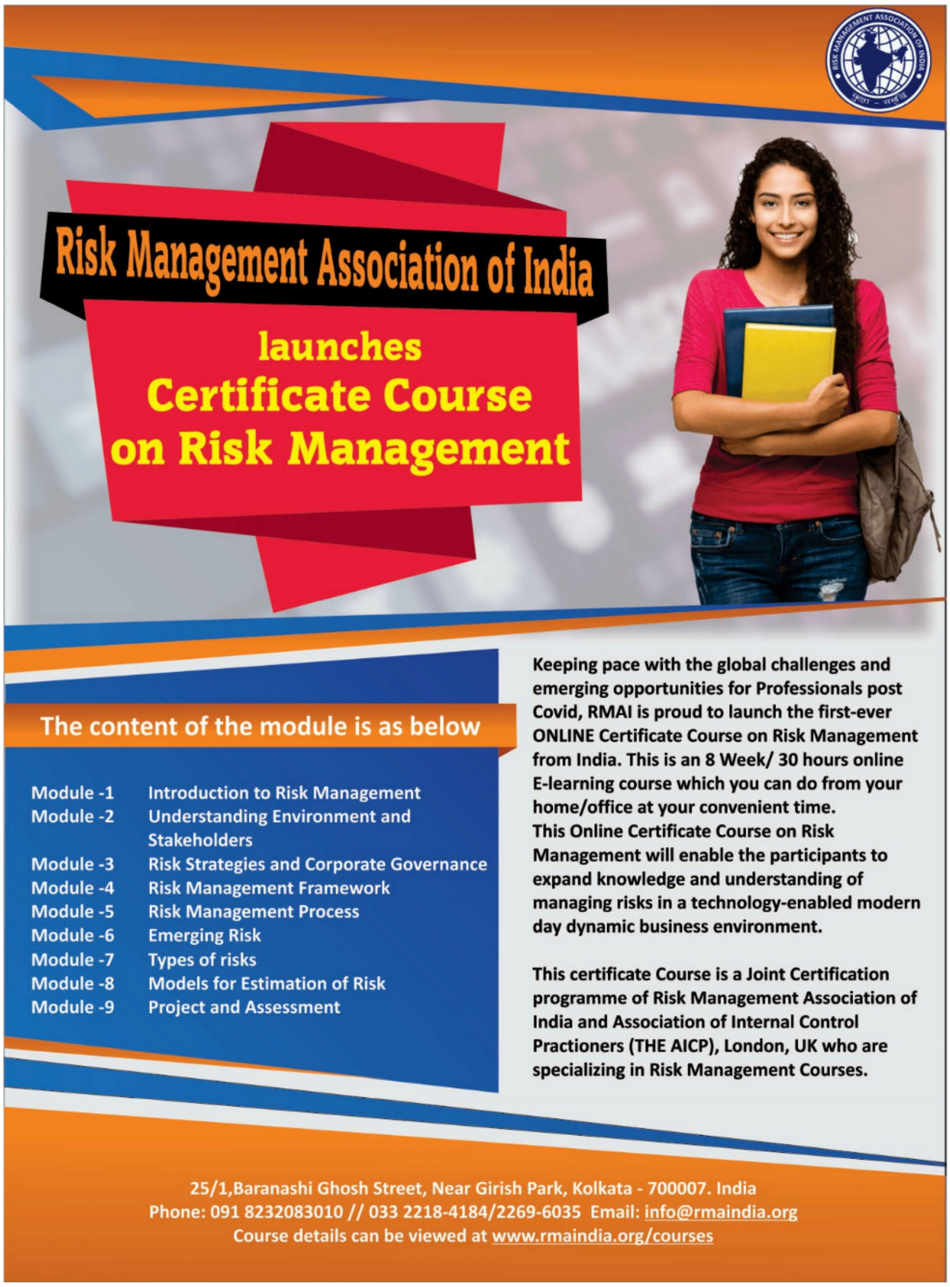
S. N.	Banks	Op.Exp.as % to Total Expenses			Return on Assets [%]			Capital Adequacy Ratio - Basel III [%]		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
1	City Union Bank Ltd.	28.90	31.31	33.05	1.00	1.15	1.35	13.93	19.52	20.85
2	Tamilnad Mercantile Bank Ltd.	28.39	32.11	35.50	0.99	1.34	1.66	16.74	18.96	20.08
3	The Catholic Syrian Bank Ltd.	36.76	43.92	47.05	0.07	0.99	1.90	22.46	21.37	25.90
4	Dhanlaxmi Bank Ltd	34.53	37.85	41.75	0.55	0.29	0.27	14.41	14.47	12.98
5	The Federal Bank Ltd.	28.28	30.98	35.80	0.94	0.85	0.94	14.35	14.62	15.77
6	The Jammu & Kashmir Bank Ltd.	36.53	39.88	44.75	(1.10)	0.38	0.42	11.40	12.20	13.23
7	The Karnataka Bank Ltd.	26.90	29.31	32.68	0.53	0.57	0.56	12.88	14.85	15.66
8	The Karur Vysya Bank Ltd.	32.35	38.97	39.23	0.32	0.49	0.86	17.17	18.98	19.46
9	The Lakshmi Vilas Bank Ltd.	30.87	---	---	(2.61)	---	---	1.12	---	---
10	Nainital Bank Ltd.	26.39	30.88	37.85	(0.79)	0.02	0.39	12.94	13.67	14.05
11	RBL Bank	36.34	37.75	46.61	0.60	0.54	(0.07)	16.45	17.50	16.82
12	The South Indian Bank Ltd.	23.98	28.73	31.79	0.11	0.06	0.04	13.41	15.42	15.86
I	**TOTAL OF 12 PVT BANKS [I]**	**30.57**	**34.00**	**38.41**						
II	**NEW PRIVATE SECTOR BANKS**									
13	Axis Bank Ltd.	31.62	35.01	40.81	0.20	0.70	1.21	17.53	19.12	18.54
14	DCB Bank Ltd.	28.44	28.05	31.96	0.90	0.87	0.70	17.75	19.67	18.92
15	HDFC Bank Ltd.	34.37	36.89	40.18	2.01	1.97	2.03	18.52	18.79	18.90
16	ICICI Bank Ltd.	34.23	34.95	40.73	0.81	1.42	1.84	16.11	19.12	19.16
17	Indusind Bank Ltd.	33.00	35.08	37.66	1.54	0.90	1.28	15.04	17.38	18.42
18	Kotak Mahindra Bank Ltd.	39.72	42.74	52.11	1.87	1.85	2.13	17.89	22.26	22.69
19	YES Bank	25.89	31.47	35.33	(5.39)	(1.30)	0.40	8.50	17.50	17.40
20	Bandhan Bank	34.72	36.22	40.59	4.18	2.13	0.11	27.43	23.47	20.10
21	IDFC First Bank Ltd.	34.63	45.24	56.36	(1.79)	0.28	0.08	13.38	13.77	16.74
22	IDBI Ltd.	31.39	34.63	41.04	(4.26)	0.46	0.84	13.31	15.60	19.06
II	**TOTAL OF NEW PVT BANKS [II]**	**33.24**	**36.29**	**41.51**						
III	**TOTAL OF PVT BANKS [I+II]**	**32.84**	**35.95**	**41.08**						

Source : Reserve Bank of India.

Published on 1st of Every Month
Date : 01-10-2023

Declaration No. 07
Dated 25-01-2023

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



Owner Sashi Publications Pvt. Ltd., Printer Sashi Prabha Agarwala, Publisher Sashi Prabha Agarwala, Published from 25/1, Baranashi Ghosh Street, Kolkata - 700007, PS Girish Park, West Bengal and Printed by Satyajug Employees Co-operative Industrial Society Ltd., 13/1A, Prafulla Sarker Street, Kolkata - 700072, West Bengal, Editor - Dr. Rakesh Agarwal