It is a privilege to be here this morning at the very prestigious India Economic Conclave organized by The Times Network. I assumed charge of the Reserve Bank last year on December 12, and this event was held around that time. Having witnessed many of the proceedings of the event last year on television, I looked forward to participating in this year’s conclave. I must also compliment Shri Anand of Times Network and Shri Vaidyanathan of IDFC First Bank for introducing the subject and the theme of the event succinctly.

2. Today, as we sit down and talk here or elsewhere, almost every discussion converges on the state of the Indian economy. Multiple views are expressed, multiple analyses are done, and multiple suggestions are made. The whole country’s interest in the economy is a very good sign. There is indeed a need for very informed and objective conversation on the state of the Indian economy, and more importantly, about our future course of action.

3. In this context, I propose to talk about the important role of the Reserve Bank of India in creating a financial system for the 21st century, with a focus on the growth aspect. Financial stability, which is essential for growth and economic development, will also be touched upon by me.

Role of the Reserve Bank of India

4. As a national institution, the Reserve Bank predates the independence of India. The preamble of the RBI Act, 1934, states the RBI’s role as:

“...to regulate the issue of banknotes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage...”

5. This mandate has been interpreted over time as to maintain price stability, financial stability and economic growth with the relative emphasis between these objectives governed by the prevailing macroeconomic conditions. In May 2016, the RBI Act was amended, and the role of the Reserve Bank in the area of monetary policy has been restated as follows:

“the primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth”.

6. Empowered by this mandate, the RBI adopted a flexible inflation targeting (FIT) framework under which primacy is accorded to the objective of price stability, defined numerically by a target of 4 per cent for consumer price headline inflation with a tolerance band of +/- 2 per cent around it, while simultaneously focusing on growth when inflation is under control. The relative emphasis on inflation and growth depends on the macroeconomic scenario, inflation and growth outlook, and signals emerging from incoming data.

7. Post Global Financial Crisis (GFC), financial stability has emerged as a key priority...
for central banks around the world. Though the jury is still out as to whether it should be added as an explicit objective of monetary policy, the fact remains that it has always been an underlying theme within this mandate. In fact, drawing upon this mandate, the Reserve Bank of India has taken several policy actions in recent months encompassing monetary and liquidity measures as well as macro-prudential measures to reinvigorate domestic demand and accelerate the pace of economic growth. Simultaneously, we have been taking steps to strengthen the banking and the non-banking financial companies (NBFC) sector. The Reserve Bank of India will continue to do whatever is necessary to deal with the multiple challenges of growth slowdown, spikes of inflationary pressures and health of the domestic banking sector and NBFCs.

8. Having briefly touched upon the role of the Reserve Bank, let me now turn to growth and then to financial stability.

Global Growth

9. In the recent couple of years, we have seen that global growth has slowed down because of trade tensions, protectionist tendencies, lingering uncertainty over Brexit, among others. What is critical is that the outlook on all these is ever-changing.

10. Talking about the ongoing trade tensions, one often hears of statements about trade wars between the two leading nations coming to an end one day, followed by contrary news the next day. This fluctuation has been happening over a period, especially in the last few months. Yesterday’s announcement of the United States of America (USA) and China coming to some understanding, hopefully, will be sustainable and will not get reversed in the coming weeks or months. Media reports of China increasing its agricultural imports from the USA and the USA going slow on its proposal to levy new tariffs on Chinese imports, I hope, will bring in a lot of certainty in the global trade and growth spheres.

11. Similarly, in the case of Brexit, there has been a positive development in the sense that there is a stable government which is committed to Brexit. Earlier, the debate in the public space in the United Kingdom (UK) was oscillating between Brexit and no Brexit. Fortunately, as it would appear, there is some element of certainty coming in there.

12. To highlight the kind of uncertain times that we are living in, I would like to mention one more development. When the Saudi oil drone strikes happened about a few months ago, the oil markets went into great suspense immediately. In an interview within two/three days of the drone strikes, I was asked a question by your channel, ET Now, and I had said that I will wait for at least two weeks to see Saudi Arabia’s revival plan. But fortunately, within no time, the Saudi authorities were able to put together a revival plan and the shock was rendered temporary. While the times are uncertain, it is good that efforts are being put in to reduce the element of uncertainty.

13. Against this backdrop, I had observed in my intervention at the Introductory Session of the IMF’s International Monetary and Financial Committee (IMFC) meeting in October 2019 that we (all member countries) need to act now and together to prevent the slowdown from becoming entrenched.

14. Global growth is widely talked about in India because it influences domestic growth as well. I do not intend to imply that the slowdown that we are experiencing in the country is entirely due to global factors, but they do have an impact. For emerging market economies such as India, quick revival of growth is very important - considering their contribution to global growth - and there is, therefore, a need for coordinated and timely action by all countries. This is a point
which needs to be driven home very strongly.

15. In 2008, when the global financial crisis (GFC) happened, multilateralism was at the forefront of global discourse. Ten years later, today, when there is a global slowdown, it is no more the dominant theme – bilateralism has overtaken the multilateral sentiment. All the G-20 countries, led by the USA, had come together post GFC and worked out a global plan of action to revive growth. We do not see that kind of global action in the current scenario. I only hope that global growth does not suffer from hysteresis. That is, delayed action by countries should not overtake or should not stifle the recovery process. For example, even though quarterly growth (annualised) in the Euro area (EA) has been stable in the last two quarters - it was 0.8 per cent in Q2 and Q3 of this year – it is not what the EA would like to have. We find that there is space for fiscal policy action in many of the larger European economies, but we are yet to see any traction on that front. These countries may have their own reasons for holding back fiscal action, but as an outsider and after my interaction with central bank governors of other major economies, it is felt that fiscal action in Europe is somewhat delayed and we are yet to see the kind of fiscal action that we saw in 2008. In fact, it is noteworthy that the new chief of European Central Bank, Ms. Christine Lagarde, has stressed the need for some amount of fiscal expansion by countries in the EA which can afford to do so.

16. Talking about the world growth scenario, we find that there are some marginal signs of pickup in the US economy, with growth in Q3 being 2.1 per cent in comparison to 2.0 per cent in Q2 of 2019. The UK, which recorded a surprising growth of -0.8 per cent in Q2, has reported a 1.2 per cent annualised growth in Q3. Growth in China has decelerated. South Africa has witnessed a decline in growth from 3.2 per cent in Q2 to -0.6 per cent in Q3. Brazil has shown some marginal improvement. The overall picture, however, remains unclear.

17. Fortunately, for India, both Government and the Reserve Bank have acted in time. With regard to the RBI, I can say that the markets were somewhat surprised by RBI’s action a little ahead of time, in terms of reduction in policy rate as early as in February 2019, when we anticipated that a momentum for a slowdown is building up. The Government, on its part, has also announced several policy measures in the last five to six months.

18. I would like to conclude this part of my intervention by saying that a synchronised slowdown across countries necessitates coordinated policy action by major economies.

Domestic Economic Growth

19. Coming to domestic economy, it is imperative that we recognise and highlight the growth drivers of the past and the present. What led the Indian growth story in the last two to three decades? Which sectors could play that role today?

Growth Drivers of the Past

20. In the late 1990s and the first decade of the 21st century, it was essentially the information technology (IT) sector which led the growth. India was able to capitalise on the IT boom; in fact, India’s software exports went up by 13 times from about US$ 6.3 billion in 2000-2001 to US$ 83.5 billion in 2018-19. The telecom revolution also happened during the same period and created a lot of new jobs and also added to the gross domestic product (GDP). The infrastructure sector, especially the construction of highways, also expanded with the Golden Quadrilateral and the other initiatives that followed. Riding on the global growth, manufacturing activity was mainly driven by new automobile companies which made entry into India such as Ford, Hyundai, Toyota, Renault and Nissan, among
others. Maruti and Ashok Leyland went for expansion and new manufacturing facilities came up. Simultaneously, big global electronic hardware and manufacturing companies started setting up their base in India. Furthermore, the Incredible India campaign was initiated and large number of foreign tourists started taking interest in India. In fact, receipts from the tourism sector grew by almost eight times from US$ 3.5 billion in 2000-01 to US$ 28.4 billion in 2018-19. Growth in the late 1990s and in the early years of this century was, thus, primarily driven by IT, telecom, manufacturing, especially in automobiles, electronics and tourism. Related segments within the service sector also experienced concomitant expansion.

What can be the growth drivers of today?

21. Going forward, India should strive and become a part of the global manufacturing value chain. We have been fairly insulated from the global value chain. Therefore, when major manufacturing economies experienced slowdown in the past, India was not significantly impacted. It cannot be a justification for remaining permanently away from it for far too long. For a major economy such as ours, which is increasingly making its global presence felt, it is necessary to play a significant part of the global value chain. I am sure that the policy makers in the Government will give due attention to this aspect. There are of course a number of steps which have been taken in this direction in the recent months and years; however, more steps are necessary.

22. Food processing could be another area. We also need to regain our pre-eminence in textiles. Opportunities in the manufacturing and tourism sectors need to be explored further. Spending on infrastructure by the Central and State Governments is another important area. Capital expenditure of states has remained stagnant around 2.6-2.7 per cent of their gross domestic product (GDP) over the last few years. This needs to be stepped up. E-commerce and start-ups offer new opportunities and several steps have been taken to create an enabling ecosystem in these areas.

23. The RBI’s role in the context of revival of growth has been multi-pronged. As I mentioned earlier, we have pre-emptively reduced the policy rate by 135 basis points between February 2019 and now to reinvigorate demand. In keeping with the accommodative stance, the Reserve Bank has injected a sizable amount of liquidity into the system which was in deficit for a very long time. Currently, the system is in daily surplus by about ₹2.5-3.0 lakh crore – that is the quantum of money we are absorbing through reverse repo operations every day.

24. To ensure better and higher credit flow, we have taken several measures. To touch upon a few, we have increased the single exposure limit for banks to NBFCs; allowed commercial bank lending to NBFCs for on-lending to certain sectors of the priority sector; and reduced the risk weights for banks in certain category of loans to individuals without compromising on any of the macro-prudential principles which is prescribed under the Basel norms.

Role of RBI in maintaining Financial Stability

25. This brings me to the role that RBI plays in maintaining financial stability. In this regard, I would like to share certain interesting facts. I touched upon it briefly in the press conference post monetary policy, but I would like to highlight a few points again. We did a survey of 1539 listed manufacturing companies and an analysis was done based on their H1:2019-20 unaudited half yearly statements which indicate the following:

i. These manufacturing companies have increased their investment in fixed assets, including capital work-in-progress, during the first half of 2019-20.
ii. 45.6 per cent of the funds available with these companies were deployed in fixed assets as compared to 18.9 per cent in the first six months of last year, which means that there was a certain quantum of funds available with the manufacturing companies which was put into fixed assets. This probably means that some signs of revival are beginning to show in the investment cycle. I must qualify by saying that it is too early to rush into any conclusion. Nonetheless, this is an interesting fact which deserves attention.

iii. Our analysis also showed that there is evidence of some amount of deleveraging (i.e., reduction in borrowing) during the first half of this financial year. The proportion of available funds that was used to reduce the long-term and short-term borrowing during the first half of 2019-20 was 11 per cent and 4.2 per cent, respectively.

iv. Many companies are not availing their working capital limits to the full, which may not be a very good sign. It points to some slowdown in the economic activity. On the other hand, it could also imply that they have adequate surplus with them which is being used to meet their working capital requirements. As time progresses, one would expect them to utilise more of these funds in investments. In other words, there is a certain amount of capital available in the system which needs to feed into the investment cycle.

26. What explains this phenomenon? My sense is that there is a process of cleaning up of balance sheets going on in the corporates. So, as far as these corporates are concerned, new investments are being carefully thought through. They have certain amount of funds available, certain amount of investable resources at their disposal, but they are in the process of deleveraging and cleaning up of their own balance sheets before they can restart their investment plans.

27. Banks and NBFCs are cleaning up their balance sheets as well. These are positive signs which are creating a base for future growth. In the case of Scheduled Commercial Banks (SCBs), we find that the system-wide capital to risk-weighted assets ratio (CRAR) is about 14.3 per cent at the end of March 2019. Comparable numbers for other countries, like China and the US, are 14.1 per cent and 14.9 per cent, respectively. One of course must mention that in the advanced European countries like France and Germany, it is a little higher at about 18-19 per cent. But our 14.3 per cent is well above the regulatory requirement2.

28. The problem of stressed assets is also being addressed and the resolution of non-performing assets (NPAs) has gathered momentum. The Supreme Court’s judgment in the case of Essar Steel has really unclogged a major resolution issue which had been pending for quite some time. There has been improvement in the gross NPA figures. After a long time, scheduled commercial banks, especially the public sector banks, have had perceptible improvement in profitability.

29. In this context, the role of the Reserve Bank has been to focus on strengthening regulation and supervision to create or to facilitate a robust framework of financial stability where the banks and the NBFCs will be able to fulfil the expectations of the society. We have carried out a review of regulations of banks and NBFCs in the recent months and have brought about several improvements regarding their supervision. We have created separate Departments of Supervision and Regulation; there is a College of Supervisors which is being set up to improve the supervisory skills of our personnel; and an internal research and analysis wing is being set up within the regulation and
supervision departments to support them with analytical and research inputs. Because of the interconnectedness of our financial system, this research and analysis wing will be able to see things together; correlate them and look at issues holistically; and identify the possible vulnerable areas and the possible weak or fragile spots, if any, that are showing signs of coming up.

30. We also need to focus on 21st century banking in which a lot of activity is currently taking place in digital banking. We have put in place a ‘regulatory sandbox’ for FinTech. In the digital payments space, the Reserve Bank has played an important role in creating a kind of a model (Unified Payments Interface (UPI)) that is being watched internationally. The Bank of International Settlements (BIS), in a very recently published paper, has said that the UPI framework of India can become an international model to facilitate quick and seamless payments not only within countries but across countries. The National Payments Corporation of India (NPCI) has decided to set up a subsidiary to focus on taking the UPI model to other countries as a business proposition.

Role of Communication

31. While doing all these, an important area which is not often discussed about, but which I would like to specifically mention is communication. While there have been divergent opinions about central bank communication, there is no denying the fact that it plays a very important role in the functioning of a central bank. Some central bankers in the past have believed that central bank communication should be delightfully vague. That is, at the end of a Governor’s talk, when one tries to understand what he said, one realises that he has said nothing or nothing new. The counter view is that central bank communication should give clarity, should bring about transparency in its policymaking and should also give some forward guidance.

32. It is for you to assess how we have fared in this aspect, but we have tried to strengthen our communication in the recent months. I would not say that it is for the first time – as it has happened earlier too – but that, by and large, the focus of RBI’s communication has been to give greater clarity to what goes behind decisions and be as transparent as possible. In fact, I can share that in the last few months, whenever we have taken any major policy decision, we have had detailed and long meetings with analysts, researchers and media personnel. We have also had discussions with academic bodies and research institutions and these are held closed-door so that a free and frank discussion can flow, and we can try to explain what has gone into the decision-making process. For the first time, we have also started giving forward guidance about our major policy decisions, especially with regard to monetary policy. Let me give some examples:

i. About six months ago, in one of the monetary policy committee (MPC) resolutions, we had said that growth is a matter of highest priority as long as inflation is under control. We gave a very clear message that so far as the Reserve Bank is concerned, so far as the monetary policy is concerned, and so far as the MPC is concerned, growth is a matter of highest priority.

ii. To give some amount of forward guidance to the market and the analysts, after we had changed our stance to accommodative a few months ago, we had said in the MPC resolution that the Reserve Bank will continue the accommodative stance as long as necessary to revive growth while keeping in mind the inflation target.

iii. When we took a pause in the last MPC meeting, I do not know why the markets said that they were surprised. I was told that the market was surprised by our policy decision
in February, but subsequently I am happy and want to thank all of you for accepting that it was the right call to take. This time around too, with the pause that we have taken, I do hope that the events will unfold in a manner which will prove that the MPC's decision was right. But that is not the point I am trying to make and only time will tell how the situation evolves. When we took the pause, the MPC very clearly recognised that monetary space is available, and it will use this space as per requirement, keeping in mind the incoming data regarding inflation and growth. This can be construed as an example of forward guidance wherein the reasons for the pause have been very elaborately explained in the MPC resolution and in the statement which I made during the press conference. It is available on the RBI website. In our decision to take a pause, while we have said that there is space for further monetary policy action, we have very carefully and very definitively also said that the timing will have to be decided in a manner that its impact is optimum and maximised.

33. We have, in fact, in other policy measures also, tried to bring about a lot of transparency, showing our focus on communication. To explain the power of communication, let me mention the 2008 Global Financial Crisis and the expansionary policy that the US Fed adopted at that time. The communication at that time was very powerful; therefore, it was accepted by the international markets and the analysts. Everybody understood exactly what the Fed was going to do. In 2013, during the so-called taper tantrum, the US Fed’s communication was not as powerful - a mere mention that they are perhaps going to roll back or unwind the expansionary policy - created a huge havoc and volatility in the international financial markets. Communication, therefore, is a powerful tool.

Any decision that is taken by the central bank has to be backed by communication. Of course, communication should be backed by action and it should never be empty words.

Conclusion

34. Let me conclude by saying that in a complex and interconnected economy such as India, challenges emanate from the spheres of monetary policy, regulation and supervision of financial markets as well as detection of frauds, risk management functions and internal control systems of banks and non-banks, amongst others.

35. Consequently, there is never a dull moment in the central bank. It is always full of challenges; what is important is that we should respond to these in time. Recently, an old timer in Mumbai told me that you have winds blowing from two different directions in the top floors of the Reserve Bank. I thought he was talking about the role of the Reserve Bank and how complex it is until I realised that he meant that the wind actually blows in from two different directions. My reply to him was: “Well, that would demonstrate how complex and challenging is the role of Reserve Bank in a complex economy like India!”
On behalf of the Reserve Bank of India, I am delighted to welcome Mr. Tharman Shanmugaratnam to deliver the Professor Suresh Tendulkar Memorial Lecture, the third in the series. We are also deeply honoured to have Smt. Sunetra Tendulkar, the wife of late Professor Tendulkar and his daughter Smt. Saeesapre with us. A hearty welcome to all the distinguished invitees of the Reserve Bank.

About Prof. Suresh D. Tendulkar

2. Prof. Suresh D. Tendulkar was a great teacher, economist and policy analyst. His seminal work on the measurement and analysis of living standards in the country will remain his enduring legacy to public policy formulation. In fact, a defining feature of Prof. Tendulkar’s life as a professional economist was his deep sensitivity to poverty and a commitment to data-based research to understand poverty.

3. With a formidable academic record of great distinction, he joined the Indian Statistical Institute in 1968. This was followed by a prestigious two-year assignment at the Development Research Centre of the World Bank. From 1978 onwards, he served with great distinction in the Delhi School of Economics in different capacities until his retirement in 2004. He served on numerous working groups on the design and conduct of the National Sample Surveys and was the Chairman of the Governing Council of the National Sample Survey Organisation; Chairman of the National Accounts Advisory Committee; and Chairman of the National Statistical Commission. He was a member of the Lakdawala Committee for estimation of poverty in 1993, which recommended state specific consumption baskets for estimation of poverty. He became a member of the Prime Minister’s Economic Advisory Council in 2004 and in 2008 he was appointed the Chairman of the Council.

4. Prof. Tendulkar served as Director on the Central Board and the Chairman of the eastern region Local Board of the Reserve Bank from 2006 till his sad demise on June 21, 2011. This lecture series was instituted in his honour in 2013 in recognition of his contribution to the economics profession and his association with the Reserve Bank.

About Mr. Tharman Shanmugaratnam

5. I am happy that Mr. Shanmugaratnam has agreed to come to the Reserve Bank, though after a gap of 7 years, to deliver the Third Suresh Tendulkar Memorial Lecture. Earlier he had delivered the 13th L.K. Jha Memorial Lecture in September, 2012. Mr. Shanmugaratnam is a renowned economist and a political personality. He has spent his working life in public service, in roles predominantly related to economic and social policies. Currently he is serving as Senior Minister of Singapore and also Coordinating Minister for Social Policies, and advises the Prime Minister of Singapore on economic policies. He is concurrently the Chairman of the Monetary Authority of Singapore (MAS) and Deputy Chairman of Government of Singapore Investment Corporation.

6. Mr. Shanmugaratnam started his career at the Monetary Authority of Singapore as its Chief Economist. He later joined the...
Singapore Administrative Service and served in the Ministry of Education as a Senior Deputy Secretary for Policy. Afterwards he started his political career in 2001 when he was elected as Member of Parliament in Jurong Group Representation Constituency and has been re-elected three times since then. He had served in prominent positions of Minister for Education, Minister for Finance and also Deputy Prime Minister, following the 2011 general election.

7. Mr. Shanmugaratnam chairs the Group of Thirty, an independent global council of economic and financial leaders. He also chaired the G20 Eminent Persons Group on Global Financial Governance that recommended reforms for a more effective system of global development finance and financial stability. He earlier led the International Monetary and Financial Committee of the IMF. Currently, he is co-chairing the Advisory Board for the United Nations’ 2019 Human Development Report, and is serving on the World Economic Forum’s Board of Trustees.

8. The theme of “Broad-based Prosperity: Tackling the Fundamentals”, chosen by Mr. Shanmugaratnam for today’s lecture, is relevant globally and also for the Indian economy. The importance of broad based prosperity has been well recognised for a long time and there is a consensus on the need to ensure that the benefits of economic growth reach the populace at large. As an idea and a policy objective, it is similar to the concept of inclusive growth. While there is consensus on the need to achieve a more egalitarian social and economic order globally as well as within a country, it is equally important to focus on the fundamentals and create an eco system that facilitates greater inclusion. The underlying theme has to be structural reforms.

9. In this context, let me mention that the mandate given to RBI on maintaining price stability, financial stability and economic growth is not only important from macroeconomic perspective, but also for the objective of inclusive growth. Persistently high inflation adversely impacts the economy’s allocative efficiency and impedes growth. It also contributes to a worsening of income distribution by depreciating the real income of the poor. In the backdrop of very high domestic inflation as compared to G20 countries, we adopted a flexible inflation targeting (FIT) framework in 2016 under which primacy has been accorded to the objective of price stability, while simultaneously focusing on growth when inflation is under control.

10. Similarly, high growth with financial stability augurs well for inclusive growth. High growth can bring inclusiveness in the process of wealth creation and its spread effect. I need not elaborate, but higher growth also improves tax-GDP ratio which enhances the resource availability with Government to undertake social and infrastructure expenditure. Again, a sound financial system with healthy banks and NBFCs can play an important role in meeting the credit requirements of the bottom of the pyramid. Therefore, we have been focusing on strengthening regulation and supervision to develop a robust framework of financial stability where the banks and the NBFCs are able to fulfil the expectations of the society.

11. The Government and the Reserve Bank of India have also taken several micro-level initiatives to achieve social and financial inclusion and to bridge income inequalities. Financial inclusion in the Indian context is seen as part of a broader structural reform agenda. The Jan Dhan Yojana to provide access to banking services has enhanced the opportunities and scope for wider population to share the benefits of the growth process. Other schemes such as PM-KISAN, e-NAM, etc. have been launched with the objective of providing income support and doubling of farmers’ income.
12. In the area of agricultural market reforms, there is consensus that improvement in the supply chain could become a major channel for promoting inclusive growth, as this can increase the share of farmers in retail prices paid by the consumers. A survey conducted by the RBI in 2018 covering farmers, traders and retailers in 85 mandis spread across 16 states found that the difference between retail prices that consumers pay and mandi prices that farmers receive (i.e., margins or mark-ups) varies across crops and centres. The average share of farmers in retail prices of major primary food items varies between 28-78 per cent. It is lower for perishables and higher for non-perishable items. Higher share of retail prices going to farmers augurs well for the rural economy, which in turn, could help sustain domestic demand. Initiatives towards wider rural roads network, better communication facilities for faster exchange of information and easier access to micro credit will contribute to better price realisation for the farmers. This ongoing process needs to be sustained alongside further agricultural market reforms. Prioritizing food processing industries in the policy agenda, encouraging direct sale of farm produce by farmers to consumers, strengthening e-NAM for better price discovery and promoting storage facilities near producing centres will boost farm income and rural employment opportunities.

13. The Reserve Bank of India has also taken various measures to increase the level of penetration of banking services to unserved and underserved areas. Recently, the National Strategy for Financial Inclusion (2019-24) prepared by the RBI has been approved by the Financial Stability and Development Council (FSDC). It sets forth the vision and key objectives of financial inclusion policies in India and aims to provide access to formal and affordable financial services; broaden and deepen financial inclusion; and promote financial literacy and consumer protection.

14. Other initiatives taken by the RBI include setting up of an Expert Committee and a Working Group to examine the issues relating to credit flow to MSMEs and Agriculture sectors, respectively. Through priority sector lending norms for commercial banks, we aim to support farm and non-farm sector activities which are sources of livelihood for a large cross section of population. We are now reviewing the priority sector lending norms, keeping in view the changing needs of the economy and with a view to make them more inclusive. Other initiatives like lead bank scheme, no frill accounts, banking correspondent and banking facilitator models, technology products like mobile banking, financial literacy programmes, etc. have also contributed to these efforts.

15. Leveraging latest technology for benefit of the people is also on the policy agenda of the Reserve Bank. To fulfil the vision empowering every Indian with access to a bouquet of e-payment options that is safe, secure, convenient, quick and affordable, a focused effort has been made to develop a state-of-the-art national payments infrastructure and technology platforms. Recently on December 16, 2019, we rolled out the 24x7x365 NEFT facility. With this, India has joined an elite club of a handful of countries having payment systems that ensure round the clock funds transfer and settlement on real time basis. For ease of settlement, RBI has also enabled liquidity support facility on 24x7 basis to participating banks. We have removed the charges levied for offering NEFT. Savings bank customers can now initiate online NEFT transactions free of cost. Going forward, this can pave way for the large value Real Time Gross Settlement (RTGS) system to be offered to the country on 24x7 basis. As of now, we have extended the timing of Real Time Gross Settlement (RTGS).
16. To give impetus to small value digital payments, a new type of prepaid payment instrument (PPI) with amount outstanding not exceeding Rs.10,000 has been introduced recently. To increase customer confidence in electronic payment systems and ensure effective resolution of digital payments complaints, a digital ombudsman scheme has been introduced. Recently on January 1, 2020, the Reserve Bank has launched a mobile application called “Mobile Aided Note Identifier (MANI)”, for aiding visually impaired persons to identify the denomination of Indian Banknotes.

17. With these words, I would now like to invite Mr. Tharman Shanmugaratnam to share his thoughts on “Broad-based Prosperity: Tackling the Fundamentals”. The floor would be open for a brief Q&A session after the Lecture.

Seven Ages of India’s Monetary Policy (Shri Shaktikanta Das, Governor, Reserve Bank of India - January 24, 2020 - at the St. Stephen’s College, University of Delhi)

I am delighted to be back in my alma mater. Being here, brings back a surge of memories. Today, I wish to dwell upon a few aspects of central banking in the Indian context and RBI’s role in the current situation. I shall specifically focus on the evolution of monetary policy regimes in India and if I am to use the poetic license of Shakespeare, may I call it the seven ages of India’s monetary policy?

2. The history of central banking goes back to the seventeenth century when the first institution, ‘the Riksbank’, recognised as a central bank was set up in Sweden in 1668. Set up as a joint stock bank, it was chartered to lend funds to the government funds and to act as a clearing house for commerce. Later on, the Riksbank abandoned commercial lending and was granted a monopoly for issuing banknotes in 1897. Subsequently, several countries set up institutions that functioned as central banks. These early central banks like the Bank of England and Banque de France, though set up with private capital, helped sovereigns finance their debt and were engaged in banking activities. Since then, the role of central banks across countries has constantly evolved in line with the changing needs of their economies and evolving financial structure. Today, the functions of modern central banks are vastly different from what was expected from their early counterparts.

3. Let me briefly outline how the profile of the Reserve Bank has been intrinsically interwoven with the economic and financial developments in our country since independence.

4. The Reserve Bank was set up under the Reserve Bank of India Act 1934 with the original Preamble that describes the broad mandate of the Reserve Bank as follows:

“it is expedient to constitute a Reserve Bank for India to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally, to operate the currency and credit system of the country to its advantage”.

5. Later, the Reserve Bank of India was nationalised in 1949. While the Reserve Bank
continues to perform its traditional functions such as currency management, bankers’ bank and banker to the Government, its function of conducting monetary policy has undergone a sea change in various respects from time to time.

6. As we know, policy change is generally guided by two major forces: first, the objectives that may seem appropriate earlier may lose relevance with changing behavioural relationships over time. For instance, when we found that the relationship of money with nominal income was not very predictable as in the past, we adopted multiple indicators approach in 1998. Second, the state of knowledge, updated with new theories and evidences, requires to be applied in pursuit of better policy outcomes. This is precisely what shaped the conduct of monetary policy in India over time.

Evolution of monetary policy in line with the changing character of the economy

1935 to 1949: Initial Phase

7. It is interesting to note that the Reserve Bank came into being in the backdrop of the great depression facing the world economy. Given the unsettled international monetary systems, the Preamble to the RBI Act, 1934 provided the edifice for the evolution of monetary policy framework. Until independence, the focus was on maintaining the sterling parity by regulating liquidity through open market operations (OMOs), with additional monetary tools of bank rate and cash reserve ratio (CRR). In other words, exchange rate was the nominal anchor for monetary policy. In view of the agrarian nature of the economy, inflation often emerged as a concern due to frequent supply side shocks. While the price control measures and rationing of essential commodities was undertaken by the Government, the Reserve Bank also used selective credit control and moral suasion to restrain banks from extending credit for speculative purposes.

1949 to 1969: Monetary Policy in sync with the Five-Year Plans

8. India’s independence in 1947 was a turning point in the economic history of the country. What followed was a policy of planned economic development. These two decades were characterised not only by a predominant role of the state but also by a marked shift in the conduct of monetary policy. The broad objective was to ensure a socialistic pattern of society through economic growth with a focus on self-reliance. This was intended to be achieved by building up of indigenous capacity, encouraging small as well as large-scale industries, reducing income inequalities, ensuring balanced regional development, and preventing concentration of economic power. Accordingly, the government also assumed entrepreneurial role to develop the industrial sector by establishing public sector undertakings.

9. As planned expenditure was accorded pivotal role in the process of development, there was emphasis on credit allocation to productive sectors. The role of monetary policy, therefore, during this phase of planned economic development revolved around the requirements of five-year plans. Even if there was no formal framework, monetary policy was relied upon for administering the supply of and demand for credit in the economy. The policy instruments used in regulating the credit availability were bank rate, reserve requirements and open market operations (OMOs). With the enactment of the Banking Regulation Act in 1949, statutory liquidity ratio (SLR) requirement prescribed for banks emerged as a secured source for government borrowings and also served as an additional instrument of monetary and liquidity management. Inflation remained moderate in the post-independence period but emerged as a concern during 1964-68.
1969 to 1985: Credit Planning

10. Nationalisation of major banks in 1969 marked another phase in the evolution of monetary policy. The main objective of nationalisation of banks was to ensure credit availability to a wider range of people and activities. As banks got power to expand credit, the Reserve Bank faced the challenge of maintaining a balance between financing economic growth and ensuring price stability in the wake of the sharp rise in money supply emanating from credit expansion. Besides, Indo-Pak war in 1971, drought in 1973, global oil price shocks in 1973 and 1979, and collapse of the Bretton-woods system in 1973 also had inflationary consequences. Therefore, concerns of high inflation caused by deficit financing during 1960s gathered momentum during the 1970s. Incidentally, the high inflation in the domestic economy coincided with stagflation – high inflation and slow growth – in advanced economies. In such a milieu, traditional monetary policy instruments, viz., the Bank Rate and OMOs were found inadequate to address the implications of money supply for price stability. As banks were flushed with deposits under the impact of deficit financing, they did not need to approach RBI for funds. This undermined the efficacy of Bank Rate as a monetary policy instrument. Similarly, due to underdeveloped government securities market, OMOs had limited scope to be used as monetary policy instrument. During this phase, the average growth rate hovered around 4.0 per cent, while wholesale price index (WPI) based inflation was around 8.8 per cent.

1985 to 1998: Monetary Targeting

11. In the 1980s, fiscal dominance accentuated as reflected in automatic monetisation of budget deficit through ad hoc treasury bills and progressive increase in SLR by 1985. Concomitantly, inflationary impact of deficit financing warranted tightening of monetary policy – both the CRR and Bank Rate were raised significantly. The experience of monetary policy in dealing with the objectives of containing inflation and promoting growth eventually led to adoption of monetary targeting as a formal monetary policy framework in 1985 on the recommendations of the Chakravarty Committee. In this framework, with the objective of controlling inflation through limiting monetary expansion, reserve money was used as operating target and broad money as intermediate target. The targeted growth in money supply was based on expected real GDP growth and a tolerable level of inflation. This approach was flexible as it allowed for feedback effects. CRR was used as the primary instrument for monetary control. Nonetheless, due to continued fiscal dominance, both SLR and CRR reached their peak levels by 1990.

12. The worsening of fiscal situation in late 1980s was manifested in deterioration of external balance position and collapse in domestic growth in 1991-92, in the backdrop of adverse global shocks – the gulf war and disintegration of the Soviet Union. The resultant balance of payments crisis triggered large scale structural reforms, financial sector liberalization and opening up of the economy to achieve sustainable growth with price stability. Concurrently, there was a shift from fixed exchange rate regime to a market determined exchange rate system in 1993. In the wake of trade and financial sector reforms and the consequent rise in foreign capital flows and financial innovations, the assumption of stability in money demand function as well as efficacy of broad money as intermediate target came under question. At the same time, there was a notable shift towards market-based financing for both the government and the private sector. In fact, automatic monetisation through ad hoc treasury bills was abolished in
1997 and replaced with a system of ways and means advances (WMAs). During this period, average domestic growth rate was 5.6 per cent and average WPI-based inflation was 8.1 per cent.

**1998 to 2015: Multiple Indicators Approach**

13. As liberalisation of the economy since the early 1990s and financial innovations began to undermine the efficacy of the prevalent monetary targeting framework, a need was felt to review the monetary policy framework and recast its operating procedures. As a result, the Reserve Bank of India adopted multiple indicators approach in April 1998. Under this approach, besides monetary aggregates, a host of forward looking indicators such as credit, output, inflation, trade, capital flows, exchange rate, returns in different markets and fiscal performance constituted the basis of information set used for monetary policy formulation. The enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003, by introducing fiscal discipline, provided flexibility to monetary policy. Increased market orientation of the domestic economy and deregulation of interest rates introduced since the early 1990s also enabled a shift from direct to indirect instruments of monetary policy. There was, therefore, greater emphasis on rate channels relative to quantity instruments for monetary policy formulation. Accordingly, short-term interest rates became instruments to signal monetary policy stance of RBI.

14. In order to stabilise short-term interest rates, the Reserve Bank placed greater emphasis on the integration of money market with other market segments. It modulated market liquidity to steer monetary conditions to the desired trajectory by using a mix of policy instruments. Some of these instruments including changes in reserve requirements, standing facilities and OMOs were meant to affect the quantum of marginal liquidity, while changes in policy rates, such as the Bank Rate and reverse repo/repo rates were the instruments for changing the price of liquidity.

15. An assessment of macroeconomic outcomes suggests that the multiple indicator approach served fairly well from 1998-99 to 2008-09. During this period, average domestic growth rate improved to 6.4 per cent and WPI based inflation moderated to 5.4 per cent.

**2013-2016: Preconditions Set for Inflation Targeting**

16. In the post-global financial crisis period (i.e., post-2008), however, the credibility of this framework came into question as persistently high inflation and weakening growth began to co-exist. In the face of double-digit inflation of 2012-13, the US Fed's taper talk in May/June 2013 posed significant challenges to domestic monetary policy for maintaining the delicate balance between sustaining growth, containing inflation and securing financial stability. The extant multiple indicators approach was criticised on the ground that a large set of indicators do not provide a clearly defined nominal anchor for monetary policy. An Expert Committee was set up by RBI to revise and strengthen the monetary policy framework and suggest ways to make it more transparent and predictable. In its Report of 2014, the Committee reviewed the multiple indicators approach and recommended that inflation should be the nominal anchor for the monetary policy framework in India. Against this backdrop, the Reserve Bank imposed on itself a glide path for bringing down inflation in a sequential manner – from its peak of 11.5 per cent in November 2013 to 8 per cent by January 2015; 6 per cent by January 2016 and 5 per cent by Q4 of 2016-17.
2016 onwards: Flexible Inflation Targeting

17. Amid this, a Monetary Policy Framework Agreement (MPFA) was signed between the Government of India and the Reserve Bank on February 20, 2015. Subsequently, flexible inflation targeting (FIT) was formally adopted with the amendment of the RBI Act in May 2016. The role of the Reserve Bank in the area of monetary policy has been restated in the amended Act as follows:

“the primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth”.

18. Empowered by this mandate, the RBI adopted a flexible inflation targeting (FIT) framework under which primacy is accorded to the objective of price stability, defined numerically by a target of 4 per cent for consumer price headline inflation with a tolerance band of +/- 2 per cent around it, while simultaneously focusing on growth when inflation is under control. The relative emphasis on inflation and growth depends on the macroeconomic scenario, inflation and growth outlook, and signals emerging from incoming data. Since then RBI has been conducting monetary policy in a forward-looking manner and effectively communicating its decisions to maintain inflation around its target and thereby to support growth. At the same time, RBI is also fine-tuning its operating procedures of monetary policy for effective policy transmission across the financial markets and thereby onto the real economy. As an outcome, inflation has fallen successively and has averaged below 4 per cent since 2017-18, notwithstanding recent up-tick in inflation driven by food prices, especially the sharp increase in vegetable prices reflecting the adverse impact of unseasonal rains and cyclone.

Evolution of monetary policy in line with the changing Theoretical Developments and International Best Practices

19. The monetary policy framework in India has also been guided by developments in theory and international best practices. For instance, the collapse of the Bretton-Woods system of fixed exchange rates and high inflation in many advanced economies during the 1970s provided the necessary background to the choice of money supply as a nominal anchor. Since the late 1980s, however, experience of many advanced countries with monetary targeting framework was not satisfactory inter alia due to growing disconnect between monetary aggregates and goal variables such as inflation. A similar instability in money demand function was also evidenced in the Indian context in the 1990s which led to a shift from monetary targeting to multiple indicators approach in 1998.

20. Since early 1990s, beginning with New Zealand in 1990, many advanced and emerging market economies (EMEs) have switched to inflation targeting as the preferred policy framework. India, however, formally adopted the framework in 2016 which has helped us in terms of learning from the experiences of a diverse set of countries over a long period of time. In fact, the post-global financial crisis experience questioned the relevance of narrow focus on price stability as the sole objective of monetary policy, which called for adoption of a flexible approach to inflation targeting to achieve macro-financial stability. In this milieu, financial stability has emerged as another key consideration for monetary policy, though jury is still out as to whether it should be added as an explicit objective. It is interesting to note that the central banking function as the lender of last resort (LOLR) has remained intact, notwithstanding the developments and refinements in the policy frameworks across countries, including India.
Evolution of monetary policy in line with the financial market developments

21. Financial markets play a critical role in effective transmission of monetary policy impulses to the rest of the economy. Monetary policy transmission involves two stages. In the first stage, monetary policy changes are transmitted through the money market to other markets, i.e., the bond market and the bank loan market. The second stage involves the propagation of monetary policy impulses from the financial market to the real economy - by influencing spending decisions of individuals and firms. Within the financial system, money market is central to monetary operations conducted by the central bank.

22. In the case of India, money market prior to the 1980s was characterised by paucity of instruments and lack of depth. Owing to limited participation, money market liquidity was highly skewed, characterised by a few dominant lenders and a large number of chronic borrowers. In the presence of ad hoc Treasury Bills with fixed interest rate under the system of automatic monetisation, Treasury Bills could not emerge as a short-term money market instrument. Administered interest rates and captive investor base in government securities market further impeded open market operations as an ineffective instrument of monetary control. The prevalence of interest rate regulations along with restrictions on participation prohibited the integration of different market segments which is a prerequisite for effective monetary policy transmission. In this environment, monetary policy initially relied mainly on credit planning and selective credit controls and eventually on monetary targeting through quantitative instruments.

23. Financial markets reforms since the early 1990s, therefore, focused on dismantling various price and non-price controls in the financial system to facilitate integration of financial markets. Reform measures encompassed removing structural bottlenecks, introducing new players/instruments, ensuring free pricing of financial assets, relaxing quantitative restrictions, strengthening institutions, improving trading, clearing and settlement practices, encouraging good market practices and promoting greater transparency. These reforms gradually facilitated the price discovery in financial markets and interest rate emerged as a signaling mechanism. This paved way for introduction of the Liquidity Adjustment Facility (LAF) in 2000-01 as a tool for both liquidity management and also a signalling device for interest rates in the overnight money market. Amid greater integration of domestic financial markets with global markets, subsequently, the RBI also began to recognise the impact of global developments on domestic monetary policy. The developments in financial markets enabled the Reserve Bank to use market-based instruments of monetary policy and utilise the forward-looking information provided by financial markets in the conduct of monetary policy under the multiple indicators approach.

24. Although various segments of financial markets had acquired depth and maturity over time, a key challenge has been on fuller and faster transmission of policy rate changes not only to money market segments but also to the broader credit markets. In order to address these challenges, the Reserve Bank has been trying different models. At the same time, the liquidity management framework was also fine-tuned since April 2016 with the objective of maintaining the operating target close to the policy rate. Under this framework, the Reserve Bank assured the market to meet its durable liquidity requirements while fine-tuning its operations to make short-term liquidity conditions consistent with the stated policy
stance. This was achieved through a variety of instruments including fixed and variable rate repo/reverse repo of various maturities, the marginal standing facility (MSF) and outright open market operations – complemented at times by the cash management bills and foreign exchange swaps.

**Challenges in the Current Context**

25. One of the major challenges for central banks is the assessment of the current economic situation. As we all know, the precise estimation of key parameters such as potential output and output gaps on a real time basis is a challenging task, although they are crucial for the conduct of monetary policy. In recent times, shifting trend growth in several economies, global spillover effects and disconnect between the financial cycles and business cycles in the face of supply shocks broadly explain why monetary policy around the world is in a state of flux. Nonetheless, a view has to be taken on the true nature of the slack in demand and supply-side shocks to inflation for timely use of counter cyclical policies.

26. We, in the Reserve Bank, therefore, constantly update our assessment of the economy based on incoming data and survey based forward looking information juxtaposed with model-based estimates for policy formulation. This approach helped the Reserve Bank to use the policy space opened up by the expected moderation in inflation and act early, recognizing the imminent slowdown before it was confirmed by data subsequently. Monetary policy, however, has its own limits. Structural reforms and fiscal measures may have to be continued and further activated to provide a durable push to demand and boost growth. In my previous talks elsewhere, I have highlighted certain potential growth drivers which, through backward and forward linkages, could give significant push to growth.

Some of these areas include prioritising food processing industries, tourism, e-commerce, start-ups and efforts to become a part of the global value chain. The Government is also focusing on infrastructure spending which will augment growth potential of the economy. States should also play an important role by enhancing capital expenditure which has high multiplier effect.

**Concluding Remarks**

27. Monetary policy frameworks in India has thus evolved in line with the developments in theory and country practices, the changing nature of the economy and developments in financial markets. Within the broad objectives, however, the relative emphasis on inflation, growth and financial stability has varied across monetary policy regimes. Although global experience with financial stability as an added policy objective is still unsettled, the Reserve Bank has always been giving due importance to financial stability since the enactment of the Preamble to the RBI Act. The regulation and supervision of banks and non-bank financial intermediaries has rested with the Reserve Bank and has kept pace with the prescribed global norms over time. More recently, the focus of financial stability has not only confined to regulation and supervision but also extending the reach of formal financial system to the unbanked and unserved population.

28. Apart from financial inclusion, there is also a focus on promoting secured, seamless and real-time payments and settlements. This renewed focus on financial inclusion and secured payments and settlements are not only aimed at promoting the confidence of general public in the domestic financial system but also improving the credibility of monetary policy for price stability, inclusive growth and financial stability.
• **Cooperative Banks Will Need RBI Approval For CEO Appointment:**

RBI has also decided to implement the suggestion of putting in place Board of Management in addition to the Board of directors (BoD) in UCBs with deposit size of Rs 100 crore and above. In an attempt to strengthen its supervisory control over the Urban co-operative banks (UCBs) the Reserve Bank on Friday said that UCBs with deposit base over Rs 100 crore will require prior approval of RBI for appointment of their CEOs. After capping lending to a single borrower and raising the priority sector lending requirements for UCBs, the RBI in its final guidelines on constitution of Board of management in UCBs, said that UCBs with deposit size of Rs 100 crore and above, will also require prior approval of RBI for appointment of their CEOs. The central bank's announcement is significant considering its supervision practices came in for criticism after a gross violation of lending norms by a better run UCB-PMC Bank as a result of which the bank is under an RBI appointed administrator with depositors also facing withdrawal restrictions.

The announcement is a part of the final guidelines on the constitution of the Board of Management(BoM), as announced in statement on developmental and regulatory policies on December 05, 2018, which was released on Friday. RBI has also decided to implement the suggestion of putting in place Board of Management in addition to the Board of directors (BoD) in UCBs with deposit size of Rs 100 crore and above. These guidelines is however not applicable to Salary Earner’s Bank. It would be mandatory for the larger UCBs to constitute BoM for seeking approval to expand their area of operation and/or open new branches. UCBs with a deposit size less than Rs 100 crore and Salary Earners’ Banks are exempted from constituting BoM although they are encouraged to do so voluntarily, the guidelines say. According to the guidelines that the Board of Management would report to the BoD and shall exercise oversight over the banking related functions of the UCBs, assist the BoD on formulation of policies and any other related matter specifically delegated to it by the BoD for proper functioning of the bank.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/banking/cooperative-banks-will-need-rbi-approval-for-ceo-appointment/articleshow/73050089.cms](https://economictimes.indiatimes.com/industry/banking/finance/banking/cooperative-banks-will-need-rbi-approval-for-ceo-appointment/articleshow/73050089.cms)

Dated: Jan 01, 2020

• **Banks Continue To Remain Wary Of Lending To NBFCs:**

India’s non-bank lenders continue to face hurdles in accessing funds, with banks insisting that the last-mile financiers ensure zero loss on securitization pools, three people familiar with the matter told ET. In some cases, state-run banks are insisting NBFCs ensure 100% collection on past securitization pools despite clear markups for expected credit losses during the purchase of these pooled loans. This new trend by banks to cover historic pool losses may hit fresh sanctions, even as NBFC credit growth is floundering. Banks undertake purchase of retail pools under the securitization mode to meet their priority sector and retail lending requirements. As per central bank rules, the risk and rewards...
of the securitization pool is to be borne by the buyer without any recourse of credit loss to the seller. Banks are required to get a credit loss assessment done from a rating agency and add a markup to the total deal cost for future credit losses. But risk aversion toward non-bank lenders is changing the rules of the game. “Most of the public sector banks expect that the seller NBFC shall ensure zero loss on the pools,” said the CEO of a leading NBFC, on the condition of anonymity. “For the past losses, they want 100% collection from retail pools, in complete contravention of RBI guidelines. The NBFCs are forced to comply as banks would otherwise block new business.” Officials at the lending banks year, banks charged nearly 40 bps as the spread on AAA-rated NBFC paper. This rose to more than 1.5 percentage point and has remained at that level despite the regulatory and policy measures. These costs are even higher for mid-sized and small non-bank lenders that have a higher reliance on bank credit. “The median rated mid-sized NBFCs rely for more than 80% of their debt on PSBs. This reliance is now getting abused by banks demanding loss compensation, which is clearly unethical. It is compressing our margins and systemically destroying profits of NBFCs,” a senior official from a mid-sized NBFC said. Credit disbursals by NBFCs have continued to slide despite government measures to boost bank funding to the sector. Loan sanctions fell 34% in the September quarter, a year after the NBFC liquidity crisis that was sparked by the IL&FS defaults. NBFC sanctions fell to Rs 1.9 lakh crore at the end of September from Rs 2.9 lakh crore during the same period last year, according to data compiled by the CRIF High Mark credit bureau.

Dated: Jan 01, 2020

• Extend Deadline For Inter-Creditor Pacts:

Leading banks have written to the Reserve Bank of India (RBI) asking it to extend the deadline for signing inter-creditor agreements (ICAs) by another three months so that cases close to resolution are not referred to the National Company Law Tribunal (NCLT) as the January 7 deadline approaches. “We have written to RBI seeking extension of inter-creditor agreement deadline of January 7 by three months so that cases are not referred to NCLT,” said a senior public sector banker. Banks are willing to make the additional 20% provision that breaching the deadline entails but want the window of resolution open until the March 31 financial year end to avoid the value destruction that they say would follow by taking the NCLT route as prescribed by the Insolvency and Bankruptcy Code (IBC). The ICA mechanism was established in order to arrive at a resolution plan within a specific period (30+180 days) for bad loans without entering the NCLT process. Lenders need to come up with an ICA resolution plan for loans worth Rs 3 lakh crore by January 7 – the deadline for most stressed accounts – failing which they have to make a 20% provision and refer cases to the NCLT.
within 30 days. Value destruction happens when cases are sent to NCLT.” Of the 2,542 cases in which the resolution process had started until the end of September, 186 have been closed on appeal or review, or settled; 116 have been withdrawn; 587 have ended in orders for liquidation; and 156 have ended in approval of the resolution plan, data showed. The realisation of 34% of the claims is from 27 companies. Resolution plans under the ICA framework are taking longer than anticipated because banks and non-bank lenders such as mutual funds and insurance companies are at loggerheads. With creditors unable to agree on buyers or the restructuring mechanism, it’s taking several weeks to arrive at any consensus. The delays will eat into bank earnings. “No resolution plan has been implemented in many cases and these cases are likely to be referred to NCLT,” said Chandan Churiwal, senior vice president, Assets Care & Reconstruction Enterprises. The central bank’s June 7, 2019, circular requires banks to put in place an ICA within a month of the review period. To implement a resolution plan in 180 days, financial institutions enter into an ICA, authorising the lead bank to put it into action. The lead bank then prepares the plan that includes empanelling turnaround specialists and industry experts for operational revival of the asset. In case the chief lender is unable to complete the process on time, the asset moves to the NCLT. Lenders need to come up with an ICA resolution plan for loans worth 3 lakh cr by January 7.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/extend-deadline-for-inter-creditor-pacts-banks-to-rbi/articleshow/73053059.cms
Dated: Jan 01, 2020

• Bank Credit To Industry Slips 3.9% In 8 Months:

Bank credit to industry shrunk by 3.9%, or Rs 1.13 lakh crore, during the first eight months of the current financial year, according to data released by the RBI. Despite this, overall bank credit continues to be up 1% largely due to home loans and other personal loans. According to bankers, there is no fresh demand for bank credit for investment. At the same time, several corporates are trying to improve their financial position by deleveraging. This has partly been facilitated by reduction in corporate taxes and stake sales by some companies. As a result, bank credit to industry, which was Rs 28.85 lakh crore as of end March 2019, has fallen to Rs 27.7 lakh crore as on November 22, 2019. The biggest accretion to the bank’s loan books came from mortgages that grew by Rs 1.14 lakh crore to Rs 12.7 lakh crore. While overall loans in the personal segment (including home loans) grew 8.3% to Rs 24 lakh crore. According to Soumya Kanti Ghosh, group chief economic adviser at SBI, there is indication that consumers are also reducing their borrowing. “During April-November 2019, the consumer leverage increased only marginally to Rs 65,337 crore as against Rs 62,886 crore during the corresponding period in previous fiscal. This means that consumer demand will continue to remain depressed till the time consumer leverage declines to comfortable levels,” he said. He added that a rate cut will, therefore, be unlikely to help arrest the current downturn and only a proactive fiscal policy could facilitate growth.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-to-industry-slips-3-9-in-8-months/articleshow/73054756.cms
Dated: Jan 01, 2020
• Banks Not Keen To Lend Big To Small Businesses:

Bank lending to India’s micro, small and medium enterprises (MSMEs) shrank from a year earlier as well as the beginning of FY20, despite measures by the government to boost credit flow to these businesses as lenders turned cautious due to slowing economic growth. The contraction in gross credit flow to the sector could be on the back of risk-averse lending by top banks as slowing consumption and stalling manufacturing growth have rubbed off on many of these businesses and raised likelihood of defaults, bankers and industry experts told ET. Gross loans to MSME sector fell 3.43% to Rs 4.65 lakh crore in November from Rs 4.81 lakh crore in March, as per RBI data. same timeframe last year, advances to medium-sized firms contracted 3.6% as against growth of 1.4% during March-November 2018. Between November 2018 and 2019, gross loans to micro and small industries fell 0.1% and medium-sized units contracted 2.4%, compared with growth of 1.1% and 11%, respectively, a year earlier. “In an environment of slowdown, where the overall credit growth of the industry is waning, most banks increase scrutiny standards while giving loans, especially to the corporate sector,” said a banker requesting anonymity. “There have been several instances of promoters of these smaller companies trying to leverage more than what was on the block to get quick access to working capital. Banks are now becoming more prudent while lending to them.”

Dated: Jan 02, 2020

• Resolutions Via Inter-Creditor Agreements Off To A Slow Start:

The resolution of bad loans has begun on a circumspect note after the central bank published new guidelines six months ago, amending the rules in the wake of a judicial order against an earlier set of norms. A recent survey of 13 banks by the Reserve Bank of India (RBI) showed that on assets initially assigned to be resolved through the prudential framework, inter-creditor agreements (ICA) are yet to be signed for exposures amounting to Rs 33,610 crore. ICAs have been signed for loans with exposures of Rs 96,075 crore. Banks have appointed the resolution professional for one borrower with a reported exposure of Rs 1,617 crore. The last date of signing an ICA is January 7 for loans exceeding Rs 2,000 crore. Resolution plans under the ICA framework have been taking longer than anticipated because banks and non-bank lenders, such as mutual funds and insurance companies, appear to have differences of opinion. There are 20-30 lenders in large corporates such as DHFL, and the lack of consensus among the various categories of lenders led to delays in stitching together ICAs. “Now, when there is an exercise being contemplated for standardization of loan documents in connection with the development of a secondary loan market as envisaged by RBI, it may be worthwhile to examine if at the initial-level documentation itself in respect of consortium lending, a framework for unified decision making be followed,” said Hari Hara Mishra, Director, UV ARC. In the next nine months, banks’ gross non-performing ratio is likely to increase 60 basis points to 9.9% by September from a year ago, according to RBI. Stress in large accounts has been on the rise in the first half of FY20. Banks added Rs 3.14 lakh crore of bad loans.
in 2018-19, taking the overall tally to Rs 9.36 lakh crore. With creditors unable to agree on buyers or the restructuring mechanism, it’s taking several weeks to arrive at any consensus. Banks have asked the regulator to extend the deadline for signing ICAs by another three months so that cases close to resolution are not referred to NCLT, with the January 7 deadline approaching. Banks are willing to make the additional 20% provision but have requested RBI to extend resolution deadlines to avoid value destruction by taking cases to NCLT. Bankers are working on resolution plan for loans worth Rs 3 lakh crore by January 7.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/resolutions-via-intercreditor-agreements-off-to-a-slow-start/articleshow/73063395.cms
Dated: Jan 02, 2020

- **SBI, Union Bank To Sell NPAs Of Rs 2,836 Crore This Month:**

The country’s largest lender State Bank of India (SBI) and Union Bank of India are looking to sell their non-performing loans totalling Rs 2,836 crore to banks, asset reconstruction companies and other financial institutions. While SBI has put on sale Rs 1,554.87 crore of three assets, state-run Union Bank of India has invited bids to sell 11 NPAs worth Rs 1,280.87 crore, according to separate public notices by the two lenders. All these NPAs will be sold through e-auctions during January. In a notice issued on Thursday, SBI said it will sell two NPAs—Rohit Ferro Tech with an outstanding amount of Rs 1,313.67 crore and Impex Ferro Tech with dues of Rs 200.67 crore, on January 17. The bank said Rohit Ferro Tech will be sold on cash cum securities receipts with a 50:50 ratio and Impex Ferro Tech only on 100 per cent cash. Both the companies are promoted by Kolkata-based SKP Group which is into manufacturing, trading, import and export of ferro alloys. The group also has presence in steel, power cement sector.

In a notice on its website on December 12, SBI had sought bids to sell another Kolkata-based engineering firm Avani Projects and Infrastructure, having an outstanding loans of Rs 40.53 crore. The bad asset will be sold on 100 per cent cash basis through an e-auction to be held on January 10. Public sector lender Union Bank has invited all-cash bids for 11 NPAs. The bank is selling GVK Power Goindwal Saheb (Rs 443.84 crore), Chennai Elevated Tollway (Rs 192.24 crore), Rajamundry Godavari Bridge (Rs 153.03 crore), Sona Alloys (Rs 135.58 crore), Supreme Manorvada Bhiwandi Tollways (Rs 113.95 crore) and NSSL Ltd (Rs 61.63 crore). The other five smaller NPAs includes Shri Raghunath Rai Memorial (Rs 51.91 crore), Vikas WSP (Rs 46.45), Kamachi Industries (Rs 28.37 crore), Karur KCP Packaging (Rs 26.55 crore) and Pacific Hospitals (Rs 5.87 crore). All the 11 assets were declared NPA between December 2012 and November 2017, Union Bank said. The auction will be conducted on January 13.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-union-bank-to-sell-npas-of-rs-2836-crore-this-month/articleshow/73072826.cms
Dated: Jan 02, 2020
• RuPay International To Offer Cashback Up To Rs 16,000 For Transactions Abroad:

The National Payments Corporation of India (NPCI) on Thursday said the homegrown payments technology RuPay will offer 40 per cent cashback for its international card users for transactions in select countries. Indians travelling to the UAE, Singapore, Sri Lanka, the UK, the US, Spain, Switzerland and Thailand will be able to earn up to Rs 16,000 cashback per month by getting their RuPay International Card activated, the NPCI said in a release. With RuPay International cards JCB, Discover and Diners Club customers using multiple cards can earn more cashbacks under the ‘RuPay Travel Tales’ campaign. To avail the cashback benefit, customers will have to do a minimum transaction of Rs 1000 and the maximum cashback is capped at Rs 4,000 for a single transaction. The offer can be availed by customers using RuPay International Card four times a month that can give them a chance of earning up to Rs 16,000 as cashback. Praveena Rai, COO, NPCI said, “We always aim to create an end-to-end value proposition for RuPay International cardholders to make their overseas travel experience seamless and memorable. The campaign is not only providing an exciting platform for travelers to earn cashbacks but also motivating them to migrate towards digital transactions nationally and globally”. Apart from earning cashbacks, RuPay International cardholders can access to RuPay affiliated domestic/international airport lounges. They also can avail attractive offers on booking international fights and hotels in association with Thomas Cook and Make My Trip, the release said. RuPay has a partnership with Discover Financial Services (DFS) and Japan based JCB International, allowing RuPay users the access to across 190 countries. As on date, there are over 1,100 banks live on RuPay platform including SBI, HDFC Bank, Axis bank, among others. RuPay card base has crossed 600 million, half of which are in the mid and premium segments, NPCI said. NPCI was incorporated in 2008 as an umbrella organization for operating retail payments and settlement systems in India. An initiative of RBI and IBA under the provisions of the Payment and Settlement Systems Act, 2007, NPCI was initiated for creating a robust payment and settlement infrastructure in the country.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rupay-international-to-offer-cashback-up-to-rs-16000-for-transactions-abroad/articleshow/73072590.cms

Dated: Jan 02, 2020

• Bank Credit Grows 7.10% To Rs 99.47 Lakh Cr; Deposits Up 10% To Rs 130 Lakh Cr:

Banks' credit and deposits grew by 7.10 per cent and 10.09 per cent to Rs 99.47 lakh crore and Rs 130.08 lakh crore in the fortnight ended December 20, according to the latest Reserve Bank data. In the year-ago fortnight, banks' advances stood at Rs 92.87 lakh crore, while deposits were at Rs 118.16 lakh crore. In the previous fortnight ended December 6, credit had grown by 7.91 per cent to Rs 99.34 lakh crore and deposits had increased by 10.27 per cent to Rs 131.05 lakh crore. On a year-on-year basis, banks' credit growth slowed to 7.2 per cent to Rs 86.73 lakh crore in November 2019 from 13.8 per cent increase to Rs 80.93 lakh crore in the year-ago period. Loans to industry growth fell to 2.4 per cent to Rs 27.72 lakh crore in November from 4 per cent in the corresponding month of 2018. During the month, credit to agriculture and allied activities slowed to 6.5 per cent from 7.7 per cent last year. Advances to the
services sector decelerated sharply to 4.8 per cent from 28.1 per cent last year. Personal loans grew at a marginally lower rate of 16.4 per cent in November 2019 as compared to 17.2 per cent earlier, according to the RBI data. Rating agency ICRA in a recent report said credit expansion may plummet to a six-decade low of 6.5-7 per cent in 2019-20 compared to 13.3 per cent in the previous financial year.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-grows-7-10-to-rs-99-47-lakh-cr-deposits-up-10-to-rs-130-lakh-cr/articleshow/73073721.cms

Dated: Jan 02, 2020

• **Complete Alok Industries Takeover:**

The State Bank of India (SBI) has asked Reliance Industries (RIL) to complete its proposed takeover of bankrupt textile company Alok Industries by paying up its equity share so that the long pending resolution process can be completed, a person directly aware of the communication said. “The letter was written earlier this week, demanding that the company pay Rs 500 crore equity component in its takeover of bankrupt Alok Industries. This deal has already been delayed and RIL’s payment of the equity component will bring it closer to completion,” said this person cited above. The RIL-JM Financial Asset Reconstruction Co consortium won the right to buy Alok Industries in the Insolvency and Bankruptcy Code (IBC) process in March last year. However, RIL, which is the senior partner in the consortium, is in talks with banks to fund the majority of the transaction through loans. The company is yet to receive approvals from banks to raise the required money. RIL and SBI did not reply to an email seeking comment. Bankers involved in the deal said RIL is in talks with SBI, HDFC Bank and IndusInd Bank to raise money via loans for this deal. SBI has already sanctioned Rs 1,800 crore but HDFC Bank is still considering the proposal. It is unclear whether Indus-Ind has approved any loan. In March 2019, the Ahmedabad bench of the National Company Law Tribunal (NCLT) had approved the sole RIL-JM Financial ARC bid for Alok for Rs 5,050 crore. RIL wants to raise about Rs 4,550 crore through bank loans while infusing Rs 500-crore equity in the company. “SBI wants to make sure that the equity component at least comes in so that they have some surety. If RIL deposits the equity component and does not arrange the rest of the funds, the banks could ask them to forfeit the money, that could be the reason for this letter,” said a second person involved in the deal. In November, the NCLT directed the RIL-JM ARC to complete the transaction “immediately” but did not set a deadline. “RIL says it is waiting for the loans to be sanctioned but we don’t see any urgency from them. We are hoping that they at least deposit their equity component in the interim, which will help us proceed with the paper work for the transaction simultaneously as the loan gets sanctioned,” said the first person cited above. SBI, the lead bank, had initiated insolvency proceedings against Alok Industries in June 2017. It was among the 12 accounts with outstanding loans greater than Rs 5,000 crore that the Reserve Bank of India (RBI) asked banks to refer to the NCLT process. Silvassa-based Alok Industries is a fully integrated textile company with a presence in the cotton and polyester segments. The company owes lenders a total of Rs 30,000 crore, which means banks are taking a collective haircut of 83%. The majority of the Rs 30,000-crore dues are to financial creditors, with the company owing Rs 624 crore to operational creditors.
• **Bad Loan Provisioning May Swell By Rs 30,000 Crore In Q3:**

Indian banks could be staring at bad-debt provisions of an estimated Rs 30,000 crore against loans to Dewan Housing Finance Corp (DHFL), the Anil Ambani-led Reliance Home Finance, KKR-backed Coffee Day Enterprises and CG Power. Resolution hasn’t been finalised in any of these accounts, which means the December quarter could possibly see a reversal in the brief fall in provisioning that occurred in the preceding three-month period. The bulk of the provisions will be on account of DHFL, which entered the bankruptcy process in December. The Reserve Bank of India stipulates that once an account is referred to the National Company Law Tribunal (NCLT), a provision of 40% has to be made within the financial year. Provisions against nonperforming assets (NPAs) by the banking sector contracted about 11% to Rs 62,754 crore in the September quarter from Rs 70,458 crore in the year earlier. State-run banks recorded a contraction of 15.6% in their provisions at the end of the September quarter. While the financial system has an exposure of Rs 87,000 crore to the mortgage lender, most banks have only set aside 10-15% of their exposure. DHFL alone could pose a system-level provision burden of more than Rs 25,000 crore, which banks will have to absorb over the December and March quarters. Banks have an exposure of over Rs 5,000 crore to Reliance Home Finance, Rs 4,970 crore to Coffee Day Enterprises and more than Rs 4,000 crore to CG Power. Lenders are in the process of negotiating resolution plans in the latter three companies under the inter-creditor agreement (ICA) process. “It’s discretionary upon banks to take the provisioning hit but considering that most lenders have worked towards a higher provision coverage ratio regime, the markets would expect them to set aside more against these stressed accounts,” said Yes Securities lead analyst Rajiv Mehta. Another big account is Vodafone Idea Ltd where lenders will have to take a call on the safety net they want to create after the top management recently cautioned lenders that timely repayments may not be possible without urgent relief from the government if the telecom department decides to invoke bank guarantees to recover dues. Lead lender State Bank of India has an exposure of Rs 12,000 crore to Vodafone Idea. The
company has a total debt of Rs 1.17 lakh crore. It has also got a severe blow following a Supreme Court ruling on adjusted gross revenue in October. SBI got Rs 12,160 crore following the acquisition of Essar Steel by an Arcelor Mittal-Nippon Steel consortium last month through the Insolvency and Bankruptcy Code (IBC) resolution process. “Due to slow resolutions, the worry is that almost all the gain on the Essar account would be used to cover the provisioning loss in the December and March quarter,” said a senior bank official on condition of anonymity. “We were hoping that the tide has turned but the March quarter especially looks very crucial for the sector.” A recent RBI financial stability report had said that the Indian banking system was not yet out of the woods and that there was a likelihood of bad loans increasing as a percentage of advances after the first annual decline in eight years.

Dated: Jan 03, 2020

• **PSU Banks May Adopt New Corp Lending Practice:**

After decades India's government-owned banks are likely to change the way they lend. Since the 1970s, public sector banks have given out most working capital loans - required for day-to-day operations of a business — on the basis of net current assets of corporate borrowers, a flawed system that is believed to have resulted in over-funding to some and under-funding to others. The outdated practice may soon change, with the country's largest lender, State Bank of India, proposing a transition from an 'asset-based lending' model to 'cashflow-based lending' a mechanism that, among other things, may reduce misuse of funds by borrowers and enable banks to figure out ability of borrowers to service loans on time. The shift will require borrowing entities to share their cashflow statements more frequently with banks. A committee headed by Madhav Kalyan, chief executive officer of JPMorgan, has been constituted to look into the matter, two people aware of the development told ET. “The matter was mentioned at a meeting of the Indian Banks' Association in December. Though proposed by SBI, it has to be a collective decision by the industry,” said one person. Public sector banks have a more than 55% share of the loan market. “Assets don't help companies to repay loans. It's their cashflow that makes a difference. It's high time state-owned banks migrate to a cashflow-linked system to finance working capital... private and MNC banks have been doing it for over a decade now,” said a senior banker. Small and medium-sized businesses, which often do not receive payments from buyers for four to six months, draw less bank finance than they need. Compared with this, large companies, whose distributors promptly pay up and have other avenues of finance, end up being over-funded by banks. Except for some seasonal industries such as sugar, public sector banks arrive at a company's working capital requirements by considering the difference between the
borrower’s current assets (receivables, raw material stock, finished goods) and current liabilities (payables like loan interest, taxes, payment to vendors and workers). While 25% of the working capital gap (the difference between assessed gross working capital assets minus gross working capital liabilities) is met by the company, banks fund the remainder, though in many cases, they end up funding more. Most of the working capital finance is in the form of cash credit, a system where companies freely draw (and service interest) within a certain limit or drawing power fixed by the lender. Against this, in cashflow-based lending, banks will have to consider actual cash inflows and outflows of a company in deciding the drawing power. Inflows would be sales realisation, fresh borrowings, repayment by debtors, new capital infusion and sale of fixed assets, while outflows would include salaries, taxes and loan repayments. “India is probably the only country with cash credit system of funding working capital requirements of commercial borrowers,” according to veteran banker PH Ravikumar. “The world over, funding is through loans repayable by instalments (repayments coming out of operating profits); cash credit system is, in a sense, perennial funding and hides symptoms of financial difficulties of corporates; banks would do well to fund a larger proportion of the working capital funding through loans and minuscule proportion through overdrafts or cash credit products.”

Dated: Jan 03, 2020

- **Liquidity Surges To Rs 4 Lakh Cr, Due To Redemption, Sluggish Credit:**

Liquidity in India’s financial market is at the highest in nearly three years but credit is growing at its slowest pace in a decade, as banks remain unwilling to take risk and also indicating a possible dearth of bankable projects. “Deposits have grown while credit has not expanded commensurately,” said Madan Sabnavis, the chief economist at CARE Ratings. “The demand for credit is limited, which is indicative of low level of economic activity.” The excess cash in the banking system was at Rs 4.04 lakh crore as on January 2, the highest since April 28, 2017, show data from Bloomberg. The reluctance of local banks to lend has led to flow of foreign funds into the market, with global investors chasing yield in a negative rate environment in developed markets. This has also aided non-banking finance companies develop a new avenue to raise money when the local market shut its doors on them. “Source of liquidity is largely emanating from considerable surplus in BoP (balance of payment) account, which was largely driven by large external borrowing,” India Ratings & Research associate director
Soumyajit Niyogi said. These are at a time when demand for credit is low. Indian banks in 2019 expanded their loans by 7.1%, the second slowest pace in the previous decade as several pockets of the consumption economy slowed down over past 12 months. Deposits grew 9.09%. India’s current account deficit widened to 2.9% of GDP in the July-September quarter, compared with 1.1% in the year-earlier period, mainly due to a large trade deficit. The balance of payment stood at $5.12 billion in the fiscal second quarter and $19.1 billion during the first half of the fiscal year. The pace of growth in currency circulation has slowed to 12% as on December 27 from 20% a year earlier. Forex reserves hit a record high at $455 billion. “Liquidity surplus has increased due to RBI intervention in the forex markets and lower-than-anticipated currency leakage,” ICICI Securities Primary Dealership managing director and chief executive Shailendra Jhingan said. “The latest redemptions of government bonds have aided liquidity in the banking system to surge,” said Jhingan. Government bonds worth Rs 61,000 crore came up for redemption Thursday when investors received the money back with interest, show data from the RBI. Similar maturities are falling due for Rs 74,000 crore on January 16. “The large surplus in liquidity is forcing the RBI to do operation twist which is liquidity neutral rather than outright purchases of government securities,” said Jhingan. Since December 19, the RBI bought Rs 20,000 crore long-duration papers and sold equivalent debt maturing this calendar year. The central bank has already announced Rs 60,000 crore sale of cash management bills. Indian companies have raised a record $30.25 billion in overseas borrowings this year as they exploited abundant overseas liquidity and overcame a tight domestic market that turned risk averse. “Given the risk aversion environment in the credit market, scope for large-scale misallocation of capital appears to be limited. However, orderly movement of prices in the money market could become a concern,” said Niyogi.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/liquidity-surges-to-rs-4-lakh-cr-due-to-redemption-sluggish-credit/articleshow/73090967.cms

Dated: Jan 03, 2020

• SBI, NPCI Seek ‘VISA Power’ For RuPay Cards:

State Bank of India and the National Payments Corporation of India (NPCI) have sought parity for the RuPay debit card with the likes of Visa and Mastercard on waiver of processing charge, claiming that otherwise it would put them in a disadvantageous position. SBI and other state-run banks are the main issuers of the RuPay card and their worry is that the government decision to scrap the processing charge on transactions with the card would cause them a revenue loss. According to NPCI, this would disincentivise banks to issue RuPay cards and they would instead prefer international rivals of the home-grown payment gateway. NPCI, in recent letters to officials in the finance ministry and the cabinet secretary, has asked the government to keep RuPay out of the zero-merchant discount rate (MDR) scheme. On UPI transactions, which too have been made cost free for merchants processing digital payments from January 1, it asked the government to devise a mechanism to compensate banks for the revenue lost. If the government were to compensate for the revenue loss on both RuPay and UPI, the support could be about Rs 2,000 crore for FY21, NPCI estimates. Referring to the December 30 notification
making RuPay and UPI zero-cost, NPCI said in a letter addressed to the cabinet secretary that it put the homegrown instruments in “serious disadvantage compared to International Card Schemes (ICS) as banks (especially, private sector that constitute 50% of the market share) will prefer issuance of ICS over RuPay”. “We also envisage impact on new merchant onboarding and players may discourage UPI and RuPay as payment options,” it added. SBI, in a letter to the Department of Financial Services, has asked the government to widen the scope of MDR waiver to all card networks, including Visa and Mastercard, while extending state-sponsored subsidies for the deployment of the payment infrastructure in remote localities. “The PSBs which are the largest issuers of RuPay cards will be put in a disadvantageous position resulting in sizeable loss to them. Any changes in MDR waiver should be extended to all networks, viz - RuPay, Visa & MasterCard to ensure a level playing field.”

SBI said in its December 28 letter, addressed to the revenue secretary. SBI and NPCI did not respond to emails seeking comment until press time Friday. The government is watching the unfolding situation in the light of feedback from the stakeholders, officials with direct knowledge of the matter told ET. It is looking at industry-wide MDR waiver and devising a mechanism to reimburse banks and payment companies for losses incurred while processing transactions, they said. The government is also considering setting up an Acceptance Development Fund, in line with the Reserve Bank of India’s Committee of Deepening of Digital Payments recommendation, wherein a pooled regulatory fund would be used to incentivise the growth of payment infrastructure in rural India, one of the officials said. MDR is the fee accrued by banks, and is generally levied from the merchants processing the transactions. The current MDR charges are capped at 0.6% of card-based transactions for payments over Rs 2,000. The costs of MDR below Rs 2,000 for banks are borne by the Ministry of Electronics and Information Technology (MeitY). Long-standing projects such as the National Common Mobility Cards, RuPay credit cards and RuPay globalisation could also be impacted if the government doesn’t provide any relief, NPCI said in another letter addressed to the secretaries at the finance ministry, economic affairs department, MeitY, as well as an RBI executive director. As per the latest RBI data, in October, RuPay cards contributed 33% to volume and 28% to value of the overall 131 crore transactions worth Rs 3.8 lakh crore that happened through debit cards. UPI transactions in December totalled nearly 131crore, worth Rs 2 lakh crore. Since the
announcement to waive MDR, ET reported that several banks and payment companies had made representations to the finance ministry, warning the government of the possible impediments a complete waiver of MDR could have towards India’s dream of becoming a less-cash, digital economy.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-npci-seek-visa-power-for-rupay-cards/articleshow/73092976.cms

Dated: Jan 04, 2020

• **IOB Receives Government Capital Infusion Of Rs 4,360 Crore:**

Public sector Indian Overseas Bank has received capital infusion of Rs 4,360 crore from the government of India, the bank said on Saturday. In a regulatory filing to the stock exchanges, the bank said it has received the amount as contribution of the government in preferential allotment of equity shares during the financial year 2019-20 as government’s investment. In December 2019, the bank had said it would receive capital infusion of Rs 4,360 crore from government in the current financial year for meeting the regulatory requirement. In August 2019, the Finance Ministry had announced capital infusion of Rs 3,800 crore which was later increased by Rs 560 crore. Indian Overseas Bank is under the Prompt Corrective Action framework of the Reserve Bank of India. The bank has reported widening of net loss to Rs 2,253.64 crore for the quarter-ending September 30, 2019. The Prompt Corrective Action framework comes into force when banks breach the three key regulatory points namely capital to risk weighted assets ratio, net non-performing assets and return on assets.


Dated: Jan 04, 2020

• **UCO Bank Recovers Rs 900 Crore From Debt Resolution Under NCLT:**

State-owned lender UCO Bank said it has recovered Rs 800-900 crore in the third quarter ending December by way of corporate debt resolution of four accounts under the bankruptcy law. These four accounts are Ruchi Soya, Essar Steel, RattanIndia Power and Prayagraj Power. UCO Managing Director AK Goel said that recovery from these accounts is complete. This may help the bank reduce net losses in the third quarter while the bank is expecting to be back in black in the fourth quarter. The bank had reported net losses for the last 16 quarters. UCO is still being under Reserve Bank of India’s prompt corrective action for high bad loan ratios and negative return on assets. Goel said the bank is committed to bring down net non-performing ratio to below 6% by March to get out of PCA. Its gross NPA ratio was as high as 21.87% at the end of September last year even after improvement from 25.37% a year back. Net NPA ratio improved to 7.32% from 11.97% in the same period.


Dated: Jan 04, 2020

• **UCO Bank Plans To Disburse Rs 4000 Crore In Next 45 Days:**

Sitting on a cash pile and after recovering Rs 800-900 crore from four stressed accounts, state-owned UCO Bank has announced a “loan carnival” that will seek to disburse Rs 4,000 crore of retail and enterprise loans in the next 45 days. “We are sitting on huge liquidity. The loan carnival will help us use this fund effectively,” Uco Managing Director AK Goel said. The bank has set a target of Rs
2700 crore retail loan disbursement under the overall plan and is focusing on home loans, car loans and gold loans to achieve this. The balance Rs 1,300 crore will be lent to micro, small and medium enterprises (MSMEs). “This exercise will also help us re-balance our portfolio,” executive director Ajay Vyas said.

At present, 55% of the bank's outstanding advances of around Rs 1.17 lakh crore are wholesale lending, which is expected to come down to 50% after March. Goel said the bank is committed to bring down its net non-performing ratio to less than 6% by March, from 7.32% at the end of September last year, to exit the Reserve Bank of India's prompt corrective action (PCA) framework. The lender was put under on PCA in 2017 for its high bad loan ratios and negative return on assets. The bank also said it has made cash recovery from four accounts Ruchi Soya, Essar Steel, RattanIndia Power and Prayagraj Power in the quarter to December by way of corporate debt resolution under the bankruptcy law. This may help the bank reduce net losses in the third quarter while it expects to be back in black in the fourth quarter. UCO Bank had reported net losses for the last 16 quarters. Its gross NPA ratio was 21.87% at the end of September last year even after improvement from 25.37% a year back. Net NPA ratio improved to 7.32% from 11.97% in the same period. The government has injected Rs 4,272 crore in the bank in 2019-20, including Rs 2,142 crore infused in the last week of December.

Karur Vysya Bank Ltd on Monday said its Managing Director & CEO Shri P R Seshadri has submitted his resignation citing personal reasons. "Board of Directors of the Bank in their meeting held Monday has accepted the resignation of P R Seshadri," Karur Vysya Bank said in a regulatory filing. He will be "relieved from the services of the Bank at the close of working hours on 31st March 2020 as per his request," the filing added. Seshadri, submitted his resignation vide letter dated January 4, 2020 citing personal reasons. Shares of Karur Vysya Bank were trading at Rs 56.85, down 4.85 per cent on the BSE.

RBI Issues Its First License To An UCB To Convert Into Small Finance Bank:

The “in-principle” approval granted will be valid for 18 months to enable the applicant to comply with the requirements under the scheme, the Reserve Bank said in a release. In a first, the Reserve Bank of India granted an “in-principle” approval to UP-headquartered multi-state urban co-operative bank (UCBs) Shivalik Mercantile Co-operative Bank Limited- to transition into a Small Finance Bank. Shivalik Mercantile Co-operative Bank, which has business operations in Uttar Pradesh, Uttarakhand and Madhya Pradesh has a total business size of Rs 1766 crore and a net worth of Rs 77 crore as of March, 2019, according to the annual report placed on the bank’s website. The “in-principle” approval granted will be valid for 18 months to enable the applicant to comply with the requirements under the scheme, the Reserve Bank said in a release. In order to ensure better supervision and regulation of the banking sector, it was proposed in September 2018, to allow better performing UCBs to convert into Small Finance Banks.
subject some conditions. The SFB has to start operations with a minimum net worth of Rs 100 crore and minimum promoters’ contribution of 26% of the paid-up equity capital. “Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”, Urban Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at 100 crore, which will have to be increased to 200 crore within five years from the date of commencement of business. In the earlier guidelines of 2018, RBI had said that it will issue SFB licence after the execution of sale agreement to transfer the assets and liabilities of the UCB to the new company. The license will be effective only after transfer of assets and liabilities of the UCB to the SFB and meeting the minimum net worth requirement. The timing of the announcement is significant considering its supervision practices came in for criticism after a gross violation of lending norms by a better run UCB- PMC Bank as a result of which the bank is under an RBI appointed administrator with depositors also facing withdrawal restrictions.

Dated: Jan 06, 2020

• Syndicate Bank Surpasses Rs 5 Lakh Crore Business Mark:

State-owned Syndicate Bank on Monday said it has crossed Rs 5 lakh crore business target three months ahead of its schedule. The bank crossed Rs 5 lakh crore total business mark at the end of December 31, 2019. The bank achieved this milestone on the back of every business unit contributing in its full capacity which included retail, MSME and priority sector, the lender said in a statement. With this achievement, the bank has proved itself as one of the most trusted and technology savvy public sector bank with a well segmented and granular growth across corporate, MSME and retail businesses that have resulted in astounding business figures, it said. As per the mega merger plan announced by the government in August 2019, Syndicate Bank has been selected for merger with Canara Bank and the amalgamation is expected to be complete by March 31.

Dated: Jan 06, 2020

• RBI Revises Supervisory Framework For UCBs To Expedite Resolution Of UCBs In Financial Stress:

The Reserve Bank of India has rationalized its supervisory framework for urban co-operative banks (UCBs) to expedite resolution of UCBs experiencing financial stress. The revised framework released by the RBI on Monday stipulates the thresholds for various parameters that could trigger a corrective action by the UCBs or a supervisory action by the central bank. A UCB may be placed under supervisory action framework when its Net NPAs exceed 6% of its net advances, its CRAR falls below 9%, when it incurs losses for two consecutive financial years or has accumulated losses on its balance sheet. The type of action would depend on the severity of stress, RBI said. RBI could undertake different actions like imposition of all-inclusive directions under section 35A of the Banking Regulation Act, 1949, as applicable to co-operative societies and issue of show cause notice for cancellation of banking
The Reserve Bank of India has rejected banks’ demand to extend the January 7 deadline to come up with resolution plans under inter-creditor agreements (ICAs) on stressed assets, forcing them to now refer the cases to the bankruptcy court. Banks were working on resolution plans for cases worth Rs 3 lakh crore. They will have to make additional provisions against accounts where resolution plans are not signed, and refer those to the National Company Law Tribunal (NCLT). With creditors unable to agree on buyers or the restructuring mechanism, it is taking several weeks to arrive at any consensus in many cases. The last date of signing ICA was January 7 for loans exceeding Rs 2,000 crore. Banks had asked the regulator to extend the deadline by three months so that cases close to resolution were not referred to the NCLT. They had written to the RBI that they would make the additional 20% provision but wanted the window of resolution open till the end of the fiscal year.

“We are taking legal opinion of the matter while making an additional 20% provision on the matter,” said a senior bank executive. “All banks will come together to decide on referring cases to the NCLT.” The central bank’s June 7 circular requires banks to put in place an ICA within a month of the review period in case of stressed assets. Financial institutions enter into an ICA to implement a resolution plan in 180 days, authorising the lead bank to implement it. The lead bank prepares the plan that includes empanelling turnaround specialists and industry experts for operational turnaround of the asset. In case the chief lender is unable to complete the process on time, the asset moves to the NCLT. A recent survey of 13 banks by the RBI showed that on assets initially assigned to be resolved through the prudential framework, ICAs were yet to be signed for exposures amounting to Rs 33,610 crore.

Equitas Small Finance Bank Waives Off Non-Maintenance Charges On Savings Accounts:

In a new year bonanza to its customers Equitas Small Finance Bank has waived off non-maintenance charges on all savings accounts along with offering lower transaction charges to customers. To increase its savings deposits the bank is offering interest rate of 7.5% per annum on savings account and up to 8.25% p.a. on fixed deposit. It also offers 60 basis points more for senior citizens. The bank deposits have grown at a CAGR of 116.51% from Rs 1921 crore as of March 31, 2017 to Rs 9006 crore as of March 31, 2019. As of March 31, 2019, its CASA ratio was the second highest among small-finance banks in India. “We intend to further strengthen our liability franchise with a focus on growing our retail deposit and CASA deposit base to provide us with a stable and low-cost source of funding,” said Murali V, President & Country Head, Equitas Small Finance Bank


Dated: Jan 07, 2020

RBI Rejects Request To Extend Jan 7 Deadline For Resolution Plans Of Stressed Assets:

The Reserve Bank of India may be considered by the Reserve bank when continued normal functioning of the UCB is no longer considered to be in the interest of its depositors.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-revises-supervisory-norms-for-urban-cooperative-banks/articleshow/73127567.cms

Dated: Jan 07, 2020
ICAs have been signed for loans totaling Rs 96,075 crore. Banks have also appointed the resolution professional for one borrower with a reported exposure of Rs 1,617 crore, according to an RBI report.

*Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-rejects-request-to-extend-jan-7-deadline/articleshow/73147590.cms*

**Dated: Jan 08, 2020**

**Paytm Not Interested In Buying Stake In Yes Bank:**

Paytm founder Vijay Shekhar Sharma on Wednesday said he was not interested in buying a stake in Yes Bank and denied having had any talks with the founder of the private sector lender, Rana Kapoor. Sharma. Sharma instead aims to convert Paytm into a small finance bank (SFB) after it completes five years as a payments bank. “It wasn’t confirmed or correct. If we as a group have a bank and, I as a chair of the bank, own 51% of the bank, it sounds too far-fetched for an individual or company (to pick up Kapoor’s stake),” he said in an interview. Sharma also said that the payments firm, one of India’s most valued startups at $16 billion, wants to remain private for a long time. “IPO is not even a logical discussion now and that’s not what investors have come in for. We are an Indian company. I would rather stay private and try to become profitable,” he said. In an earlier interview, Sharma had said that he would look at an IPO from 2022 after the company starts generating cash. In November last year, Paytm had raised nearly $1 billion from investors, including Japan’s SoftBank Group and China’s Ant Financial, in what could be the final round of private funding for the company. The fundraising had lifted Paytm’s valuation to $16 billion, up from $15 billion in August, when some of its employees had cashed out their shares in a secondary sale to unnamed New York-based investors. Much of the $1 billion raised will be used to expand the merchant payments business and acquire customers for the bank and KYC. Sharma was in Mumbai to launch the All-In-One QR for merchants, which will enable them to accept unlimited payments through Paytm Wallet and, Rupay Cards and all UPI-based payment apps, directly into their bank account at 0% fee. He said the new product will help add 10 million merchants to the 15 million merchants, who are already on board. He said the company can offer a lot more once it is upgraded to an SFB. The payments bank has been profitable over the last 2 years and has added 50 million customers so far. He was also open to the idea of a universal bank if the Reserve Bank of India allowed it. Sharma also elaborated on the company’s plans to go international following its foray into Japan. “In Japan, we did 22 million customers in one year. Japan has 135 million people and India has 1.3 billion. On a multiple of 10x, standalone it is bigger than everybody’s payment business combined in the country,” he said. “However, we remain focused on India. We will go international for sure. We may just have some plan going on.” Sharma clarified that he would like to build the business rather than acquiring another firm, unless he finds something interesting. Paytm’s losses for 2018-19 nearly tripled to Rs. 4,217.20 crore from Rs. 1,604.34 crore in the year-ago period, according to the Noida-based firm’s annual report. Indian fintech startups are bracing for a relatively tough 2020, underlined by competition and consolidation, despite a funding boom that indicates surging interest in the space. Fintech startups raised a record $1.47 billion in venture capital in 2019 across 118 deals, compared with $826 million across 106 deals in 2018, according to data tracker Venture
Intelligence. Startups are firms that are less than 10 years old.

Dated: Jan 09, 2020

• **HDFC To Invest Rs 250 Cr In Stressed Assets Fund For Realty Sector:**

The problem is that no one wants to do it because when you lend to a project which is NPA in someone's books, you have to straight away classify (it) as NPA from day one, in which case there is a lot of reluctance on the part of banks to participate," he explained. The country's largest pure-play mortgage financier HDFC has made a commitment to invest Rs 250 crore in the government-led special fund to revive stalled real estate projects, a top company official said on Wednesday. HDFC Chief Executive Keki Mistry, however, added that the realty sector's revival hinges a lot on banks, which are reluctant to lend to stalled projects due to regulatory issues. As part of its measures to boost growth, the government had in November last year announced a Rs 25,000 crore package for the real estate sector, including a corpus to help stalled projects. SBI Caps, which is managing the fund, had last month announced the first close of the fund with Rs 10,530 crore commitments from investors, including HDFC. "We are participating in the fund (with a contribution of) Rs 250 crore," Mistry told reporters on the sidelines of an event by industry lobby CII here. Mistry said apart from the fund, support in the form of bank lending is essential for reviving the sector's prospects and flagged his concerns on reluctance among bankers to lend. "The problem is that no one wants to do it because when you lend to a project which is NPA in someone's books, you have to straight away classify (it) as NPA from day one, in which case there is a lot of reluctance on the part of banks to participate," he explained. Mistry said HDFC has been going slow on project loans for the last four to five quarters because of the overall conditions, but it is focusing on the individual loans segment with the same vigour as before. He said the real estate sector is very important for the economy because it helps creates jobs both directly and indirectly. Welcoming the Centre's package for the realty sector, he said the government will have to focus on job creation to spur growth momentum.

Dated: Jan 08, 2019

• **15,000 Staff Quit In A Few Months As Axis Bank Revamps Functions:**

Axis Bank is witnessing a wave of resignations with at least 15,000 people leaving in the past few months, as mid and branch-level executives struggle to cope with the new management's growth drive that's pushing the limits, three people familiar with the matter said. Some exits were at the senior level as well, but most of the resignations were at the branches which are the vital touch points with customers. So, this could hamper its ability to continue growing without hiccups, although the bank says it is also stepping up its pace of hiring. “With the complete overhaul of the way the bank functions, many are left wondering about their roles,” said one of the executives, who did not want to be identified. “Many old-timers are feeling a bit of discomfort with the cultural change.” Axis Bank admitted that it had seen record resignations in the past few months. However, it said it had
already hired 28,000 people this fiscal year and would hire another 4,000 in the last quarter. The net new hiring for the bank this fiscal year is 12,800. It also has plans to hire 30,000 people in the next two years. The attrition rate at the bank this fiscal year is nearly 19%, compared with an average of about 15%. The bank has 72,000 employees. It had an attrition of 11,500 people in the last fiscal year. “The bank is expanding fast and this has been a year of large number of new hirings, substantially higher numbers compared to last year both in gross as well as on net basis,” executive director Rajesh Dahiya said. “Our employees are our biggest asset and differentiators.” Chief executive Amitabh Chaudhry is overhauling the functioning of Axis Bank after the Reserve Bank of India declined another term to his predecessor, Shikha Sharma. The former head of HDFC Life is cutting down on risk taking and has brought in a new bunch of his choice of people to deliver on his strategy. Some of his hires are Deepak Maheshwari, a former banker from HDFC Bank; Neeraj Gambhir from Nomura Securities; Ganesan Sankaran from Federal Bank and Pralay Mondal from Yes Bank, to drive retail business. Rajiv Anand, an executive director, was moved to corporate banking. “We have a sharper focus with our GPS’22 (growth, profitability, sustainability) strategy and want to keep building the momentum,” said Dahiya. “We believe we are on the right track.” The changes led to many exits including the latest one by Jairam Sridharan as the chief financial officer. Before that, Shashikant Rathi, its head of bond trading, and JP Singh from the commercial banking division quit. Cyril Anand, who was the chief risk officer, took the employee retirement option. Under Chaudhry, the bank has seen its reporting structure change. Earlier, most of the business heads reported to executive directors. Now, almost all of them report independently to the CEO. The bank is also going big on automation and making use of artificial intelligence to drive growth, which is making many of the oldtimers uncomfortable. Among the new hiring, the slant is towards engineers rather than bankers.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/15000-staff-quit-in-a-few-months-as-axis-bank-revamps-functions/articleshow/73147634.cms

Dated: Jan 09, 2020

- India Post Payments Bank CEO Shri Suresh Sethi On His Way Out?:

He was selected by the Banks Board Bureau from among top contenders for the post, from both public and private sector banking and fin-tech professionals. It looks like India Post Payments Bank MD and CEO, Suresh Sethi, is moving out of the government-owned entity. An advertisement, dated January 9th, on a financial daily The Financial Express reads, ‘Banks Board Bureau invites applications for the position of MD and CEO at India Post Payments Bank.’ In addition, a post on the website of Banks Board Bureau, an autonomous recommendatory
body constituted by the government in 2016, reads: "Banks Board Bureau (The Bureau) invites applications from qualified candidates for the post of Managing Director and Chief Executive Officer for India Post Payment Bank (IPPB) on a full time basis." The last date of application is January 31st, 2020. It is quite clear from this advertisement that Sethi is stepping away from the MD & CEO position, but it’s not clear whether he is quitting the payments bank. Sethi, former managing director of Vodafone M-Pesa Ltd, was appointed MD & CEO of India Post Payments Bank in August 2017. He was selected by the Banks Board Bureau from among top contenders for the post, from both public and private sector banking and fin-tech professionals. In another development, the government, on January 3rd, came up with a notification that it has nominated Pradipta Kumar Bisoi, secretary (Posts) as non-executive chairman of the India Post Payments Bank, with immediate effect and until further orders. A message sent to India Post Payments Bank didn’t elicit any response. ET Online also reached out to Suresh Sethi separately, but he did not respond to the message. India Post Payments Bank was evaluating a conversion to a small finance bank - a model which will allow it to lend to small businesses along with providing payment services. Viability of the payments-bank model has constantly been under question, it came more out in the open when Aditya Birla Payments Bank shut shop after just 17 months of operations. In an earlier conversation (that happened in August last year), Sethi told ET Prime that lending is an entirely different ballgame. “Apart from growth capital that needs to be infused for lending, a different set of people is also required. Currently, we are at the stage where we are evaluating the business viability, the process and the regulatory requirements to convert into a small finance bank. The new business model will require new processes and systems, new product offerings, and a new set of people.”

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/india-post-payments-bank-ceo-suresh-sethi-on-his-way-out/articleshow/73178099.cms
Dated: Jan 09, 2020

• You Can Soon Deposit Cash At Any ATM:

After making payments interoperable between banks with its Unified Payments Interface (UPI), the National Payments Corporation of India (NPCI) is pushing top banks to make cash deposit too an interoperable feature at their ATMs and branches. NPCI believes that an interoperable cash-deposit system enabled through its National Financial Switch (NFS), initially developed by Institute for Development & Research in Banking Technology (IDBRT), could help reduce the cost of currency handling for the entire banking system, said four people aware of the matter. This will also help ATM operators reduce the costs to replenish cash at ATMs, as the currencies deposited through the machines can be “recycled” for withdrawals as well. “All major private and public-sector banks have been asked to join the interoperable network,” a priprovke banker said on the conditions of anonymity. “However, for banks, before accepting these terms, there are several factors to be considered, such as tackling of counterfeit currency deposits through this mode and a thorough reconciliation framework, before a widespread adoption of the platform will be seen.” While 14 banks are already operating live on the Interoperable Cash Deposit network, NPCI estimates that around 30,000 ATMs of top banks could
immediately be upgraded into interoperable deposit machines using the IDBRT-developed mechanism, without any significant hardware upgrades, another person aware of the discussions said. NPCI didn’t respond till press time Thursday to an email seeking comment. This plan once fully implemented will, for example, allow a bank customer of HDFC Bank to make cash deposits at ATMs enabled with deposit facilities at State Bank of India branches or offsite locations. These machines are generally called cash-deposit machines, or cash recyclers. The facility would be largely beneficial for ecommerce players & food aggregators where delivery agents can reduce high costs of handling cash accumulated by instant credits made at deposits accepting ATMs. Union Bank, Canara Bank, Andhra Bank and South Indian Banks are among the banks currently providing interoperable deposit facilities. Punjab and Maharastra Cooperative Bank, where last year the Reserve Bank of India froze customer accounts owing to financial irregularities, is also among the banks which give customers interoperable deposit services. The interchange, or the charges for processing these deposit, is currently fixed at Rs 25 for deposits below Rs 10,000, the person cited above said. For deposits above Rs 10,000, it is Rs 50. “Interoperability between banks is what made UPI so popular. While the percentage of the ‘cashin’ transactions are minuscule as compared to ‘cash-out’ facilities, an interoperable system can lead to enhanced convenience for the customer,” said Kaushik Roy, vicepresident and country leader, South Asia, at payments technology company ACI Worldwide. “From an infrastructure point of view, no significant upgrades would be needed for deposit-accepting machines as authentication follows the same pathway as cash withdrawals,” he said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/you-can-soon-deposit-cash-at-any-atm/articleshow/73178997.cms

Dated: Jan 10, 2020

• RBI Extends Recurring Payments Feature To UPI:

The Reserve Bank of India (RBI) will now allow consumers to give an e-mandate for recurring payments made through Unified Payments Interface (UPI), a move that is expected to ease small digital payments made at grocery shops and local stores. This functionality will allow UPI users to bypass additional factor authentication (AFA) every time a payment is made to a regular merchant by giving a onetime instruction to the UPI service provider. This facility was earlier available for card and wallet based payments. “On a review of the developments since this facilitation, it has been decided to extend the above instructions to cover UPI transactions as well,” the Reserve Bank of India notified on Friday, adding that the same guidelines on recurring payments currently applicable for the above-mentioned instruments will apply for UPI payments as well. The limit on such recurring transactions has been set at Rs 2000. To initiate the facility on their payment device, customers will have to provide the merchant’s name, timeframe for recurring payments to be applicable and a payment limit, as per the existing RBI guidelines. The validity of the onetime mandate can be cancelled at any time by the customer. “During the registration process, the cardholder shall be given an option to provide the merchant’s name, timeframe for recurring payments to be applicable and a payment limit, as per the existing RBI guidelines. The validity of the onetime mandate can be cancelled at any time by the customer.”
The measure was first proposed by the RBI in November last year along with a slew of other measures to widen India's digital payments landscape. India's retail digital transaction volume and value has grown at a CAGR of 61 percent and 39 percent respectively since 2015. More than 131 crore transactions worth Rs 2 lakh crore were processed in December alone through UPI.

Dated: Jan 10, 2020

• Bombay High Court Will Hear Kotak Bank's Plea Against RBI On March 6:

The Bombay High Court will hear the case filed by Kotak Mahindra Bank against central banker the Reserve Bank of India (RBI) on March 6. As per the Bombay High Court website, the division bench of Justice SC Dharmadhikari and Justice RI Chagla has posted the hearing in March. “Due to paucity of time the matter is adjourned to March 6,” said the division bench in its order, further adding, “In case any ad-interim/interim relief is operating till today, the said order will continue to operate till the next date. If ad-interim/interim relief is not granted for a limited period, the said order will remain unaffected.” In December 2018, Kotak Mahindra Bank had moved to the court after the central banker had rejected its proposal to issue perpetual non-convertible preference shares to comply with promoter stake rules. Uday Kotak, who owns around 30% in the bank has been directed by the RBI to cut his holding to 15% by March 2020. Last year in March, when the case came up for the hearing, the court had directed Uday Kotak to become a party in the matter by the way of filing an affidavit to clear his stand regarding the issuance of perpetual non-convertible preference shares (PNCPs). In the case, Senior Counsel Vyankatesh Dhond along with the law firm, Udadia& Co are representing RBI, while Kotak Mahindra Bank is being represented by Senior Counsel Darius Khambatta and Vikram Trivedi, managing partner of law firm ManilalKher Ambalal & Co led team.

Dated: Jan 10, 2020

• It's One Step Forward, One Back For Troubled Indian Shadow Banks:

India’s shadow banks, which lend to everyone from teashop merchants to property tycoons, get a mixed bill of health in Bloomberg’s latest check. The sector has been stung by a crisis set off by the shock collapse of non-bank lender IL&FS group in 2018. There've been even more setbacks in recent weeks: Altico Capital India Ltd., a real estate-focused lender, has seen some potential rescuers demur. Revitalization of the industry, whose woes mounted last year when major mortgage lender Dewan Housing Finance Corp. missed repayments, is key to helping staunch a further slowdown in the nation's economy. The good news first: total outstanding debt at 50 financial firms and other companies impacted by the crisis fell last month from November, one of four indicators compiled by Bloomberg show. The shadow banks must continue to trim their debt piles to avoid further defaults. In a sign that creditors remain jittery, borrowing costs rose. The extra yield investors demand to hold five-year AAA rated bonds from shadow banks over government notes
increased, one of the gauges shows. Shadow lender woes have made it harder for policy makers to prop up the economy, which grew at its weakest pace since 2009. The slowdown hurts borrowers’ ability to repay debt, and has prompted the central bank to predict that an improvement in banks’ bad-loan ratios will reverse. The Bloomberg check-up of the sector’s health also showed that: a) Banking system liquidity remained relatively strong b) But a custom index of the share prices of 20 such firms stayed stagnant. Many investors have gotten cold feet when it comes to all but the safest shadow banks. Asset manager DSP Investment Managers, for example, said it will shun lower-rated corporate bonds until India’s economic growth revives, which it expects may take another three to five quarters. India’s Finance Minister Nirmala Sitharaman said last month that she’s working on more measures to boost growth. The scores attached to each of the measures have been calculated by Bloomberg by normalizing the deviation of the latest value of the indicator from its yearly average. They are assigned on a scale of 1 to 7, with 1 implying weakness and 7 showing strength.

Dated: Jan 10, 2019

• Momentum Generated By PMJDY Needs To Be Taken Forward:

The momentum generated by the government’s PMJDY needs to be taken forward to ensure better delivery and choices available to the end customers with active involvement from the service providers including private sector players, said an RBI report on Friday. The National Financial Inclusion Strategies (NFIS) document for 2019-24 also said the digital infrastructure in the country needs to be expanded through better networking of
bank branches, banking correspondent outlets, micro ATM, PoS terminals and stable connectivity. It also said the banks may undertake periodic review of their existing products and adopt a customer-centric approach while designing and developing financial products. Globally, the adoption of the NFIS have accelerated significantly in the past decade. Keeping in view the global trend, the RBI under the aegis of the Financial Inclusion Advisory Committee initiated the process of formulation of the National Strategy for Financial Inclusion (NSFI) for the period 2019-2024. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in August 2014, was a "watershed" in the financial inclusion movement in the country, the RBI said. The programme leverages on the existing large banking network and technological innovations to provide every household with access to basic financial services, thereby bridging the gap in the coverage of banking facilities. NFIS has been approved by the Financial Stability Development Council (FSDC). The document sets forth the vision and key objectives of the financial inclusion policies in India to expand the reach and sustain the efforts through a broad convergence of action involving all the stakeholders in the financial sector, the RBI said.


Dated: Jan 10, 2019

• Bad News For Depositors! RBI Restricts Cash Withdrawals Up To Rs 35,000 In This Cooperative Bank:

The Reserve Bank of India (RBI) has put restrictions on cash withdrawals for the account holders of a bank in Bengaluru, Karnataka. RBI has issued certain directions to Sri Gururaghavendra Sahakara Bank Niyamitha (SGRSBN) bank, whereby, as from the close of business on January 10, 2020, the bank will not be able to grant or renew any loans and advances, make any investment, incur any liability, including borrowing of funds and acceptance of fresh deposits. The bank has also been stopped from disbursing any payment whether in discharge of its liabilities and obligations or otherwise, enter into any compromise or arrangement and sell, transfer or otherwise dispose of any of its properties or assets. In particular, a sum not exceeding Rs 35,000 of the total balance in every savings bank or current account or any other deposit account will only be allowed to be withdrawn. The maximum cash withdrawal limit for SGRSBN bank stands at Rs 35,000. The directions by the RBI should not be construed as cancellation of banking license by RBI. The bank will continue to undertake banking business with restrictions till its financial position improves. As per RBI, the directions shall remain in force for a period of six months from the close of business of January 10, 2020 and are subject to review. The RBI had earlier issued written directions to the bank on January 2, 2020. Sri Gururaghavendra Sahakara Bank Niyamitha is an urban cooperative bank and the RBI has issued directions in exercise of powers vested in it under sub section (1) of Section 35 A of the Banking Regulation Act, 1949, read with Section 56 of the Banking Regulation Act, 1949 (AACS). As per the bank's website, the rate of interest on deposits of '1 year to less than 2 years' was 8 per cent per annum and 8.5 per cent per annum on deposits of '2 years up to 5 years'. The last time the RBI had issued directions were regarding the Punjab and Maharashtra Cooperative (PMC) Bank Limited, Mumbai, Maharashtra when
the cash withdrawals were restricted for the account holders.

Source: https://www.financialexpress.com/money/rbi-restricts-cash-withdrawals-up-to-rs-35000-in-sgrsn-bank/1821570/
Dated: Jan 13, 2020

• ICICI Bank Slaps Rs 12 Cr Recovery Suit On Ms. Chanda Kochhar:

The ICICI Bank has filed a civil recovery suit against its former chief executive Ms. Chanda Kochhar for the recovery of around Rs 12 crore, that she received as part of bonus and other benefits before she was terminated from the bank. On Monday, Senior counsel Vikram Nankani, who is appearing for the Kochhar along with advocate Sujay Kantawala informed the court that the bank has initiated a civil suit against Kochhar to effect the termination, which might create further complication in the matter. As per the Bombay High Court website, Abhijit Joshi led law firm Veritas Legal has filed a civil suit on January 10. Meanwhile, on Monday, in a case filed by Chanda Kochhar against the bank, the former chief executive of the bank has sought time to file her response in the reply of ICICI Bank respond. In November, Kochhar had moved the High Court against her former employer for terminating her employment after it accepted her request for early retirement. She had alleged that no prior approval was sought from the banking regulator and that it was a breach of a statutory obligation. After hearing both the parties, the division bench of Justice Ranjit More and Justice SP Tavade allowed a week's time and have adjourned the case to January 20. In a case, filed by Kochhar, ICICI Bank has said that it is a private bank and hence it is administered by its board of directors and hence its former chief executive Chanda Kochhar’s plea is not maintainable said the bank in its reply in a case filed by Kochhar to counter her termination. The bank has also in its response said that Kochhar’s termination was due to lack of disclosures. The largest private sector bank in its response has said that the petitioner (Kochhar) showed a lack of diligence with respect to annual disclosures, where various mandatory disclosures in relation to her were not made by the petitioner.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/icici-bank-slaps-rs-12-cr-recovery-suit-on-chanda-kochhar/articleshow/73237797.cms
Dated: Jan 14, 2020

• Kotak Investment Advisors Moves Bombay High Court To Set Aside Ricoh’s Resolution Plan:

Kotak Investment Advisors has approached the Bombay High Court challenging a bankruptcy court ruling that allowed the resolution plan of investor Kalpraj Dharamshi and Rekha Jhunjhunwala, wife of ace investor Rakesh Jhunjhunwala, for the revival of Ricoh India. An alternative investment firm owned by Kotak Mahindra Bank is seeking the court's intervention to have overturned the National Company Law Tribunal's (NCLT) order, arguing that the resolution process was flawed. “The member (tribunal member) who has passed the order was not even a member of NCLT at the time the matter was heard and reserved for judgement,” said the company in its petition. “The process adopted by NCLT of hearing objections by a separate bench and plan by a separate bench itself was faulty. This entire process is absolutely illegal, and it shows how mechanically the matters are decided.” In November, the dedicated bankruptcy court had accepted the revival plan of a consortium led by investor Kalpraj
Dharamshi and Rekha Jhunjhunwala for Ricoh India, the largest player in printing and document solutions. Other bidders included Kotak Investment Advisors, Bengaluru-based WeP Solutions and Karvy Data Management Systems. Dharamshi and Jhunjhunwala could not immediately be reached for their views. Jyoti B Singh, an advocate representing the resolution professional Krishna Chamadia, refused to comment. Pooja Mahajan, managing partner at Chandhiok & Mahajan, is also representing the resolution professional. “The tribunal has not even recorded the contention raised by the petitioner (Kotak Investment) during oral argument and recorded in written submission...,” said the company in its plea. “The tribunal completely failed to take into consideration and deal with its core issue that the plan submitted by the petitioner was higher in all terms and better in all aspects. The tribunal has not even bothered to compare the two resolution plans.”

Ricoh India owes about Rs 2,519 crore to its financial and operational creditors. Under the accepted resolution plan, Dharamshi and Jhunjhunwala will infuse about Rs 50 crore as optional and conditional payments. The plan also intends to clear all the dues of workmen and employees of the company. The division bench of the Bombay High Court, comprising Justice SC Dharmadhikari and Justice RI Chagla, will hear the matter Tuesday. In November 2014, the company had won the project of digitization of 1.3-lakh post offices, which is still in the installation phase. In addition, Ricoh has installed 50,000-70,000 units of equipment on which it earns maintenance and other fees.

Senior Counsel Navroz Seervai and Rohit Gupta are representing Kotak in the case, while Dharamshi and Jhunjhunwala are represented by senior counsel JanakDwarkadas and law firm Khaitan& Co. The company was profitable until the top management was allegedly caught in financial fraud.


Dated: Jan 14, 2020

- **RBI Monetary Policy Committee’s First Real Inflation Challenge Is Here:**

India’s central bank has seen nasty double-digit inflation in the past, but its monetary policy committee (MPC) hasn’t. Formed just a little over three years ago, MPC will have its first real challenge in keeping retail inflation within the lawfully-agreed flexible target of 2-6%, considering that inflation has breached this target to reach 7.35% in December. The latest number has surpassed everyone’s expectations, even though a large swath of economists had anticipated a nasty number above the policy target. Indeed, even the Reserve Bank of India (RBI) had indicated in its December policy that it expects inflation to
briefly exceed the 4% target it wants to guard at all costs. The central bank’s forecast is that inflation will be 4.7-5.1% during October-March. Following the December inflation data, economists are beginning to worry that inflation may stay above the target for a long period. There are multiple reasons for this. The main culprit for an inflation surge was food. Within food, vegetables drove up prices sharply, and pulses too hardened considerably. “In particular, prices of pulses may remain elevated in the coming months, despite the favourable outlook for the rabi crop. Stickiness in prices of protein items may provide a floor to food inflation, going forward, even after vegetable prices correct to seasonally-appropriate levels,” said Aditi Nayar, chief economist at Icra Ltd, in an emailed note. While onions and garlic prices may cool off, prices of pulses depend not just on the rabi output, but also on how deftly the government manages its food stocks. The fact that the government took time to import onions shows it has been slipping on its food management off late. “We could have easily avoided the 14% food inflation if the government had been as proactive as it had been in the past on onion prices,” said an economist, requesting anonymity. Even as food plays spoilsport, telecom tariff hikes, cement price increases and, of course, the fired-up global crude oil prices will keep up the pressure. Meanwhile, even as New Delhi faltered in managing food inflation, RBI has been left with fighting a slowing economy with rising inflation. MPC will have to protect its 4% inflation target, but the cost of doing so could be high. A breach of inflation target necessitates a policy rate hike, but in the current context—of the slowest economic growth in six years—this will be dangerous. Instead, economists expect a long-drawn pause. “We are not looking at a rate cut until the second half of 2020,” said Shubhada Rao, chief economist, Yes Bank Ltd. MPC will have to watch onions, garlic and potato prices, besides hoping that past policy rate cuts will somehow reignite the dying embers of investment.

Dated: Jan 14, 2020

- **Silicon Valley Bank Looks To Hire Over 200 Employees For Bengaluru Office:**

SVB is one of the largest banks in the US and has invested in over 30,000 startups. Silicon Valley Bank - a subsidiary of SVB Financial Group - plans to hire over 200 people for its Bengaluru Office. SVB is one of the largest banks in the US and has invested in over 30,000 startups. The organization has started hiring engineers, systems architects and data analysts to work on projects and initiatives
including product design, development and support for core functional areas of SVB’s business. The company is establishing a capable and scalable end-to-end finance function in Bengaluru to provide accounting, regulatory reporting, FP&A, procurement, tax and treasury support. Besides IT, the firm is planning to expand its finance division as well, and is currently focusing on accounting, treasury, SOX compliance, regulatory reporting. “Across the globe, there are shortages in labor of skilled and quality talent to be able to support banking operations. Large global financial institutions have taken a stronghold here in the local market. The important things for us are the development of our digital platform, looking at operating the bank technology-wise, analytic support, and needs in financial operations,” Daniel Beck, chief finance officer, Silicon Valley Bank, told ET. “It is difficult to find the talent in the US and even on a global basis. As we look at different markets, we find opportunities in Bengaluru,” he added. The company has recently opened its new centre in Bengaluru. The bank operates from 29 offices in the US and has operations in Hong Kong, Beijing, Shanghai, Herzliya Pituach, London and Frankfurt.


Dated: Jan 14, 2020

- **Yes Banks On Smaller Cheques To Raise Funds:**

Yes Bank Ltd is recasting its capital-raising strategy, part of which involves abandoning its quest for big-ticket cheques in favour of relatively smaller and more frequent share sales. While the private lender’s overall capital-raising target remains $2 billion, it now plans to raise the money in multiple tranches of around $400-500 million, two people directly aware of Yes Bank’s latest strategy said on condition of anonymity. This is a departure from the bank’s earlier plan to raise the entire amount in one go. Among the alternative plans explored under the new strategy, Yes Bank is even considering a “rights issue to raise capital”, said one of the two people. Yes Bank’s capital top-up plans over the past four months, which included searching for a large anchor investor, have largely been unsuccessful and the current strategy tweak is expected to hasten funds mobilization because it urgently needs to build buffers against potential loan losses and stay compliant with existing regulations. The bank has also been considering qualified institutional placement (QIP) and preferential allotment to raise capital. “The bank is considering rights issue mode because this route allows the issuer (Yes Bank) to sell shares at a price close to the current market price,” said the second person. “In preferential allotment or QIP, the pricing is done as per the regulatory formula of six-month average or two-week volume-weighted average price, whichever is higher. This will force the bank to set the issue price much higher than the current market price.” Another advantage of a rights issue is that the issuer does not need to scout for new investors because only the existing ones can buy shares. Currently, Life Insurance Corporation of India (8.06%), HDFC Mutual Fund (2.27%), Jwalamukhi Investment Holdings (1.62%) and Government Pension Fund Global (1.30%) are among the largest public shareholders of Yes Bank. Yes Bank declined to comment. The bank has hired four investment bankers for raising capital. Among them, ICICI Securities Ltd is working as the banker for key documentation
processes, while the others will primarily focus on shortlisting potential investors. A spokesperson for ICICI Securities declined to comment. The change in Yes Bank’s strategy comes against the backdrop of the bank’s abrupt rejection of the $500 million investment offer made by Citax Holdings Ltd and Citax Investment Group.

In November, the bank said Citax had evinced interest to invest $500 million in Yes Bank. “Citax is no longer in the list because Citax did not deposit the required money in the escrow account for enabling the capital raising committee of Yes Bank to consider their offer,” said the first person. After a board meeting on Friday, Yes Bank said it would not proceed with the $1.2 billion offer from Erwin Singh Braich/SPGP Holdings. However, the bank said it was favourably considering the Citax offer and the final decision regarding allotment would be taken during the next round of board meetings. The bank last raised Rs. 1,930 crore through a QIP issue in August. Given that QIP rules require a gap of at least six months between each of them, Yes Bank will become eligible for another such issue only after February. The rules mandate that a QIP with an issue size of up to Rs. 250 crore must have at least two allottees, and for QIPs over Rs. 250 crore at least five allottees, with no single allottee being given more than 50% of the issue size. Bank’s non-performing assets (NPAs) have swelled over the past few quarters. The bank not only needs capital for provisioning of bad loans but also to stay compliant with the Reserve Bank of India’s (RBI) norms. At the end of September, Yes Bank’s tier I capital adequacy ratio stood at 10.7% against the regulatory requirement of 8.875%. Its common equity tier 1 capital stood at 8.6%, marginally above the regulatory requirement of 7.375%. In an exchange filing on Tuesday, Yes Bank said it will convene an extraordinary general meeting on 7 February to seek shareholders’ approval to raise its authorized capital.

The bank will also seek approval to raise Rs. 10,000 crore in order to augment the lender’s core capital. On Friday, the Yes Bank board approved raising as much as Rs. 10,000 crore, in one or more tranches via a QIP or any other private placement of equity or debt. The bank’s stock has been in free fall since RBI, in September 2018, disapproved co-promoter Rana Kapoor’s continuation as CEO. Due to constant pressure on the stock and uncertainty over the bank’s fundraising plans, several top investors have dumped its shares in the December quarter, shows stock exchange data. Kotak Mutual Fund, SBI Mutual Fund and Franklin Templeton Mutual Fund that held 1.14%, 1.7% and 1.14%, respectively, in the bank at the end of September have sold their stakes in the last quarter.


Dated: Jan 14, 2020
High Inflation, Low Growth Await New RBI Deputy Governor Shri Michael Patra:

The central government on Tuesday appointed Michael Debabrata Patra as the new RBI Deputy Governor who will also steer the Monetary Policy Panel that takes decisions on the rate of interest regime. The new deputy governor in charge of monetary policy steps into his new role amidst hosts of perils of a 6-year high inflation and six-year low quarterly growth. An Appointment Committee of the Cabinet order said, “The ACC has approved the appointment of Michael Debabrata Patra Executive Director of RBI to the post of Deputy Governor of RBI for a period of three years”. Patra will replace Viral Acharya, who left office on July 23, 2019. He will take over as the fourth deputy governor at central bank and will handle the monetary policy portfolio. The edge Patra holds are many as he is well versed with MPC and rate of interest decisions and also well known in the market. The markets are well acquainted with Patra’s views on the current economic environment. In the last three policies of RBI, Patra has dropped his inflation hawkish guard and supported interest rate cuts to support growth. At the June meeting, Patra not only voted for a third interest rate cut but also called for fiscal support to the economy. "At this juncture, monetary policy by itself cannot bring about a reinvigoration of economic activity. Monetary policy is taking the lead as the first line of defence, but a coordinated full throttle effort by all arms of macroeconomic management is the need of the hour,” he said. At the latest meeting in December, Patra along with the rest of the committee voted for a pause in rate cuts in response. But there will be too many immediate challenges for the new deputy governor as well. First task is - he will have to balance the emerging growth-inflation dynamics. Retail inflation spiked to 7.35 per cent in December, highest in six years. It has surpassed the RBI’s upper-limit target, mainly due to spiralling prices of vegetables. While RBI had decided against a repo rate cut in its December policy review, it would be interesting to see the central bank’s next move as inflation has been on the rise for three consecutive months. Recently, Government projections show the economy is set for 11-year drop in growth of 5 per cent in FY 20, RBI had already lowered its growth forecast to the same level earlier on deep slowdown concerns. With average inflation for quarter nearly 200 basis points above RBI estimates, the market now expects status quo in February policy of the MPC, something that government may not be looking forward to. With inflation soaring, the yield on the benchmark 10-year bond rose as much as 10 basis points to 6.7 per cent, the most since December 5. The central bank has also not been able to effect transmission of policy rate cuts through banking channels. It introduced external benchmarking for retail and SME floating rate loans on October 1 and is hoping to see improved transmission following that move.


Dated: Jan 14, 2020

IBA Revises Performance-Linked Scheme, Hikes Wages To 12.25%, Unions Reject Offer:

The Indian Banks’ Association has proposed a revised performance linked incentive scheme for bank employees, ensuring 10 days’ additional wages for staff at lenders that report at least 5% annual rise in
operating profit. The scheme was discussed as part of a broader wage negotiation meeting with bank unions on Monday, which was presided by State Bank of India chairman Rajnish Kumar, who is also the chairman of the IBA, two people in the know of developments said. Under the scheme, the bankers’ body has offered to pay 14 extra days of salary for staff of lenders that show a 10-15% increase in operating profit and 21 days for banks that report more than 15% rise in operating profit. IBA was earlier in favour of taking both operating profit and return on assets (RoA) as key metrics for defining organisational performance. To avail higher performance linked benefits (14 days or 21 days of additional salary), RoA may still be considered, the people cited earlier in the story said. The IBA has also marginally tweaked its wage increase offer to 12.25% from the previous 12%, citing poor financial health of banks, the people said. It has, however, did not pay heed to a demand to restrict bank working days to five. Bank unions rejected the wage hike proposal, the sources said. They have also asked the banker’s body to not link RoA to performance linked benefits, arguing that ROA depends on the quantum of provisions for bad loans and could turn negative even if the banks make an operating profit. “The IBA chairman narrated the general scenario in the banking sector and the constraints under which all of us were working, particularly in the public sector banks. He pointed out that our demands for wage revision will have to be resolved keeping these constraints in mind to keep the competitive edge,” the United Forum of Bank Unions, an umbrella body representing various bank unions, said in a communication to its members. However, it added that after “mutual discussion among our constituent unions, we expressed our inability to accept their offer.

Thereafter, a meeting of UFBU was held and decisions were taken to launch agitations and strike actions.” Unions had earlier agreed to performance linked incentives in principle but had sought greater clarity on it. The incentives will be computed annually after banks declare their annual results and are likely to be implemented from the current financial year. The bipartite wage settlement between banks and unions takes place every five years. The 11th bipartite wage settlement, for which negotiations are currently on, is due from November 1, 2017. On the basis of the 12.25% hike proposed by the IBA, banks will have to pay additional wages of Rs 6,447 crore, over their base salary bill of Rs 52,625 crore, for the fiscal year ending March 31, 2017.

Dated: Jan 14, 2020

- **Bank Loan Fraud, ED Arrests 2 On Money Laundering Charges In Hyderabad:**

The Enforcement Directorate on Wednesday said it has arrested two persons in Hyderabad in connection with a money laundering probe case linked to an alleged over Rs 1,700 crore bank loan fraud case. G S C Raju, promoter of Leo Meridian Infrastructure Projects and Hotels Ltd (LMIPHL), and his close associate A V Prasad were arrested under the Prevention of Money Laundering Act (PMLA) and have now been remanded to ED custody, the agency said in a statement. The case pertains to the accused fraudulently availing loans, in connivance with others, from a consortium of banks and subsequent default of loans to the tune of Rs 1,768 crore, it said. "Investigation so far has unearthed..."
33 shell companies and more than forty contractors in this case,” the ED said. The Enforcement Directorate filed the criminal case under PMLA after studying 3 FIRs of the CBI against the accused.

Dated: Jan 15, 2020

• Piramal Capital Raises Rs 1,400 Crore To Service Debt, And For Lending:

Shri Ajay Piramal’s NBFC has raised Rs 1,400 crore from a clutch of banks – United Bank of India, IndusInd Bank and Bank of India – to service its existing debt and lend, according to people familiar with the development. Piramal Enterprises has raised Rs 900 crore from two public sector banks Union Bank of India and Bank of India at 8.9% for five years and Rs 500 crore from IndusInd Bank for one year at 9% to meet the obligations. In the last one year, the company has raised long-term capital of Rs 24,000 crore to pare short-term liability and adjust the mismatch. It has raised equity from funds such as CDPQ a fresh capital infusion of Rs 1,750 crore in December 2019. Meanwhile, promoters are increasing investment in the company and have underwritten 90% of the rights issue. An email query sent to the company remained unanswered till press time. The three banks could not be reached for a comment. Piramal Capital & Housing Finance, a 100% subsidiary of Piramal Enterprises (PEL), has been in the news for its higher exposure to real estate developer financing. The company had a total loan book of Rs 53,000 crore as on September 2019, and it has repaid and prepaid Rs 11,800 crore loans in the first half of the financial year. In the first half of the year, the company had raised Rs 8,400 crore through bank term-loans, Rs 14,700 crore through NCD issuances from investors, including banks, FIIs, insurance companies and mutual funds. Piramal Enterprises is subsidiarising its pharma business by working towards raising equity capital of nearly 20% for future growth opportunities. PEL’s non-compete clause in the domestic formulations India branded generic in pharma ended in 2018 and this capital raise may help them look at opportunities in the domestic pharma space, a source said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/piramal-capital-raises-rs-1400-crore-to-service-debt-and-for-lending/articleshow/73266294.cms
Dated: Jan 15, 2020

• Sri Guru Raghavendra Sahakara Bank Says Will Meet Commitments Before March 31:

Sri Guru Raghavendra Sahakara Bank on Tuesday maintained that it will be able to meet all commitments before March 31 amid growing concerns among thousands of customers about the fate of their deposits across eight branches in Bengaluru. Depositors have been flocking to the bank’s branches after the Reserve Bank of India (RBI) imposed restrictions on the bank’s management disallowing it from collecting deposits, lending fresh loans or making investments without the regulator’s approval. The bank’s advisor, Vasudeva Maiya, on Tuesday said defaults by 62 borrowers had led to the present crisis. The bank’s advances, he told the media, had been adequately securitised. The bank has taken steps to recover the dues from the defaulters. According to bank sources, the non-performing assets (NPAs) amounted to Rs. 375 crore. The bank, Maiya said, has collected collateral security worth
?2,200 crore against its total loan book of Rs. 1,700 crore. In six years, the bank has paid a dividend of 16%, and will pay back every single rupee to depositors, he added. As for demands from depositors, the bank has been making payments to customers within the RBI’s cap of Rs. 35,000, he said. The bank’s legal advisor A Ramesh told ET that the bank has an annual business of ?4,000 crore, and said the bank will bring down the NPA levels by leveraging the collateral security. Bangalore South MP Tejasvi Surya, meanwhile, asked depositors not to panic as he had spoken to finance minister Nirmala Sitharaman. She has promised to protect the interest of depositors, especially of senior citizens, he said. Sections of customers told this paper that the withdrawal cap was worrying and they were unsure how soon the bank would recover. TV Somashekar, a retired employee, who has deposited his savings with the bank, said he eagerly awaited an early resolution. “The bank management is insisting that our money is safe and it will be returned as and when the RBI lifts the restriction. But we want to know what really led the RBI to take this extreme step,” he said. Usha Devi NV, another customer, said she has been a customer for about a decade and never had an issue of this sort. “There is no clarity on the issue yet. We are waiting to see how things will unfold,” she said. Although many customers are anxious, no one has filed a police complaint, signalling their hope of a quick resolution to the crisis. The bank has been conducting its business as usual within the restrictions imposed by the RBI. The banking regulator, however, was not reachable for a comment. The Sri Guru Raghavendra Sahakara Bank was founded by a group of Brahmin community members about two decades ago with the purpose of serving the community, especially senior citizens. Eighty per cent of its customers now are seniors.


Dated: Jan 15, 2020

- Making Efforts To Financially Strengthen Bank Further:

Allaying concerns over reports of its weakening financial health, Yes Bank on Wednesday said the lender’s capital adequacy is at a comfortable level and efforts are being made to further strengthen it. The bank has asked its customers not to pay heed to rumours about its financial health. “The bank’s overall Capital Adequacy Ratio is comfortably above regulatory requirements and all efforts are being made to financially strengthen the bank even further. Kindly, therefore, pay no heed to these unfounded reports,” Yes Bank said in a statement. The bank plans to convene an extraordinary general meeting on February 7 to get shareholders’ nod for raising Rs 10,000 crore, and to increase authorised capital from existing Rs 800 crore to Rs 1,100 crore, already cleared by the board. Last week, Uttam Prakash Agarwal, an independent director of Yes Bank resigned from the board and stepped down as head of its audit committee citing major corporate governance concerns. The capital-starved bank also reported setbacks in its USD2-billion fundraising plans. Canadian investor Erwin Singh Braich’s USD 1.2 billion offer will not be pursued further, the bank had said. It had further said a USD 500-million offer from Citax Holdings and Citax Investment Group, which was being favourably considered, is also facing headwinds. The bank, which was waiting for regulatory approvals as Citax’s...
offer entailed over 10 per cent ownership, has not been able to get a clearance yet on the "conditions precedent". Without specifying timelines, it said the Citax offer will be taken up "during the next round". The troubled bank has been forced to shrink its book due to capital paucity and was hoping to close the fundraising by December. Need for capital has been necessitated as under new CEO Ravneet Gill, the lender has had to provide for sour loan bets taken under his predecessor Rana Kapoor whose term was cut short by the RBI in 2018 over concerns on corporate governance. The central bank has also appointed former deputy governor R Gandhi to the board.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/making-efforts-to-further-yes-bank/articleshow/73271193.cms

Dated: Jan 15, 2020

• **Indian Bank Likely To Retain Its Name After Merger With Allahabad Bank:**

Indian Bank is likely to retain its name after the merger with Allahabad Bank, and the merger team is working on a new logo and tagline to capture the identity of both the partners, two people familiar with the development said. “Our name has a pan-India appeal,” Indian Bank managing director Padmaja Chunduru told ET. Chennai-based Indian Bank is anchoring the merger with Allahabad Bank. “A series of discussions took place. Both banks engaged consultants to examine how the branding and logo can be made after the merger,” she told ET in an interview. “There have been a lot of overlap and a lot of good fit in logo and tagline of both the lenders. We are looking at how to blend these,” she said. Indian Bank’s tagline is “your own bank”, while Allahabad Bank’s is “tradition of trust” and “har kadam aapkesaath” in Hindi. “The branding will be done through consensus. We have almost reached there. But our board needs to approve it,” Chunduru said. A senior executive at Allahabad Bank said that it has requested the government to retain its identity “as far as possible.” The executive said that “effective branding can be done in so many ways.” Some other non-anchor lenders in the mega merger exercise have also requested the government for new names and logo, unlike in the Bank of Baroda-Dena Bank-Vijaya Bank exercise, wherein the logos of all three lenders have been retained. Punjab National Bank is anchoring its merger with Oriental Bank of Commerce and United Bank of India to create the country’s second-largest lender in terms of business size and branch network. Similarly, Union Bank of India is anchoring its merger with Andhra Bank and Corporation Bank, while Canara Bank is the anchor bank for its amalgamation with Syndicate Bank. The mergers will come into effect from April this year. “The merger is sticking to schedule and smooth. We have people working on IT, policy and product harmonization and a lot of deliberations are on,” Chunduru said. Indian Bank-Allahabad Bank combination will become the seventh largest lender with total business of Rs 8 lakh crore (as on March 2019). They have a common core banking platform BaNCS, developed by TCS. The combined branch network will be 6,100. “There is a lot of optimism over the merger. Both banks have together worked on cost rationalization and we are prepared to focus on growth from day one,” she said.


Dated: Jan 15, 2020
• **SC Stays HC Order Allowing Shifting Of HDIL Promoters From Jail To Their Residence:**

The Supreme Court on Thursday partially stayed the Bombay High Court order allowing shifting of HDIL promoters Rakesh Wadhawan and Sarang Wadhawan, accused in the multi-crore Punjab & Maharashtra Cooperative (PMC) Bank scam case, from Mumbai's Arthur Road Jail to their residence. A bench comprising Chief Justice S A Bobe and justices B R Gavai and Surya Kant took note of the submissions of Solicitor General Tushar Mehta that the high court order to the extent of allowing their release from prison needed to be stayed. The law officer said the other aspect of the high court order such as sale of assets of the accused promoters under the supervision of high court appointed committee should be allowed to remain operative and the sole objection was with regard to their release from Arthur road jail. The top court agreed with the submissions. Earlier during the day the apex court had agreed to consider the plea of enforcement agencies against the high court order to release them from jail and keeping them in their residence under the constant watch of prison guards. Mehta mentioned before the bench that the PMC bank scam involved Rs 7000 crore and the high court had on Wednesday passed a very "unusual order" while hearing a public interest litigation (PIL). Mehta told the bench that the father-son are presently lodged under Arthur Road jail in judicial custody and if they are shifted to their residence as per the high court's order, it would be like bail to them. The high court had on Wednesday set up a three-member committee for valuating and sale of encumbered assets of Housing Development and Infrastructure Limited (HDIL) to expeditiously recover dues payable by the firm to PMC bank. The high court had directed the superintendent of Arthur Road Jail to shift both the accused to their residence under the supervision of two jail guards to ensure their cooperation to the committee. The high court had passed the order while hearing a PIL seeking direction for expeditious disposal of HDIL assets and properties attached by the Economic Offence Wing and the Enforcement Directorate and repaying PMC Bank depositors at the earliest. The fraud at PMC Bank came to light in September last year after the Reserve Bank of India discovered that the bank had allegedly created fictitious accounts to hide over Rs 4,355 crore of loans extended to almost-bankrupt HDIL. According to RBI, the PMC bank masked 44 problematic loan accounts, including those of HDIL, by tampering with its core banking system, and the accounts were accessible only to limited staff members. Mumbai Police's Economic Offences Wing and the ED registered offences against senior bank officials and HDIL promoters.

Dated: Jan 16, 2020

• **Govt Asks Banks To Open 15,000 Branches In FY21:**

In a scramble to meet its financial inclusion agenda, the federal government handed lenders a list of location wise branches to be opened by both state-run and private banks, three people aware of the development said. Lenders including State Bank of India, Bank of Baroda, HDFC Bank and ICICI Bank will open 14,000-15,000 branches in the coming year to reach the unbanked as per a government directive. “The mandate from
the finance ministry is to open a branch within 15 km radius of a village where there are no banking facilities available,” said a banker who was part of the meeting where the finance minister handed over the responsibility. “The branch opening has to be as per the locations provided by the ministry.” While large state-run banks like SBI have to open nearly 1,500 branches, their private peers have been asked to open 600-700 branches each. The list includes villages and panchayat regions where there are no bank branches so it can push cheap credit to the unbanked. As of March 2019, India had more than 120,000 branches and a little over 2 lakh ATMs, data showed. Of these, only 35,649 branches are in the rural areas. RBI data on financial inclusion suggests that including regional banks’ outlets in rural locations reached over 52,000 at the end of March 2019, a growth of mere 3% over 2018. For banks, a branch in a metro city becomes profitable in two years, while a rural branch breaks even in four years. But, with the RBI allowing easier branch-opening and functioning rules, branchless outlets in rural areas have clocked nearly 5.5 lakh. The share of business correspondents in total banking outlets in rural areas remains around 91%. “Government wants banks to reach unbanked areas and replace informal credit with formal credit, bringing down borrowing rates for the rural folk who still rely on money-lenders,” another private sector banker who was part of the meeting, said. “We can have branches that can be left open for at least 4 hours per day for 5 days in a week manned either by business correspondents or by bank officials.” In a bid to take banking services to the remote locations of the country, the RBI in 2017 permitted the opening of mini branches or banking outlets across the country without having to take permission from the regulator on a case-by-case basis.


Dated: Jan 16, 2020

- **Unsecured Consumer Loans Grow Most, Credit Card Dues At Rs 1L Crore:**

Credit card balances and personal loans have recorded the highest growth rates as lenders expand the market, providing finance to those who had not borrowed before. Credit cards and personal loans recorded growth rates of 40.7% and 28%, respectively, year-on-year (YoY) in July-September (Q2FY20). Unsecured loans are growing even as secured retail advances such as auto loans, loans against property (LAP) and home loans saw moderate rates of balance growth at 10.3%, 11.6% and 10.0%, respectively, according
to TransUnion CIBIL’s Q2FY20 Industry Insights Report. Credit card balances and number of accounts increased YoY by 40.7% and 29.8% respectively taking total balances to Rs 1,09,000 crore and number of active cards in circulation to 44.5 million (see graphic). Balances of private card issuers increased by 50.7% YoY, while for other card issuers increased by 26.9% YoY. In the case of personal loans, outstanding grew 28% to Rs 4.3 lakh crore, which is now almost on a par with auto loans which have a base of Rs 4.38 lakh crore (10% growth). Personal loans are still less than a fourth of home loans, which stood at Rs 19 lakh crore (growth of 10% again). According to bankers, the growth in unsecured loans is driven by an expansion of the market, given that personal loans (excluding mortgages) as a percentage of gross domestic product is much lower than other emerging markets. Lenders like HDFC Bank have been expanding this market using technology in the form of analytics to automate lending. Besides banks, non-banking finance companies (NBFCs) have a large chunk of unsecured finance loans. “Our findings suggest the shift toward consumption lending categories is becoming more sustained and is supported by a strong demand for these products. Consumer inquiry volumes for personal loans and credit cards increased significantly over the period, whereas we saw inquiries were broadly unchanged or slightly down for loans against property and home loans.” said TransUnion CIBIL vice-president (research and consulting) Abhay Kelkar. “This change in demand might, in part, be driven by consumer sentiment and wider macroeconomic pressures. Flattening demand for large-ticket asset purchases is causing slower asset finance loan originations, while consumers may be increasingly turning to consumption credit products to help finance day-to-day living expenses. This shift in consumer credit demand warrants ongoing monitoring to understand the impact on lender portfolios.” Also, growth in consumer lending is no longer concentrated in metro locations. Lenders have increased credit penetration to less densely populated geographies as part of their expansion strategies. Consumers in semi-urban and rural areas have also shown increased willingness to seek loans from formal lending institutions. The increase in delinquency rates was not uniform and was most pronounced for loan against properties, which was up 52 basis points (100 bps = 1 percentage point), home loans (up 13bps) and credit cards (up 10bps). Overall delinquencies actually improved for auto loans (down 22bps) and personal loans (down 5bps).

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/unsecured-consumer-loans-grow-most-credit-card-dues-at-rs-1l-crore/articleshow/73290085.cms
Dated: Jan 16, 2020

• Suspected Big Bank Fraud Cases To Be Vetted By Panel Before Probe:

All big suspected bank fraud cases will have to be vetted by a panel before lenders agencies such as the Central Bureau of Investigation (CBI) to initiate action. The framework has been designed to allow bankers to take decisions without fear and free up credit flows, a top government official told ET. The Advisory Board on Banks and Financial Frauds has been set up by the Central Vigilance Commission (CVC) to examine complaints against bankers in consultation with the Reserve Bank of India (RBI) and Niti Aayog. It will be headed by former vigilance commissioner TM Bhasin. The five-member board will function as the
first level of examination for all alleged cases of fraud involving Rs 50 crore or more and executives of the rank of general manager or above. The board will decide on matters within a month. “This is being done to ensure that banks lend without any fear,” the official said. “Bankers have been apprehensive of coming under the glare of investigative agencies for even a bonafide decision going wrong.” The idea behind the move is to ring fence such executives and ensure there is no curtailment in credit flow for fear of enquiries later on. Even the investigating agencies will be required to refer cases they come across for review by the panel before taking any action. Bank credit grew 7.1% last year, the second slowest in the last decade. The move comes close on the heels of finance minister Nirmala Sitharaman sending a strong message to banks to lend without fear of the “Three Cs” at a meeting last month that was also attended by the CBI director. This refers to the CBI, Comptroller and Auditor General of India and the CVC. If the involvement of a public servant employed in PSBs or public financial institutions above the rank of general manager comes to the notice of an investigation agency in the course of inquiries, they may refer the matter to the board for advice before proceeding further, it said. “State vigilance organizations are also advised to adopt a similar framework or refer the matter to the board constituted in the interest of harmonious and uniform application with respect to matters relating to the provisions of the central act that is the Prevention of Corruption Act for matters under their respective jurisdiction,” the CVC said. The newly constituted board will decide on its internal procedures and keep the commission informed about its activities on a quarterly basis, the CVC said, adding that the guidelines will henceforth apply in all bank fraud cases.

Dated: Jan 16, 2020

- **India’s Banks Face Risk From $13 Billion Telecom Dues, Says UBS:**

India’s top court’s rejection on Thursday of an appeal by wireless carriers to review $13 billion they owe to the government raises risks for lenders to the companies, according to UBS Group AG. Payment of the dues may erode the telecom operators’ cash flows, especially those of Vodafone Group Plc’s India venture. Under the October verdict, Vodafone Idea Ltd. has to pay $4 billion, while Bharti Airtel Ltd. has to give $3 billion by the end of next week. The court also rejected requests to rehear petitions seeking relaxations on the deadline. “IndusInd, YES, SBI appears to have relatively high exposure to Vodafone Idea,” analysts Vishal Goyal and Ishank Kumar wrote in a note. For the banking system, loans outstanding to the telecom sector were Rs. 1.1 trillion or 1.3% of total loans in September, the note
added. IndusInd Bank, Yes Bank and Punjab National Bank are the least preferred stocks in the sector, according to the UBS note. The investment bank remains positive on Axis Bank Ltd., ICICI Bank Ltd. and HDFC Bank Ltd. Still, brokers including UBS are hopeful that the government will potentially provide some relief to the telecom carriers via staggered payments or waiver of interest and penalty.


Dated: Jan 17, 2020

**UCBs Asked To Report Exposures Above Rs 5 Crore:**

Urban cooperative banks (UCB) will now have to report every quarter their individual loan exposures exceeding Rs 5 crore, with the banking regulator strengthening its oversight on these localised lenders in the aftermath of the PMC blowout. The central bank has issued detailed guidelines for reporting such exposure by UCBs to the CRILC (Central Repository on Information on Large Credits) every quarter. Banks need to submit the data on large exposures within 30 days from the end of the quarter through the XBRL reporting platform of the Reserve Bank of India (RBI). Banks may put in place appropriate systems to be in readiness to submit the return on a more frequent periodicity. The reports need to detail three broad heads - exposure to large borrowers, reporting of technically/prudentially written-off accounts, and reporting of balance in current accounts. The regulator has also warned that UCBs need to take utmost care about data accuracy and integrity while submitting the data on large credits, failing which they could face penal action. Even large commercial banks, such as State Bank of India, have been fined for not fully complying with the CRILC requirement. On December 27, the central bank mandated that all UCBs with total assets of Rs 500 crore and above shall report credit information, including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposure of Rs 5 crore and above. The central bank also clarified that aggregate exposure shall include all fund-based and non-fund based exposure, including investment exposure on the borrower. UCBs need to submit the data in CRILC from the quarter ended December 31, 2019.


Dated: Jan 17, 2020

**RBI Says Crypto Not Banned, But Don’t Bank On It:**

The Reserve Bank of India has said it had not banned cryptocurrencies such as Bitcoin in India, but only ringfenced regulated entities like banks from risks associated with trading of such virtual instruments. The central bank said this in a response to a petition filed by the Internet and Mobile Association of India (IAMAI), which wanted it to reconsider a 2018 circular directing regulated entities not to deal in cryptocurrencies. The IAMAI, whose members include cryptocurrency exchanges, had approached the Supreme Court against the RBI action. In a hearing earlier this month, the association argued that trading in cryptocurrencies, in the absence of a law banning those, was a legitimate business activity but the RBI had effectively banned it by blocking access to banking channels. The next hearing in the
case is scheduled for Tuesday. ET has seen a copy of a 30-page affidavit that the RBI had filed in the SC on September 4. “Firstly, the RBI has not prohibited VCs (virtual currencies) in the country. The RBI has directed the entities regulated by it to not provide services to those persons or entities dealing in or settling VCs... The RBI has been able to ringfence the entities regulated by it from being involved in activities that pose reputational and financial risks along with other legal and operational risks,” the affidavit said. The risks highlighted by the central bank included terror financing and money laundering through cryptocurrencies. “Any possible avenues which facilitate anonymous cross-border fund transfer have to be acted upon swiftly and stringently dealt with. It is an admitted fact that VCs have been used to purchase illegal and illicit goods ranging from guns and ammunition to drugs,” the RBI said in its affidavit, in response to IAMAI’s objections. The RBI and IAMAI did not respond to ET’s queries on the matter until press time Monday. The RBI’s response also revealed that during discussions with the government on whether to ban or regulate cryptocurrencies earlier in 2018, the RBI had said initial coin offerings be prohibited, and virtual currency asset funds not be allowed to be set up and/or operated within the legal jurisdiction of India. The central bank also suggested that the Foreign Exchange Management Act and its regulations be enhanced to prevent and track remittances for investment in virtual currencies made under the Liberalised Remittance Scheme. The RBI’s Liberalised Remittance Scheme allows individuals to send $250,000 a year abroad. The central bank that it was not against technological innovation and encouraged the “development and adoption of distributed ledger technology, also called blockchain technology.” According to legal experts, the stance on crypto trade posing a risk to sovereignty could be a weak one if not substantiated with examples of virtual currencies being used to fund terror in the past.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-says-crypto-not-banned-but-dont-bank-on-it/articleshow/73465030.cms
Dated: Jan 21, 2020

• Payment Companies Weigh Ways To Recoup MDR Losses:
Top payment facilitators have sought a compensation mechanism through a bank funded model for revenue losses due to New Delhi’s zero-merchant discount rate (MDR) policy, which took effect in the New Year. These companies have urged the Centre to nudge banks to compensate “a minimum of 0.25% of the transaction amount for all the UPI and RuPay, Person to Merchant (P2M) transactions” for sustained service and ecosystem expansion in the absence of any clear revenue model. “With the wide usage of UPI and with more than 500 million RuPay debit cards in the market, it
will be very difficult for our members to continue processing these payment options for free,” the Payment Council of India (PCI) said in a letter to Finance Minister Nirmala Sitharaman. PCI represents more than 30 payment companies, including Paytm, PhonePe and Amazon Pay. “Hence, we would request you to kindly take this up with the banks and help us with a framework or process for minimum compensation which will be provided to the Payment Service Providers (PSPs),” said the letter dated January 15. The letter is also addressed to the department of economic affairs additional secretary, K Rajaraman. ET has seen a copy of the letter. This comes less than a week after Sitharaman told a representation of top payment executives, including Paytm’s Vijay Shekhar Sharma and PhonePe’s Sameer Nigam, that any direct capital support to the sector would unlikely be considered in the Budget. Earlier, ET had reported that the country’s nodal payments regulatory body National Payments Corporation of India (NPCI) had sought an estimated Rs 2,000 crore as compensation for the payments industry. However, in a private meeting with payments industry CEOs on January 10, Sitharaman had expressed the possibility of the government devising an alternative relief mechanism for the sector, which would involve mandating banks to continue their investments for digital payments growth despite the lack of direct fee-based returns for these lenders, sources told ET. Sitharaman said in her budget speech in July that banks and the Reserve Bank of India would be asked to invest the “same amount they save on handling less cash due to the growth of digital payments back into the expansion of the payment ecosystem” once the zero MDR regime kicks in. PCI, however, in the letter pointed out that “none of the banks” has yet shown any intent to compensate the payment companies.

Dated: Jan 21, 2020

• RBI Releases October Board Meeting Minutes, Opens Doors To Transparency:

In a first, the Reserve Bank of India (RBI) released minutes of its central board meeting held in Chandigarh on October 11. This comes as the first step towards increasing transparency in its workings. “In future, the minutes will be placed on the RBI website within two weeks from the date of its confirmation in the next meeting
of the Central Board and on being signed by the chairman in the same meeting,” the regulator said on January 20. The October meeting minutes, parts of which have been redacted, showed that the board discussed issues relating to Punjab and Maharashtra Cooperative (PMC) Bank, regulatory supervision of commercial and cooperative banks as well as non-banks, which were not part of the agenda at first. It must be noted that the PMC Bank was placed under directions on September 24 apparently after the agenda for the meeting had been prepared. The minutes also showed that the board was informed about the formation of a separate department of regulation and supervision that had earlier been approved by the board and would take effect from November 1. On the parts that were blacked out, RBI said that it did so in accordance to the norms which permitted severing certain information under the RTI Act. The next central board meet was held in Bhubaneswar on December 13.


Dated: Jan 21, 2020

• **Lenders Put Cash Flows Of About 500 Stressed Companies’ Under Lens:**

Indian banks have fast-tracked the process of roping in monitoring agencies to track last mile usage of bank loans to plug siphoning of bank funds. There are as many as 500 stressed loan cases where banks have roped in agencies or are in the process of doing so to monitor the cash flows. In the last three months, lenders have hired agencies in Gammon, Altico, JBF Industries, Suzlon and HCC to track end use of funds. Lead banks are hiring monitoring agencies in accounts having exposure of more than Rs 250 crore. Plan is to expand the usage of monitoring agencies to standard accounts as well. “Currently, we are specifically focused to track use of bank loans in stressed accounts, steadily we plan to expand the ambit to accounts even to those accounts which are paying on time,” said a senior bank official.

“In several cases, we have seen bank loans have not been used for purposes specified, we can no longer rely on trust and faith.” Due to rising cases of bank frauds, the Indian Banks Association (IBA) set up a committee that would empanel agencies specialising in studying end use of funds. It was later decided that consortium loan accounts of more than Rs 250 crore would be keenly watched, 84 companies have been empanelled so far for this purpose. As per the latest Reserve Bank of India (RBI) data, an unprecedented 6,801 frauds, totalling Rs 71,500 crore, were detected in FY19. That amounts to a 15% rise in volume and 80% climb in value from last year. Of these frauds, 73% were large ticket corporate frauds worth over Rs 100 crore. Public sector banks had 92% of those fraudulent loans. Many of these frauds took place at least five years ago, and some over a decade ago. The most shocking data of all was that the average time for a fraud over Rs 100 crore to be detected was 55 months.

“The RBI is now mandating monitoring of loans made by banks. This is being done with a view to assess how the loans are being put to work, and have an early warning signal on any diversion of funds to related parties or affiliates and which are not put to use for the core business for which they were lent in the first place,” said Sanjeev Krishan, partner & leader – Deals, PwC India. Out of the Rs 3.5 lakh crore worth of loans involved in the first 12 accounts referred to bankruptcy courts, the government suspects that promoters siphoned off over Rs 1 lakh crore. ET had first reported in November
last that CG Power lenders had hired audit company BDO to monitor fund flows. In the past, lenders have observed that fraud-hit companies tend to exaggerate the value of stock or overpay vendors for supplies; hence banks want to monitor stock and receivables on an ongoing basis. Also, background verification of vendors and suppliers may be conducted if any red flags are raised.

Dated: Jan 21, 2020

• **UCO Bank To On Board Fintech Firms For Borrowers’ Input:**

State-owned UCO BANK, which has long been saddled with high bad loans, is planning to on-board new-age fintech firms for improving underwriting standards and credit quality. The Kolkata-based lender will soon migrate to a new loan origination platform for retail loans, agriculture loans and MSME loans, which taken together contributes 45% share of the bank’s Rs 1.17 lakh crore outstanding loan. The new platform will be API (application programme interface) based and allow fintech companies provide inputs on borrowers. This platform will cover all loans except corporate loans. Uco has decided to rope in board five to 10 firms which will give relevant third-party information to the system on matters related to customer information report, GST, financial statements, analysis of balance sheet, analysis of bank statements, income tax return analysis and legal reports, executive director Ajay Vyas told ET. The bank has issued letter of intent for the on-boarding process. Its board has already approved it. “The new platform will enable the bank take credit calls in shorter period with more information about the borrower. The new system also has feature for co origination of loan,” Vyas said. The platform also has inbuilt document management system which will enable seamless flow of documents from branch to loan process hubs which will improve turn-around time to process a loan application. Uco’s gross non-performing assets ratio at 21.87% as on September 2019 is one of the worst in the industry. Its net NPA ratio was at 7.32%, higher than the 6% threshold, which is one of the criterion for exiting the prompt corrective action. UCO was placed under PCA by Reserve Bank of India in 2017 for poor asset quality and negative return on assets. The bank managing director AK Goel had earlier in the month said that the bank is committed to bring down its net NPA ratio to less than 6% by March this year. UCO’s also aims to disburse Rs 4000 crore of retail and enterprise loans in the fourth quarter to March to boost earnings and rebalance the loan portfolio by reducing the share of corporate loans, which has been a drag in several banks’ balance sheet.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/uco-bank-to-on-board-fintech-firms-for-borrowers-input/articleshow/73495763.cms
Dated: Jan 21, 2020

• **Mastercard Swipes Right On Pine Labs:**

Global payments technology giantMastercard is in talks to invest in India’s largest Point-Of-Sale (PoS) solutions provider Pine Labs as part of a $300 million financing round, said three people aware of the development. The transaction, which would value the Singapore and Noida-based
firm at $1.2-1.5 billion, will likely involve a mix of primary and secondary shares and give Mastercard a firm footing in the fast-growing merchant acquiring segment. Venture capital fund Sequoia Capital, the largest stakeholder, could make a partial exit as Pine Labs vaults into the unicorn club of privately-held tech firms with valuation of $1 billion or more. Sequoia has been invested in Pine Labs since 2009 and holds an estimated 68% stake. It could offload 15-25% to the incoming investor, said the people cited above. Mastercard and Pine Labs didn’t respond to queries. A spokesperson for Sequoia Capital said, “We have nothing to share at this time.” People familiar with the fundraising talks said other investors like Advent Capital may join Mastercard in the latest round. The fundraise, which could close over the next few weeks, will be the first by Pine Labs since it raised $125 million in equity financing in 2018 led by the likes of Temasek, the investment firm backed by the government of Singapore, and US-based online payments company PayPal, valuing it at $800 million. Prior to that, in March 2018, the company raised $82 million in funding, led by investment firms Actis and Altimeter Capital, according to data collated by Tracxn. Pine Labs was founded by Lokvir Kapoor, Rajul Garg and TarunUpaday in 1998. This will not be the first time Sequoia Capital is selling Pine Labs shares. In 2017, the venture capital firm had offloaded a stake to Madison Capital as part of a larger $180 million block deal. Pine Labs has been regarded as an attractive acquisition target in the recent past. The Times of India reported In October last year that Naspers-owned PayU was evaluating a majority share purchase in the company, while two other investors China’s Tencent and pension fund CDPQ were in talks to acquire minority stakes. The company has been broadening its product suite in the past few years. The merchant focused, last-mile retail transaction technology platform also provides collateral-free business loans, having partnered with top banks and nonbanking finance companies (NBFCs), besides offering equated monthly installment (EMI) solutions at the point of sale. It acquired Bengaluru-based startup Qwikcilver for $110 million in March last year, as it looked to deepen its presence in the loyalty and gifting services segment, funding the transaction from capital raised from its investors and cash reserves. Pine Labs reported total revenue of Rs 503.2 crore in FY19, up from Rs 336.1 crore in the previous fiscal. Losses widened to Rs 13.7 crore in the 12 months ended March 2019 from Rs 2.5 crore in the previous financial year, according to paper.vc.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/mastercard-swipes-right-on-pine-labs/articleshow/73508976.cms

Dated: Jan 22, 2020
• **India Inc Seeks Liquidity Boost For NBFCs, HFCs:**

India Inc has asked the government to take steps to enhance liquidity available to Non-Banking Finance Companies (NBFC) and Housing Finance Companies (HFC) to boost demand. The Confederation of Indian Industry (CII) has recommended that the RBI define a framework under which it can act as a “lender of last resort” for NBFCs and HFCs with asset book over Rs 25,000 crore. The CII has also sought a separate classification for systematically important NBFCs with such companies being given easier funding through External Commercial Borrowings (ECBs) and access to temporary funding from the RBI similar to the repo facility used by banks. “RBI should define a framework for ‘lender of last resort’ for NBFCs and HFCs having an asset book size of over Rs 25,000 crore. Unlike banks, NBFCs and HFCs do not have the repo window facility to borrow in times of need,” said the industry body in a release.

Dated: Jan 22, 2020

• **Axis Bank Q3 Net Profit Up 4.5% To ₹1,757 Crore, Misses Estimates:**

Axis Bank Ltd on Wednesday said its third quarter net profit rose 4.53% on the back of higher net interest income. The bank posted a net profit ₹1,757 crore for the three months ended 31 December compared to ₹1,680.85 crore in the year-ago period. Profit was lower than ₹2,073.4 crore estimated by a Bloomberg poll of 22 analysts. Net interest income, or the difference between interest earned on loans and that paid on deposits, increased 15.16% to ₹6452.98 crore from ₹5603.67 crore in the corresponding period last year. Other income, which includes core fee income, fell 5.35% to ₹3,786.57 crore in the three months from ₹4,000.69 crore a year ago. Gross non-performing assets (NPA), as a percentage of total advances, were at 5% in the December quarter compared with 5.03% in the September quarter and 5.75% in the year-ago December quarter. Provisions during the quarter increased 13.63% to ₹3,470.92 crore as against ₹3,054.51 crore in the year ago quarter. In the July-September quarter, the bank had set aside ₹3518.39 crore in provisions. Post-provision, the net NPA ratio was at 2.09% against 1.99% in the July-September quarter and 2.36% in the year ago quarter. At close, shares of the bank lost 1.08% to close at ₹710 apiece, while the benchmark Sensex index lost 0.50% to close at 4,1115.38 points

Source: [https://www.livemint.com/industry/banking/axis-bank-q3-net-profit-up-4-5-to-rs-1-757-crore-misses-estimates-11579691328928.html](https://www.livemint.com/industry/banking/axis-bank-q3-net-profit-up-4-5-to-rs-1-757-crore-misses-estimates-11579691328928.html)
Dated: Jan 22, 2020

• **Banned Cryptocurrency To Uphold Integrity Of Banking System:**

The Reserve Bank of India on Wednesday defended in the Supreme Court its 2018 circular directing banks to desist from dealing in any transactions involving cryptocurrencies, insisting that it had always been consistent in its opposition to allowing any other payments systems and undermining the integrity of the banking system. The central bank, through senior advocate Shyam Divan, argued that though there was no formal ban on cryptocurrencies under any law in existence in India, it had consistently been warning all those dealing with virtual currencies of the risks inherent in them. The RBI circular of 2018, he said, was part of a conscious policy decision of the regulator
to ensure that the banking system was not compromised by any other payment system involving cryptocurrencies, including bitcoins which showed extreme “volatility”. He was arguing before a threejudge bench led by Justice RF Nariman, which is hearing petitions filed by currency exchanges dealing with bitcoins. Justices Aniruddha Bose and V Ramasubramanian are also part of the bench. The lawyer dubbed the 2018 circular as “very proportionate and calibrated”. Currency exchanges had argued that the RBI ban on accessing banking channels was beyond its remit. Arguments will continue on Thursday. The Internet and Mobile Association of India, representing various cryptocurrency exchanges, had at the last hearing argued that trading in cryptocurrencies in the absence of a law banning those was a “legitimate” business activity under the Constitution. The RBI could not have denied them access to banking channels to carry on such business, it said. Advocate AshimSood had argued that cryptocurrencies were more like “commodities” rather than currency, and that it was beyond the RBI’s jurisdiction to regulate the field. The RBI had in a circular issued on April 6, 2018, directed that all entities regulated by it shall not deal in virtual currencies or provide services for facilitating any person or entity in dealing with or settling those. Regulated entities that were already providing such services were told to exit the relationship within three months. The RBI had earlier issued circulars on December 24, 2013; February 1, 2017 and December 5, 2017, cautioning users, holders and traders of virtual currencies, including bitcoins, regarding various risks associated in dealing with such virtual currencies. The April 6 circular was later challenged in the top court.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banned-cryptocurrency-to-uphold-integrity-of-banking-system-rbi/articleshow/73537100.cms
Dated: Jan 23, 2020

• SBI Chairman Shri Rajnish Kumar Says Yes Bank ‘Will Not Be Allowed To Fail’:

The head of India’s biggest lender said he’s certain “some solutions will emerge” to steady Yes Bank Ltd., which has been on a prolonged quest to raise new capital. “Yes Bank is a significant player in the market with an almost $40 billion balance sheet,” State Bank of India Chairman Rajnish Kumar told Bloomberg Television in Davos. “I have a feeling that it will not be allowed to fail,” he added. Kumar’s statement follows speculation that the government, which controls State Bank of India, may ask the lender to play a role in bailing out the private-sector Yes Bank. However, last month Kumar said it was “out of the question that SBI will do anything for Yes Bank.” Yes Bank’s shares have plunged more than 80% over the past year amid worries about its asset quality and uncertainty about its efforts to raise new capital. It’s trying to shore up a core equity capital ratio that’s barely above a regulatory minimum of 8%. “Further prolonging the capital raise could create panic among credit investors, potentially causing unwanted liquidity pressure for the bank,” Bloomberg Intelligence analyst Diksha Gera wrote in a report. Kumar said it won’t be good for India’s economy as a whole if Yes Bank were to fail. “Because a bank of that size, if it is allowed to fail, there’s a problem,” he said. “And I am sure that some solutions will emerge.”

Source: https://www.livemint.com/industry/banking/sbi-chairman-rajnish-kumar-says-yes-bank-will-not-
HDFC To Tap Egon Zehnder To Identify Aditya Puri’s Successor:

India’s HDFC Bank will retain global executive search firm Egon Zehnder to find a successor to managing director Aditya Puri, four sources familiar with the matter said, as its board seeks to end an impasse and zero in on a candidate. The board’s decision to recruit a global head-hunting firm comes as a six-member internal search committee, appointed in November last year, has not been able to reach a consensus on selecting a successor to Puri, who has been at the helm of the country’s largest private lender since its inception in 1994. Puri, whose term comes to an end in October this year, is also an advisor to the search committee tasked with identifying a suitable candidate. “The latest decision to hire a global advisory firm has been taken after the search committee members realized that they have been struggling to come to a consensus on the final name,” said a source familiar with the internal deliberations among members of the committee. “The deadline for Puri’s successor is nearing the bank will have to appoint someone who can continue to push for growth despite an economic slowdown,” he added. As per regulations, the bank will need to get approval from the Reserve Bank of India (RBI), before any new appointment can be confirmed. HDFC Bank is one of three domestic lenders that the central bank has designated as “too big to fail”. “We do not comment on our work for client confidentiality reasons,” said Pallavi Kathuria, a senior Egon Zehnder official in response to a Reuters query. The firm in 2018 had helped Axis Bank, another private lender, to find its chief executive officer. A second source at HDFC said the differences between the top leadership over the succession has been the crucial reason for the delay in identifying a new managing director. The sources said Puri and Deepak Parekh who is the chairman of India’s largest housing finance company HDFC, which owns a minority stake in the bank, have been at loggerheads over the succession plan, with both advocating their preferred candidates to secure the job. Puri’s preferred choices include HDFC’s executive directors Bhavesh Zaveri, Sashidhar Jagdishan and Kaizad Bharucha, said three of the sources. Two of those sources also said Parekh has been rooting to reinstate Paresh Sukhtankar, who resigned as Puri’s deputy in 2018. Sukhtankar who joined the bank alongside Puri in 1994 was widely expected to be Puri’s successor. Reasons behind his departure remain unclear. HDFC Bank did not immediately respond to a request for comment. Puri and Parekh also did not immediately respond to emails sent on Thursday. Sources said the search committee in a bid to defuse the tension had also contacted top banking executives working overseas to find a candidate acceptable to Puri and Parekh. The board members held preliminary discussions with Indian-origin bankers Piyush Gupta, CEO of DBS Group, and Ajay Banga, CEO of Mastercard Inc, about the job, two of the sources said. The outcome of these discussions was unclear. Gupta and Banga were not immediately reachable for comment. Analysts tracking the financial health of the bank said Puri has run the bank with an iron hand, preventing it from accruing a high level of bad loans at a time when most of its peers were struggling. “The new successor needs to have a vision to be able to spot opportunities and constantly stay ahead of the curve which is what Puri has been doing,” said Suresh Ganapathy, head
of financial services research at Macquarie. Puri, the highest paid banker in India with remuneration of 136.7 million rupees ($1.92 million) excluding stock options, had been seeking for another term, two of the sources said. However, the central bank has been firm that the chief executives of private banks must retire at the age of 70.

Dated: Jan 23, 2020

• **RBI Ups Investment Limit For FPIs In Govt, Corporate Bonds:**

The Reserve Bank of India on Thursday raised the investment limit for FPIs in government and corporate bonds to bring in more foreign funds into the market. Currently, short-term investments by a foreign portfolio investors (FPI) should not exceed 20 per cent of the total investment of that FPI in either central government securities (including treasury bills) or state development loans or corporate bonds. The short-term investment limit has now been increased from 20 per cent to 30 per cent in both cases, the RBI said in a circular. The central bank has also made a relaxation in the voluntary retention route (VRR) for FPI investments in debt. The investment cap through VRR has been doubled to ₹1.5 lakh crore, the RBI said in another circular. “FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the general investment limit to VRR,” the bank said. FPIs are also allowed to invest in exchange-traded funds that invest only in debt instruments, it added. The RBI had introduced VRR in March 2019. This helped FPIs to invest in debt markets in India.

Dated: Jan 24, 2020

• **Operations May Be Impacted Due To Bank Unions’ Two-Day Strike:**

The country’s largest lender SBI on Friday said its operations may be impacted to some extent due to the proposed two-day nationwide strike beginning January 31. The bank has however made all arrangements to ensure normal functioning in its branches and offices, the State Bank of India (SBI) said in a filing to the BSE. “While Bank has made all arrangements to ensure normal functioning in its branches and offices, it is likely that work in our Bank may be impacted to some extent by the strike,” the filing said. Bank unions have called for a two-day nationwide strike on January 31 and February 1 after talks over wage revision failed to make headway with the Indian Banks’ Association (IBA). “We have been advised by IBA that United Forum of Bank Unions (UFBU) which constitutes 9 major unions...has given a call for an all India strike by Bank employees on 31st January and 1st February, 2020,” the filing said. The UFBU constitutes All India Bank Employees’ Association, All India Bank Officers’ Confederation, National Confederation of Bank Employees, All India Bank Officers’ Association, Bank Employees Federation of India, Indian National Bank Employees Federation, Indian National Bank Officers’ Congress, National Organization Of Bank Workers and National Organization of Bank Officers.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/operations-may-be-impacted-due-to-bank-unions-two-day-strike-sbi/articleshow/73577491.cms
Dated: Jan 24, 2020
• **Banking Sector Is Stressed, Govt In No Position To Bail It Out:**

Answering to a question - how will economic policies work if people have a lack of trust in the data, he said the government “should worry about this issue” as foreign investors are getting "nervous". Nobel laureate and economist Abhijit Banerjee here on Sunday said the banking sector in the country is "stressed" and the government is in no position to bail it out. Speaking to the media on the sidelines of the 13th Jaipur Literature Festival, Banerjee said the demand slowdown in the automobile sector also shows that people are lacking confidence in the economy. "Financial sector is the biggest stress point currently. There is no question that the finance sector is something we should worry about the banking sector is stressed. The government really is not in a position to bail it out, so we are talking about a long process of attrition, that's going to be costly. "We also know that due to a demand deficit in the economy, cars and two-wheelers are not selling, and those things are signs of a general fact that people lack confidence that the economy is going to grow fast so they are holding back, they are not spending," he said. The author of “Good Economics for Hard Times” added that the slowdown in the economy will also adversely impact poverty alleviation in the country as urban and rural sectors are interdependent. "Poverty alleviation has been happening mostly on the strength of the fact that urban sector creates low skill jobs, and a lot of rural sector works in the urban sector and sends money back. "That's the peak source of transmission of growth from urban sector to rural sector. And as soon as the urban sector slows down the rural sector, the people in construction work don't have as many jobs. All of that will feed back on the rural sector," the 58-year-old Indian-American economist said. Answering to a question - how will economic policies work if people have a lack of trust in the data, he said the government “should worry about this issue” as foreign investors are getting "nervous". "They don't know where they are going, what they are getting into, I mean those are real issues the government should look into. If it wants to have more investment and more involvement in the global economy, then I think it needs to provide the true data to people," he said.


Dated: Jan 26, 2020

• **Banks Cherry-Pick NBFCs For Loan Disbursal:**

Banks in India are still reluctant to lend to non-bank financiers more than a year after the defaults by Infrastructure Leasing and Financial Services Ltd (IL&FS) and have instead found ways to sidestep coaxing by the government to boost funding to the shadow banks, said two people aware of the development. While the Centre is pushing banks to disburse more loans to Non-Banking Financial Companies (NBFCs), banks have started lending more only to those that are backed by the government in an effort to shore up their overall disbursements. Finance minister Nirmala Sitharaman held a meeting with bank chiefs in mid-December, wherein she urged them to disburse more loans to the NBFC sector, one of the two people cited earlier said on condition of anonymity. “While we understand the government’s point of view, we will also have to protect our interests as banks while giving more loans to NBFCs. Therefore, we have started sanctioning and
disbursing more loans to state-owned NBFCs at a thin margin to increase the overall loans to the sector,” the person said, adding that at least by lending to such NBFCs, the banks are assured that their loan book is unlikely to deteriorate. Banks are also not averse to lending to top non-banks, the person said. Data from the Reserve Bank of India (RBI) showed that net disbursements to non-banks stood at ₹7.3 trillion as on 22 November, a 14% jump from the beginning of this fiscal. The clear difference between the good, the bad and the ugly among India’s shadow lenders has come to the fore in the past one year as the effects of IL&FS’s defaults seeped deeper into the financial system. RBI governor Shaktikanta Das said in December that credit flow was slowly reviving to the NBFC sector and the better-performing ones are able to access funds from the market at pre-IL&FS rates. The market today, Das had said, was differentiating between the good and the not-so-good NBFCs. Lenders have also started renewing credit lines only on a case-to-case basis, in a bid to dissuade borrowers from tapping bank loans. Bank of Baroda (BoB), for instance, has decided against renewing some existing credit lines to NBFCs and is instead converting them to term loans to avail of higher repayments at regular intervals. For cash credit (working capital limits), the borrower just needs to keep repaying the interest component, but once it is converted to term loans, the borrower has to start repaying the entire loan in instalments, said the second person cited earlier. The state-run lender has more than ₹1 trillion in loans to non-banks. “The bank (BoB) is not recalling loans from NBFCs, it is just telling them to start repaying the loan instead of just servicing interest. There is hardly any onward lending happening from NBFCs, so why should we provide them a cash credit limit?” said the person.

S.L. Jain, executive director of BoB, said on 24 January that companies have made repayments worth ₹9,954 crore in the fiscal third quarter, of which NBFCs accounted for ₹2,399 crore. According to the second person, the increased repayment from NBFCs and housing finance companies (HFCs) is a result of its policy of converting credit limits into term loans. BoB’s domestic advances grew 0.67% to ₹5.44 trillion from a year earlier, led by a growth of 15.31% in retail loans. Soumya Kanti Ghosh, group chief economic adviser of State Bank of India, said RBI could seriously consider becoming the lender of last resort by providing liquidity against assets of non-banks. “A formal arrangement could be made with the government of India of adjusting any haircut in the process with dividend transfers. Secondly, there could be deferment of principal repayments by systemically important 50 NBFCs and HFCs for a specified period,” Ghosh said in a report on 17 January.

Source: https://www.livemint.com/industry/banking/banks-cherry-pick-nbfcs-for-loan-disbursal-11580063768852.html
Dated: Jan 27, 2020

• **Urban Cooperative Banks Report Nearly 1,000 Frauds Worth Over Rs 220 Crore In Past Five Fiscals:**

The cases of frauds assume significance as the Punjab and Maharashtra Co-operative (PMC) bank has been under the RBI’s restrictions since September 23. Urban cooperative banks (UCBs) have reported nearly 1,000 cases of fraud worth more than Rs 220 crore in the last five fiscals, according to the Reserve Bank of India (RBI). Responding to an RTI query, the central bank said a total of 181 fraud cases involving Rs 127.7 crore were noticed during 2018-19. A total of 99 and 27 such cases involving Rs
46.9 crore and Rs 9.3 crore were reported during 2017-18 and 2016-16 respectively, it said. As many as 187 cases of fraud involving Rs 17.3 crore were reported in 2015-16 as against 478 such cases involving Rs 19.8 crore during 2014-15, the RBI said. During 2014-15 and 2018-19, a total of 972 cases of bank fraud worth Rs 221 crore were reported by the UCBs, it said. "Cases of frauds reported to RBI are required to be filed by banks as criminal complaints with law enforcement agencies. Banks are required to look into aspects of staff accountability and punish the guilty through internal proceedings," the central bank said. It declined to share details of action being taken on these fraud cases saying "it is not readily available". "The information in respect of action being taken or already taken is not available readily for providing to the applicant," the RBI said in reply to the RTI application filed by PTI. The cases of frauds assume significance as the Punjab and Maharashtra Co-operative (PMC) bank has been under the RBI's restrictions since September 23 after the central bank had found financial irregularities, including huge under-reporting of loans and non-performing assets to real estate developer HDIL to the tune of Rs 6,500 crore, against its entire assets of Rs 8,880 crore, using hundreds of dummy accounts. A total of 1,544 UCBs across the country have deposits of a whopping Rs 4.84 lakh crore as on March 31, 2019, it said. Of them, a highest of over Rs 3 lakh crore worth deposits are in 496 UCBs in Maharashtra alone, followed by Rs 55,102 crore in 219 such banks in Gujarat and Rs 41,096 crore in 263 urban cooperative banks in Karnataka, among others, according to the RTI reply. To ensure that UCBs adhere to norms and depositors' money is safe, RBI has put in place off-site monitoring mechanism which requires the UCBs to submit periodic returns, statements, etc. to the central bank, it said. "On-site examination of UCBs is also carried out at prescribed periodic intervals through sending inspection teams to the UCBs. Based on the findings of the inspection and off-site returns filed by the UCBs, appropriate supervisory action is taken against the UCBs by RBI," the central bank said.

Paytm Payments Bank Ltd (PPBL) on Monday said it has added a new feature that analyses "rogue" apps on user devices that may trigger fraudulent transactions and advises users to uninstall such apps. It is also leveraging artificial intelligence to immediately identify and block suspicious activities, and is undertaking periodic awareness drives throughout the country to educate users about fraud calls and SMSes, the bank said. “PPBL is taking major counter measures to safeguard user accounts. The bank using the latest cybersecurity tools has introduced a host of important updates. The brand-new feature analyses 'rogue' apps on user devices which might trigger fraudulent transactions and advises users to uninstall them,” it said in a statement. PPBL MD and CEO Satish Gupta said the bank is putting all efforts and resources into ensuring every user transaction is safe and secure on its platform. “This security feature will scan the apps installed on the user device and will pop-up a security alert whenever a dangerous app is found that may put the users' accounts at risk. No transactions will
be possible until the user uninstalls that fraudulent app,” he added. Gupta said PPBL has already seen cases where these features have stopped attempts to defraud customers. “We will continue to spread awareness about scams and educate our users on ways to protect themselves from such scenarios,” he added. The statement added that PPBL is using leveraging AI to instantly detect suspicious transactions. “Depending on the identified threat level of a transaction, the AI either slows it down or completely blocks the payment from getting completed. The AI has been specifically designed keeping in mind the patterns of the various scams being run by fraudsters and is, therefore, able to combat most attacks on user accounts in real-time,” it added. The statement said the bank has a dedicated team of over 200 cybersecurity experts to ensure round the clock security of every user transaction. The teams closely work with all state and central police forces and cyber-cells as well as telecom companies to detect, prevent and report fraudulent transactions for immediate action, it added.

Dated: Jan 27, 2020

• **Bank Of Baroda Says Fresh NPA Accretion Nearly Peaked:**

State-owned Bank of Baroda, which saw slippages soaring over Rs 10,000 crore in December quarter, is expecting the same to taper down from the next quarter, its newly-appointed managing director and chief executive Sanjiv Chadha said on Monday. In the three months to December period, BoB's fresh slippages stood at Rs 10,387 crore, of which Rs 4,509 crore were on account of divergence found by the Reserve Bank for 2019 fiscal. The city-based lender had reported a loss of Rs 1,407 crore in the December quarter as against a net profit of Rs 436 crore a year ago due to higher provisioning for bad loans. "Given the fact that there are some indicators like the watch-list coming down, in terms of size, I can say with a reasonable degree of confidence that the slippage levels should be lower going forward," Chadha, who took over the charge last week told in an interview. The lender's watch-list came down to Rs 10,500 crore in the December quarter from Rs 14,500 crore in the September quarter. Chadha, who was with SBI prior to joining BoB, said if the divergence is kept aside, then slippages in the third quarter were similar to the previous quarters, which is in the region of Rs 5,000-6,000 crore. He also said slippages will come down as the bank has been tightening its underwriting standards and loans are offered to highly rated entities. "Nearly 70 per cent of our loans are of A-grade or higher. So, underwriting standards are much tighter than they would have been in the past. So, it should help (in reducing the slippage levels)," he said. The bank is looking at recovery from a large stressed steel account (Bhushan Power & Steel) in the current quarter. Barring this, the bank does not have large exposure to NCLT accounts, so recoveries will mostly come through other sources. During December quarter, there were three NBFC accounts worth Rs 2,900 crore, one chemical company worth Rs 2,700 crore and two power companies worth Rs 1,000 crore that slipped into NPAs. The bank's gross NPA ratio declined to 10.43 per cent as against 10.91 per cent in the third quarter, while net NPA stood at 4.05 per cent against 4.79 per cent. Starting April 1, 2019, BoB amalgamated Dena Bank and Vijaya Bank with it. Talking about the merger, he said the move was very well orchestrated.
"Over the next few months, we must make sure that it reaches a conclusion. The plan is to do it over 12-18 months period and we will make sure that it actually happens," he said. Chadha said merger of the three lenders will result in savings of around Rs 9,000 crore over the next five years. "There is an estimate that over five years there would be Rs 9,000 crore of cost savings which will come on account of rationalisation of branches and treasury, among others," he said, adding one major cost cutting will be by way of three headquarters becoming one. According to him, international operations will remain an important part of the business mix for the state-owned bank and the emphasis may change from one geography to another depending on the growth opportunities. Chadha said the bank must play its role in terms of being a purveyor of credit to the economy and so the focus will be to have better risk management. "We will ensure to make all the investments that are required to increase the pace of loan growth but at the same time do it in a manner which is risk-mitigated. Therefore, we will invest more in sprucing up our risk management processes," he concluded. BoB counter closed 3.4 per cent down at 92.35 on the BSE on a day when the benchmark Sensex plunged 1.1 per cent on the global risk averseness following the spread of the coronavirus to many nations from China.

Dated: Jan 27, 2020

- **Clashing Dreams Of MDR And Digital:**

  Digital payments growth in India in the past five years has registered a CAGR of 128%. But on a larger base and with increased penetration, the drive toward a digital economy is showing signs of plateauing. Last year, growth was 35% across all channels. The number of debit cards has stagnated at 900 million, while the number of UPI transactions — nearly doubling every month until 2018 has also stabilized at single digit monthly growth rates. “But it is to be noted that growth is on a higher base; much more sustainable and assured. There are more industry players now and stronger fundamentals,” said Vijay Shekhar Sharma, chief executive and founder, Paytm. “Any which way, the business of digitization of retail and wholesale payments will allow incremental addition of financial services to reach places where they have not.” It is natural for growth to slow on a larger base due to compounding effects. But it also means that customer acquisition will become more expensive. Now, in the absence of merchant discount rate (MDR) charges, these companies will have to evolve models that depart from the traditional fee-based income. That shift in business strategy is necessary to ensure profitability for these companies, and establish them as attractive investment options. In 2019 alone, payment companies attracted $1.6 billion worth of investments. However, collective losses for leading payment companies, backed by Alibaba, Walmart and Amazon, exceeded $1 billion in FY19. In all likelihood, FY20 would also be the same. “The debate on how zero MDR will help in expansion of payment networks is for another day. There is no doubt, however, that operating a payment company without any fee income would eat into revenues, at least in the short run,” a senior executive at a leading payments company told ET, requesting anonymity. The size of the player and nature of its operations would determine losses suffered. “Different players will be impacted in different ways,” the official said. Paytm is
the largest payments gateway in the country by far, with over 40% market share in terms of the number of transactions processed. In FY19, just its cost of acquiring new customers and merchants exceeded its revenue. The SoftBank-backed payments major had spent almost half its total expenditure on customer acquisition, at Rs 3,508 crore, which is Rs 275.88 crore more than its total operational revenue of Rs 3,232 crore. Net loss came at Rs 4,217 crore. Similarly, Google Pay spent Rs 1,028 crore just for cashback on daily transactions in FY19. PhonePe’s loss of Rs 1,905 crore was nearly five times its revenue, whereas Amazon Pay had Rs 1,161 crore loss. “Only those companies would survive that can provide a layer of value-added services for its customers,” said Ashneer Grover, cofounder, BharatPe. “Without a flexible and evolving business strategy, where new merchant and customer acquisition cannot be monetised, it would be hard for most companies to survive in these tough market conditions.” BharatPe, for instance, has tied up with non-banks to provide credit facilities to the 6 lakh-plus merchants it has acquired. It uses transactional data on its platform to underwrite loans for these merchants, providing them easy credit and debt facilities. Such neobanking services may become the norm as the payments industry moves away from bread and butter solutions. Today, all major payments companies are trying to diversify product portfolios, either offering or piloting services related to credit, insurance and even wealth management. The challenge is not just to keep acquiring customers at hefty costs, but to face the reality that the payments business in India will fetch no gains as long as the revenue model is primarily fee-based. “While, I am on the side of MDR becoming zero being a good thing for the merchant, the government should reimburse the people who are acquiring merchants,” Sharma told ET in a recent interview. “Traditionally, the acquiring side has worked on a thin margin, which is the reason it has not spread to nooks and corners. If you look at Paytm’s merchant acquisition model, it has come at the cost of our equity. And we have invested ?15,000 crore in the past.” As opposed to those with deep pockets and funded by global giants, several domestic payment services providers are more modest and circumspect. “Why would anyone, or rather, who is that anyone that is going to acquire merchants now? On the acquiring side, who will bell the cat and give merchants POS terminals without any remuneration?” asked Anand Bajaj, chief executive, PayNearby, a payments company. To be sure, MDR is the collective transaction fee levied from merchants processing the digital transactions by payments companies, banks and network providers such as Visa and Mastercard. Until 2019, this was capped at 0.3% of the transaction amount on payments made through UPI above Rs 1,000 and 0.6% for debit card transactions above Rs 2,000. Finance minister Nirmala Sitharaman all but ruled out budgetary support on MDR losses at a recent private meeting with a delegation of top payments firms executives that included Paytm’s Sharma and PhonePe’s Sameer Nigam. That would raise the pressure on payments companies to alter revenue models. The message that was delivered to the six-member representation was the same given by Sitharaman in her debut budget speech in July: “Banks will be asked to invest the money they save on account of having to handle less cash, on their acquiring business and deploying POS machines,” she had then said.


Dated: Jan 28, 2020
• **Govt May Infuse Fresh Capital Into Regional Rural Banks:**

The Centre is looking to infuse fresh capital into regional rural banks (RRB) to help them meet the minimum capital requirement of 9% and this may find a mention in the Union Budget on February 1, people close to the development said. The size of the capital infusion could be in the range of Rs 10,000-15,000 crore, which would be spread over a span of five years. Capital infusion in RRBs assumes importance as the government is finding ways to boost credit to the farm sector. The government may also put the National Bank for Agriculture and Rural Development (NABARD) at the center of its effort to address rural distress. The Budget may also spell out plans to form state-level rural banks by way of amalgamating RRBs in states where multiple entities exist. According to documents assessed by ET, a proposal to provide the central government’s share of recapitalization assistance to RRBs has been under “active consideration of the government and is expected to be approved during the current financial year.” As per central bank guidelines, it is mandatory for RRBs to meet regulatory requirement of capital to risk weighted assets ratio (CRAR) of 9%. On the basis of the CRAR position of RRBs, as on March 31 of every year, Nabard identifies RRBs that require recapitalization assistance to maintain CRAR of 9%. There are 45 RRBs at present. Several of them have come under stress due to the new pension burden. RRB employees won a protracted legal battle in the Supreme Court in 2018 for 30,000-odd retirees, who are now receiving pension on a par with nationalised bank pensioners with effect from April 2018. Nabard, at the behest of the government, has carried out an exercise to assess the financial impact of the pension burden on the financial position of RRBs as on March 31, 2019 and also assessed the required capital requirement for them over a period of five years, taking the amortisation of pension liability into account. The central government has also written to some state governments where RRBs are financially weak to contribute 15% of the capital requirement as per the holding structure. RRBs are jointly owned by the Government of India, the respective state government and sponsor banks in the proportion of 50%, 15% and 35%, respectively. In a communication to the West Bengal government dated November 25, 2019, the central government had said that BangiyaGramin Vikash Bank, sponsored by United Bank of India, would need a total Rs 1,281 crore of capital over a five-year period, including Rs 422.5 crore proposed for 2019-20. “The recapitalization assistance estimated for 2020-21 to 2023-24 may change based on the financial results of RRBs in subsequent years,” the note said. Nabard will assess the requirement every year based on the financial position of each lender.

Dated: Jan 28, 2020*

• **Shri Sachin Bansal Resigns From Ujjivan Small Finance Bank’s Board:**

Shri Sachin Bansal has resigned from the board of Ujjivan Small Finance Bank Ltd citing that an entity owned and controlled by him has applied for a universal banking licence, according to a regulatory filing. Chaitanya India Fin Credit, a microlender in which the Flipkart co-founder has a majority stake, had earlier this month said it has applied to the Reserve Bank of India.
(RBI) for universal bank licence. "I would like to resign as an independent director of the bank with effect from January 27, 2020. Given an entity owned and controlled by me has made an application to the RBI for a universal banking license, I felt it was -- in the interest of propriety and corporate governance -- only appropriate that I stepped down from this role," Bansal said in his resignation letter, which was disclosed by Ujjivan SFB in the regulatory filing. He added that consequently, he will also cease to be a member of various board committees of the bank. Ujjivan Small Finance in the filing said, "The bank has received a letter dated January 27, 2020 from Sachin Bansal tendering his resignation as an independent director of the bank with effect from January 27, 2020". Bansal had acquired Chaitanya in September with an investment commitment of Rs 739 crore. Chaitanya was founded in 2009 and operates 40 branches in Karnataka, Bihar, Maharashtra, Rajasthan and Jharkhand. Bansal, chief executive officer of Navi Technologies that had invested in Chaitanya, previously talked about building a universal bank being a reflection of the entity's commitment to provide financial services to those who need them the most. "Our vision is to go beyond what hitherto has been broadly defined as 'financial inclusion' and provide access to formal financial services using technology that people can use intuitively and easily," Bansal had said.


Dated: Jan 28, 2020

• Bank Panels To Monitor Probe Progress:

The government on Tuesday directed banks to set up committees of senior officials to monitor progress in pending disciplinary and internal vigilance cases and set timelines for their completion to prevent hurting staff morale. The move comes close on the heels of a revamp of the framework under the Central Vigilance Commission (CVC) that mandates that all big suspected bank fraud cases have to be vetted by a panel before investigating agencies such as the Central Bureau of Investigation (CBI) can initiate action. Finance minister Nirmala Sitharaman sent a strong message to banks to lend without fear of the ‘three Cs' at a meeting last month which was also attended by the CBI director. The ‘three Cs' refer to the CBI, Comptroller and Auditor General of India and the CVC. Sitharaman also assured bankers that a distinction would be made between genuine commercial failure and deliberate wrongdoing. A statement from the department of financial services (DFS) said the government has also delegated powers to the boards of public sector banks (PSB) to set mechanisms to ensure compliance with fraud reporting timelines set by the central bank and the CVC. The government has directed banks to “set up a committee of senior officers to monitor progress of pending disciplinary and internal vigilance cases as procedural delay, on one hand, adversely affects morale of the employees and on the other, breeds inefficiencies in the system,” said the release. The release said the move was part of government efforts to “protect honest commercial decisions” taken by bankers and distinguish between genuine commercial failures and culpability.” The government has also modified the framework on dealing with suspected large value frauds to remove personal liability of managing directors and chief executive officers of banks for adherence to timelines related to identifying and reporting cases of fraud. The DFS has also directed that
all nonperforming asset (NPA) accounts exceeding Rs 50 crore at PSBs be initially referred to the Advisory Board for Banking and Financial Fraud (ABBFF) set up by the CVC for preliminary examination before launching enquiries or investigations. This move brings the DFS guidelines in line with those set by the CVC. The DFS had in 2018 mandated that PSB’s check all NPAs over Rs 50 crore for fraud. The release noted that the government had taken several steps to protect honest commercial decisions by bankers including the incorporation of Section 17A in the Prevention of Corruption Act which requires prior approval from the government before the initiation of an investigation against a public servant.

February, the first time a state-run lender will do so in more than two years, two people close to the development said. The last time public sector banks tapped the equity market for funds was in December 2017, when Punjab National Bank, Union Bank of India, Syndicate Bank and Bank of Maharashtra raised funds through their respective qualified institutional placement offerings (QIPs). “Bank of India is gearing up to initiate the fundraise after the Union budget and their December quarter results,” one of the two people cited above said on condition of anonymity. “They have had a few large recoveries in the last quarter, including recoveries from the Essar Steel account, and that should improve their numbers, thus boosting investor sentiment.” Bank of India could also increase the deal size if investor appetite is strong, the person added. The bank’s board is expected to announce the December quarter results on 31 January, according to filings with the stock exchanges. The lender is being advised by Yes Securities, the investment banking arm of private sector lender Yes Bank, the second person said, also requesting anonymity. Bank of India and Yes Securities declined to comment on queries sent by Mint. In the September quarter Bank of India swung to a profit of ₹266 crore from a loss of ₹1,156 crore in the year-ago period. The bank’s net interest margin widened to 2.99% in the September quarter from 2.27% a year earlier. Net non-performing assets declined to 5.87% in the September quarter from 7.64% in the previous year. The bank wrote off bad loans worth ₹2,498 crore during the quarter, while bad loan recovery stood at ₹966 crore. State-run banks haven’t been active on the equity fundraising front and have rather depended on the government to infuse capital. However, private sector banks have been busy on the QIP front. Last month, RBL Bank raised

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-panels-to-monitor-probe-progress/articleshow/73717113.cms
Dated: Jan 29, 2020

• **BoI Plans Mega QIP In A Return To Capital Markets For Govt Banks:**

Bank of India plans to raise ₹1,000 crore by selling shares to institutional investors in
₹2,025 crore through a QIP, selling shares to various institutional investors, including Bajaj Finance Ltd. In September, Axis Bank Ltd raised ₹12,500 crore from Singapore's sovereign wealth fund GIC and US investors T Rowe Price and BlackRock, in the second-largest QIP share sale by an Indian bank, Mint had reported. Yes Bank had also tapped the QIP market for ₹2,000 crore in August. State Bank of India's ₹15,000 crore QIP in 2017 is the largest such share sale by an Indian bank till date. Last year, 11 companies raised ₹35,238.14 crore through QIPs, while 25 companies had raised ₹16,587.43 crore in 2018, shows data from primary market tracker Prime Database. QIP is a tool used by listed companies to sell shares or other securities, which are convertible into stocks, to qualified institutional buyers such as mutual funds.

Dated: Jan 29, 2020

• **RBI Imposes Rs 1 Crore Penalty On HDFC Bank:**

The Reserve Bank of India has imposed a penalty of Rs 1 crore on HDFC Bank for non-compliance with Know Your Customer (KYC) norms, the central bank said on Wednesday. The RBI in a release said that supervisory evaluation of the bank (2016-17) revealed that the HDFC Bank had “failed to exercise ongoing due diligence” with regards to 39 current accounts opened by its customers for bidding in Initial Public Offer. “It was observed that the transactions effected in these current accounts were disproportionate to the declared income and profile of the customers,” it said. The RBI had issued a notice to the bank to show cause as to why penalty should not be imposed for non-compliance with the direction. After considering the reply received from the bank and oral submissions made in the personal hearing, the RBI came to the conclusion that imposition of monetary penalty was warranted, the release said. It further said the action is based on the deficiencies in regulatory compliance and “is not intended” to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-imposes-rs-1-crore-penalty-on-hdfc-bank/articleshow/73741001.cms
Dated: Jan 29, 2020

• **Airtel Payments Bank Raises Rs 225cr From Bharti Airtel, Bharti Enterprises:**

Airtel Payments Bank has raised close to Rs 225 crore from Bharti Airtel and Bharti Enterprises, as per regulatory documents. While Bharti Airtel has infused Rs 180.22 crore into Airtel Payments Bank, Bharti Enterprises has injected Rs 44.77 crore. The investments, which add up to Rs 225 crore, have been made in the form of preference shares, documents sourced by business intelligence platform Tofler showed. An e-mail sent to Bharti Airtel did not elicit a response.

Dated: Jan 30, 2020

• **IBA Says Wage Hike Offer 'Adequate', To Meet Bank Union Leaders On Jan 30:**

The Indian Banks’ Association has dubbed the 12.25% wage hike offer to bank employees as “adequate,” given the financial strains lenders face, though employees associations have called a two-day all-India
bank strike on January 31 and February 1 and threatened to escalate their agitations later on if their demands are not met. IBA has convened a wage negotiation committee meeting with union leaders on January 30 to discuss the matter again. “Considering the present position of banking industry and affordability, adequate increase of 12.25% on pay slip component has been offered,” IBA said in a letter to the chief labor commissioner on January 24. United Forum of Bank Unions, the umbrella organization of nine leading bank associations, demanded 20% wage hike on pay slip components, as articulated by IBA in its letter, a copy of which is in ET’s possession. The unions are also demanding five-day banking and merger of special allowance with basic pay, among others. “Over and above the encashment at the time of LFC (leave fare concession), five days additional encashment of leave (approximately 1.37% of payout) is offered every year to celebrate festive seasons,” IBA said. IBA has explained that the performance-linked incentive (PLI) scheme, which is proposed over and above the basic pay hike, would work out to be a minimum 2.74% additional pay out over the base salary bill of Rs 52,625 crore. “Total pay out to an employee will be 16.36% (12.25% + 1.37% + 2.74%),” it said. It has proposed 10 days of salary (basic plus dearness allowance) for employees in banks which do not earn net profit but report a minimum 5% annual rise in operating profit, based on 2019-20 balance sheet. PLI would be higher for better performing banks, provided they report net profit. Moreover, seven days annual encashment of leave is offered to employees over 55 years of age and in addition to normal leave encashment already available, there would now be 150 to 170 additional leave encashment available to most employees during their service period, the bankers’ body said in its communication. On the issue of five-day banking IBA said the proposal was not feasible at this juncture until and unless concurrence of all stake holders is received while it reasoned that the demand for merger of special allowance with basic pay cannot be acceded to “as the cost is not affordable.” Bank unions are also demanding scrapping of new pension scheme, updating of pension, implementation of family pension and allocation of staff welfare fund based on operating profit. IBA said the last two demands have been referred to the govt. Union flag bearers said they are planning to escalate their agitation if the two-day strike fails to yield result. They have threatened three-day strike in March and indefinite strike from April.

Dated: Jan 30, 2020

• **Fed Leaves Main Rate Unchanged, Saying Policy Is Appropriate:**

The Federal Reserve kept its benchmark interest rate steady and continued to signal policy would stay on hold for the time being as the U.S. enters a presidential election year. The target range of the federal funds rate of 1.5% to 1.75% is “appropriate to support sustained expansion of economic activity,” the Federal Open Market Committee said Wednesday, repeating language from the December statement. Policy makers also changed their language to say that the current stance of monetary policy is appropriate to support “inflation returning to the committee’s symmetric 2% objective.” Previously they had said policy was supporting inflation “near” the goal. Their preferred personal consumption
expenditures price index rose 1.5% for the 12 months ending in November. Officials also approved a 5 basis-point increase on the rate they pay on excess reserves to 1.6% -- a technical adjustment designed to keep the main funds rate within its designated range. The Fed also raised its overnight reverse repurchase rate by the same amount to 1.5%. It also extended term and overnight repos at least through April. The central bank had earlier signaled such measures were possible. In addition, the FOMC downgraded its assessment of household spending to say it has been rising at a “moderate” pace, instead of its earlier characterization of the rate as being “strong.” The committee repeated that economic activity has been rising at a “moderate” rate, with “strong labor market conditions.” Officials gathered with financial markets on edge as a deadly virus in China weighs on its economy and could threaten global growth. Policy makers also endured another attack from President Donald Trump, facing reelection in November, who reiterated in a tweet Tuesday his latest call for the Fed to cut rates. The FOMC decision was the panel’s second-straight unanimous vote. Following three cuts in 2019, US central bankers have said their policy is supporting the country’s record expansion despite headwinds from trade and geopolitical uncertainty. Nonfarm payroll growth averaged 176,000 a month last year, while the unemployment rate held below 4% for most of the year. Data since the December FOMC meeting have shown the housing market has held up, fueled in part by last year’s rate cuts. Consumers also remain upbeat about their prospects, surveys have shown. Manufacturing, however, has showed scant improvement, consistent with a downshift in investment and sluggish markets for exports. Business investment could be further dented by Boeing Co.’s suspension of 737 Max production starting in January. The plane maker received just three commercial aircraft orders in December, down from 63 the prior month, and doesn’t expect regulators to clear the grounded Max to resume flying until mid-2020.

Dated: Jan 30, 2020

• **BoM, SBI Only PSBs Rated 'Good' In Digital Transactions In December:**

Bank of Maharashtra and State Bank of India are the only two state-run banks that showed ‘good’ performance in terms of digital transactions in December with a score of 77 and 68 respectively, government data showed. The score for an individual bank is given by the Ministry of Electronics and Information Technology (MeitY) on various parameters such as percentage of digital transactions, merchant deployment achieved, system resilience and average percentage of technical decline for UPI or AePS transactions, among others. For digital transactions, the government has given a target of 4,000 crore digital transactions for the current fiscal. Banks’ performance on various parameters, including digital transactions, is tracked on a monthly basis. During April to December, Bank of Maharashtra (BoM) achieved 102.70 per cent of the annual target of digital transactions, the latest data released by MeitY showed. For BoM, the government has set a target of 19.7 crore digital transactions during the current financial year. SBI achieved 99.09 per cent of the annual digital transactions target in the nine months of the current fiscal. In December, nine private lenders and two payments banks received good rating on digital transactions. Overall score of Yes
Bank, Fino Payments Bank and HDFC Bank was 76 in December. ICICI Bank and IDFC First Bank scored 74 and 73, while Axis Bank and IDBI Bank scored 71 each, MeitY data showed.

Dated: Jan 30, 2020

• **Bank Deposit Cover May Be Doubled To Rs 2 Lakh:**

The government is discussing a proposal to double the insurance cover on bank deposits to Rs 2 lakh and an announcement to this effect may be made in the February 1 budget, said several people with knowledge of the matter. The move comes after the government and the Reserve Bank of India (RBI) faced flak over their handling of the closure of Punjab & Maharashtra Co-operative Bank (PMC), which downed shutters in September last year, leaving thousands of depositors high and dry. The government is expected to bring about these changes through an enabling amendment that would increase the deposit cover in the future without tinkering with the Deposit Insurance & Credit Guarantee Corporation (DICGC) Act. “Looking at the aftermath of the PMC Bank crisis, doubling of the deposit cover will be a much-anticipated breather for bank deposit holders,” said Ashvin Parekh, proprietor of Ashvin Parekh Advisory Services. “The only challenge to my mind is who will now bear the added cost of a higher insurance premium? ” Safety of bank deposits took centre-stage after the collapse of PMC Bank. Currently, the DICGC Act, 1961, provides deposit insurance of up to Rs 1 lakh and the rest of the amount is forfeited in the event of a bank failure. This compensation was last fixed more than 25 years ago. The government is also considering proposals on allowing emergency access to deposit insurance when a bank fails, inflation indexation of the insurance cover and risk-based pricing of the insurance premium depending on the health of the financial institution. “The biggest bone of contention is higher premium payout if the deposit cover is raised. I think banks will have to bear
the burden of that, but at least they should consider forcing less robust institutions to pay a higher premium cover,” said a senior banking official. RBI data showed more than 78% of PMC Bank depositors had deposits below Rs 50,000. As per an SBI analysis, 61% of the total deposit accounts in India are under Rs 1 lakh, around 70% are under Rs 2 lakh and 98.2% are under Rs 15 lakh. There have been several calls to raise the deposit cover. The issue had come up at the time of the Financial Resolution and Deposit Insurance Bill, which the previous government introduced in 2017 and then withdrew the next year. Data on Cross Country Deposit Insurance Coverage limit shows that deposit insurance coverage in India is one of the lowest at $1,508 as against $250,000 in the US and $111,143 in the UK. 

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-deposit-cover-may-be-doubled-to-rs-2-lakh/articleshow/73788746.cms

Dated: Jan 31, 2020

• Kotak Mahindra Bank To Withdraw Court Case Against RBI, To Pare Promoter Stake To 26% In Six Months:

Kotak Mahindra Bank’s billionaire founder Uday Kotak and the Reserve Bank of India (RBI) have yielded ground on their respective stances in the dispute over the bank’s promoter shareholding paving way for the banker to own a higher stake than what the regulator had stipulated earlier. According to an agreement between the bank and RBI, the promoter will be allowed to own 26%. This brings to an end the 13-month-old court dispute that began after the banking regulator had nudged Kotak to reduce his stake to 15% as part of the licensing guidelines. Insiders, who are familiar with the matter and have subsequent understanding, believe that Kotak’s level of shareholding will be for perpetuity as long as the bank does not raise capital from a share sale to outsiders or on a rights basis. According to the agreement, promoter’s voting rights would be capped at 15% of the capital, irrespective of the level of his ownership. This will make the higher stake less effective in terms of overall governance but economically beneficial. This is a climbdown by both — the regulator and Kotak. The billionaire banker will also withdraw the petition he filed in the Bombay High Court in December 2018 while RBI will not insist on the promoter ownership coming down to 15% as it had as part of its licensing guidelines. The central bank’s rules mandate that a private bank’s promoter will need to pare holding to 40% within three years, 20% within 10 years and to 15% within 15 years. The tussle had started in 2008 when RBI wrote to the private lender seeking details of Kotak’s plans to reduce his stake to 10% or below. While the banking regulator maintained that stake reduction was necessary for higher standards in the
industry, Kotak had argued that it was not necessarily true. In fact, he came up with a structure of preference shares in August 2018 to comply with the regulatory guidelines which the RBI had rejected. In 2017, the RBI had again sought the details and a timeline for the promoter stake reduction. This time, however, the rules had been tweaked to allow for up to 15% promoter shareholding. But Kotak Mahindra Bank took the extreme step of challenging the RBI in court. The private lender wanted the court to approve its issuance of preference shares as a way of diluting stake and argued that the central bank’s demands were against the public interest. “RBI via its letter dated January 29, 2020 has conveyed its in-principle acceptance for promoters voting rights to be capped at 20% of paid-up voting equity share capital until March 31, 2020 and at 15% from April 1 onwards,” Kotak Bank said in a regulatory filing. As per the disclosures made by Kotak, the regulator will also not allow the promoter to top up his shareholding in case his stake drops below 26%. “In a situation of a merger where the promoter equity gets diluted below 26%, Kotak will not be allowed to buy further stake,” said a person who is aware of the relaxation. “The only instance he can buy shares is when the stake drops below 15%, this is to ensure parity with the voting rights.” The closure of the legal dispute also opens up the opportunity for mergers and takeovers for Kotak Mahindra Bank and gives a free hand to the RBI to tweak rules on ownership. Some experts believe that this could open the doors for a private bank that is struggling to raise funds as the RBI may allow higher ownership to bail it out from distress.


Dated: Jan 31, 2020
India’s overall exports (Merchandise and Services combined) in April-December 2019-20* are estimated to be USD 397.48 billion, exhibiting a positive growth of 0.93 per cent over the same period last year. Overall imports in April-December 2019-20* are estimated to be USD 455.14 billion, exhibiting a negative growth of (-)5.82 per cent over the same period last year.

- **Merchandise Trade**:
  - **Exports (Including Re-Exports)**: Exports in December 2019 were USD 27.36 billion, as compared to USD 27.86 billion in December 2018, exhibiting a negative growth of (-)1.80 per cent. In Rupee terms, exports were Rs. 1,94,764.74 crore in December 2019, as compared to Rs. 1,97,044.76 crore in December 2018, registering a negative growth of (-)1.16 per cent. In December 2019, major commodity groups of export showing positive growth over the corresponding month of last year are Cumulative value of exports for the period April-December 2019-20 was USD 239.29 billion (Rs. 1,68,4,558.61 crore) as against USD 244.08 billion (Rs. 1,70,2,61.31 crore) during the period April-December 2018-19, registering a negative growth of (-) 1.96 per cent in Dollar terms (negative growth of (-)1.04 per cent in Rupee terms). Non-petroleum and Non Gems and Jewellery exports in December 2019 were USD 21.05 billion, as compared to USD 21.16 billion in December 2018, exhibiting a negative growth of (-)0.54 per cent. Non-petroleum and Non Gems and Jewellery exports in April-December 2019-20 were USD 177.81 billion, as compared to USD 177.65 billion for the corresponding period in 2018-19, an increase of 0.09 per cent.
**Imports:** Imports in December 2019 were USD38.61 billion (Rs.2,74,883.64 crore), which was 8.83 per cent lower in Dollar terms and 8.24 per cent lower in Rupee terms over imports of USD42.35 billion (Rs.2,99,553.40 crore) in December 2018. Cumulative value of imports for the period April-December 2019-20 was USD357.39 billion (Rs.25,14,783.82 crore), as against USD392.31 billion (Rs.27,37,092.01 crore) during the period April-December 2018-19, registering a negative growth of (-)8.90 per cent in Dollar terms (negative growth of (-)8.12 per cent in Rupee terms). Major commodity groups of import showing negative growth in December 2019 over the corresponding month of last year are:

**Crude Oil And Non-Oil Imports:** Oil imports in December 2019 were USD10.69 billion (Rs. 76,136.69 crore), which was 0.83 percent lower in Dollar terms (0.18 percent lower in Rupee terms), compared to USD10.78 billion (Rs. 76,275.54 crore) in December 2018. Oil imports in April-December 2019-20 were USD95.69 billion (Rs. 6,73,447.56 crore) which was 11.78 per cent lower in Dollar terms (11.13 percent lower in Rupee terms) compared to USD108.47 billion (Rs. 7,57,772.55 crore), over the same period last year. In this connection it is mentioned that the global Brent price ($/bbl) has increased by 16.63% in December 2019 vis-à-vis December 2018 as per data available from World Bank. Non-oil imports in December
2019 were estimated at USD27.92 billion (Rs. 1,98,746.95 crore) which was 11.56 per cent lower in Dollar terms (10.99 percent lower in Rupee terms), compared to USD31.57 billion (Rs. 2,23,277.86 crore) in December 2018. Non-oil imports in April-December 2019-20 were USD261.70 billion (Rs. 18,41,336.26 crore) which was 7.80 per cent lower in Dollar terms (6.97 percent lower in Rupee terms), compared to USD283.84 billion (Rs. 19,79,319.46 crore) in April-December 2018-19. Non-Oil and Non-Gold imports were USD25.45 billion in December 2019, recording a negative growth of (-)12.24 per cent, as compared to Non-Oil and Non-Gold imports of USD 29.00 billion in December 2018. Non-Oil and Non-Gold imports were USD238.64 billion in April-December 2019-20, recording a negative growth of (-)7.90 per cent, as compared to Non-Oil and Non-Gold imports USD 259.11 billion in April-December 2018-19.

- **Trade in Services:-**
  - **Exports (Receipts):** As per the latest press release by RBI dated 15th January 2020, exports in November 2019 were USD 18.00 billion (Rs. 1,28,584.48 crore) registering a positive growth of 7.91 per cent in dollar terms, vis-à-vis November 2018. The estimated value of services export for December 2019* is USD 17.92 billion.
  - **Imports (Payments):** As per the latest press release by RBI dated 15th January 2020, imports in November 2019 were USD 11.47 billion (Rs. 81,969.39 crore) registering a positive growth of 13.48 per cent in dollar terms, vis-à-vis November 2018. The estimated value of service Import for December 2019* is USD 11.32 billion.

- **Trade Balance:-**
  - **Merchandise:** The trade deficit for December 2019 was estimated at USD11.25 billion as against the deficit of USD14.49 billion in December 2018.
  - **Services:** As per RBI’s Press Release dated 15th January 2020, the trade balance in Services (i.e. Net Services export) for November, 2019 is estimated at USD6.52 billion.
  - **Overall Trade Balance:** Taking merchandise and services together, overall trade deficit for April-December 2019-20* is estimated at USD57.66 billion as compared to USD89.46 billion in April-December 2018-19.
## MERCHANDISE TRADE

### Exports & Imports : (US $ Billion)

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<tr>
<th></th>
<th>December</th>
<th>April-December</th>
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<tbody>
<tr>
<td><strong>Exports (including re-exports)</strong></td>
<td></td>
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<tr>
<td>2018-19</td>
<td>27.86</td>
<td>244.08</td>
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<tr>
<td>2019-20</td>
<td>27.36</td>
<td>239.29</td>
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<tr>
<td>% Growth 2019-20/2018-19</td>
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<td>-1.96</td>
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<tr>
<td><strong>Imports</strong></td>
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<tr>
<td>2018-19</td>
<td>42.35</td>
<td>392.31</td>
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<td>2019-20</td>
<td>38.61</td>
<td>357.39</td>
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<td><strong>Trade Balance</strong></td>
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<tr>
<td>2018-19</td>
<td>-14.49</td>
<td>-148.23</td>
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<tr>
<td>2019-20</td>
<td>-11.25</td>
<td>-118.10</td>
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### Exports & Imports (Rs. Crore)

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<tr>
<td><strong>Exports (including re-exports)</strong></td>
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<tr>
<td>2018-19</td>
<td>1,97,044.76</td>
<td>17,02,261.31</td>
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<td>2019-20</td>
<td>1,94,764.74</td>
<td>16,84,558.61</td>
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<tr>
<td>% Growth 2019-20/2018-19</td>
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<td>-1.04</td>
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<td><strong>Imports</strong></td>
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<td>2018-19</td>
<td>2,99,553.40</td>
<td>27,37,092.01</td>
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<td>2019-20</td>
<td>2,74,883.64</td>
<td>25,14,783.82</td>
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<tr>
<td>2018-19</td>
<td>-1,02,508.64</td>
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<td>2019-20</td>
<td>-80,118.90</td>
<td>-8,30,225.21</td>
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## SERVICES TRADE

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<th>Exports &amp; Imports (Services) (US $ Billion)</th>
<th>November 2019</th>
<th>April-November 2019-20</th>
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<td>Imports (Payments)</td>
<td>11.47</td>
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<th>April-November 2019-20</th>
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<tr>
<td>Exports (receipts)</td>
<td>1,28,584.48</td>
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<tr>
<td>Imports (payments)</td>
<td>81,969.39</td>
<td>6,07,776.64</td>
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<td>Trade Balance</td>
<td>46,615.09</td>
<td>3,78,448.94</td>
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*Source: RBI Press Release dated 15th January 2020*
TOP BANKING DEVELOPMENT

• RBI Launches 'MANI' App For Visually Challenged To Identify Currency Notes:

With an eye to aid the differently-abled, the Reserve Bank of India (RBI) on Wednesday launched a mobile app to identify currency notes. The visually challenged can identify the denomination of a note by using the application, which can also work offline once it is installed, the central bank said. Users can download the app, called ‘MANI’, which is an acronym for Mobile Aided Note Identifier, and will have to scan the notes using the camera, it said adding that the audio output to give our results will be in Hindi and English. The app, which is available both on Android and iOS operating systems, was launched by RBI Governor Shaktikanta Das and other officials on Wednesday. The central bank also said the app does not authenticate a note as either genuine or counterfeit.

Dated: Jan 01, 2020

• Bank Of Baroda Ties Up With JM Financial For Co-Lending:

State-owned Bank of Baroda has entered into a strategic co-lending agreement with JM Financial Home Loans Limited (JMFHL), the housing finance arm of JM Financial Group, for offering retail loans to home buyers. The association will create a lending model synergizing the expertise of both Bank of Baroda and JMFHL to providing retail home loan products. Vikramaditya Singh Khichi, Executive Director at Bank of Baroda said, “There is huge potential in the retail home loan space that can be tapped through co-lending partnerships between large organizations like Bank of Baroda and finance players like JM Financial Home Loans.” The partnership is expected to accelerate credit delivery to homebuyers, thus boosting the home buying segment. “There is a lot of complementarity in our franchisees which will help in providing a compelling offering to the retail home loan customers,” said Vishal Kampani- Managing Director, JM Financial Group. Such co-lending alliance will enable non-banking finance companies to penetrate deeper into the home loan market.

Dated: Jan 02, 2020

• HDFC Bank Launches Service For Religious Bodies, Societies And Clubs:

With an aim to grow institutional business, India’s largest private sector lender HDFC Bank on Thursday launched a value-added service for religious bodies, societies, clubs and cities. The institutions will get a customised mobile application powered by the lender through which users will be able to pay donations, settle utility bills and make other payments. The bank said there are over 30 lakh institutions, which is an addressable opportunity. It can be noted that banks target any business opportunity that gives them what is termed as the ‘float business’, by giving them access to large amount of
low-cost funds through a single tie-up like a corporate salary account relationship. The institutions will be having either a savings, current or escrow account with the bank. HDFC Bank Country Head (Government and Institutional Business) Smita Bhagat said it will give access to transaction fees also and added that through this, it is looking to grow its share in the institutional business. She said institutions will be on-board within four weeks, and will have to pay for the app customisation, for hosting charges and also an annual maintenance fees. The end users who download the app to transact will not have to pay any extra charges, she said. The bank already serves many of those it is targeting under the new business and it was feedback from them which set it off working on the service a few months ago. Bhagat did not spell out the bank’s targets and also exuded confidence that recent events around difficulties in accessing the accounts online faced by users will not hurt it. Allaying concerns on privacy, she made it clear that HDFC Bank will not have any access to data or the users in the app, which will carry the individual institution’s name.

Dated: Jan 09, 2020

• ICICI Bank Introduces Cardless Cash Withdrawal Facility Through ATMs:

ICICI Bank on Tuesday launched cardless cash withdrawal facility from its ATMs with a per day transaction limit of Rs 20,000. This service enables customers to withdraw cash from over 15,000 ATMs of the bank by simply raising a request on iMobile, its mobile banking application. "It is a simple and convenient way to withdraw cash without using a debit card," the bank said in a statement. The service can be used for self-withdrawal when customers do not wish to carry the debit card. The daily transaction limit as well as per transaction limit is set at Rs 20,000, it added. Speaking on the launch, Executive Director of ICICI Bank Anup Bagchi said the bank will continue to focus on innovations in technology at all channels and touch-points that will bring more convenience to the customers. The bank's consolidated total assets stood at Rs 12,88,190 crore at September 30, 2019. It is present across 15 countries.

Dated: Jan 21, 2020
TOP BANKING APPOINTMENTS

• American Express Appoints Ms. Megha Chopra As GM & VP, Global Commercial Services India:

American Express Banking Corporation (AEBC) India, on Thursday appointed Ms. Megha Chopra as general manager and vice president, Global Commercial Services (GCS) India. In this role, Chopra will be responsible for leading the company's commercial services business, providing payment solutions to corporates throughout India, said a release. With over 18 years of experience across the corporate and commercial banking segments, Chopra comes with a deep understanding of financial services, digital solutions and the evolving business landscape shaping customer demand. She joins American Express from Citibank, where she led the transaction business for the northern region. Prior to this, Chopra was with Standard Chartered Bank, where she was responsible for origination, structuring and syndication for large value, complex and structured financing solutions for large corporates in North and East. Robert McClean, executive vice president, Global Commercial Services International, American Express said, “We are delighted that Chopra is joining the team to lead the GCS business in India. Chopra’s deep industry experience will be invaluable as we grow American Express’ commercial payment offerings in India.” Through the GCS division, American Express offers backing and support that helps corporates of all sizes gain savings, control and efficiency. It provides a suite of payment products to manage a corporate's travel and entertainment expenses and everyday business spending. Manoj Adlakha, senior VP & CEO, American Express Banking Corp India, said “With close to two decades of experience in the financial industry, Chopra has the leadership track record and the business understanding which are vital for our GCS Business in India.”


Dated: Jan 09, 2019

• Standard Chartered Appoints Shri Samrat Khosla As Head – Wealth Management, India:

Standard Chartered Bank, India has announced the appointment of Samrat Khosla as its new Head of Wealth Management (WM) effective February 1, 2020. Khosla will take over from Nitin Singh, who has decided to leave the Bank to pursue other opportunities. Samrat Khosla, who will relocate to India, brings to the role a wide experience gained over his career in distribution, products and wealth management. He joined the Bank in 2003 and worked in various roles across Retail Banking and WM before relocating to Singapore to join the Bank's Group WM team in 2010. Most recently, as Head of Life Insurance, he has played a pivotal role in transforming the strategic life insurance product agenda. In his new role, Khosla will report to Zarin Daruwala, India, CEO and Sumeet Bhambri, Regional Head, WM, ASEAN & South Asia and Head WM, Singapore.
• **Meet Shri Michael Patra, RBI’s New Deputy Governor:**

Shri Michael Debabrata Patra has been appointed deputy governor of the Reserve Bank of India (RBI), according to a Personnel Ministry order. He has been appointed to the post for a period of three years, it said. Patra, who is looking after the monetary policy department as the executive director, will be the fourth deputy governor of the RBI. The post was lying vacant after Viral V Acharya had resigned from the post in June last year. Patra is likely to retain the monetary policy department, which was handled by Acharya, as the deputy governor. The RBI, headed by Governor Shaktikanta Das, can have a maximum of four deputy governors. N S Vishwanathan, B P Kanungo and M K Jain are the other deputy governors working at the central bank.

Dated: Jan 14, 2020

• **BharatPe Appoints Shri Dhruv Bahl As Head Of Operations:**

Fintech company BharatPe said it has appointed Dhruv Bahl as head of operations. The company said he will be responsible for overall operations across merchant acquisitions, servicing, payments, lending and commerce. Bahl has previously worked at Fortis, Bain & Company, PayTM and Airtel Payments Bank and Roadzen. The company, which was launched in 2018, raised a total of $65.5 mn in two rounds of funding last year. Speaking on the appointment, Ashneer Grover, co-founder of BharatPe said, “Dhruv brings the right mix of strategic thinking and urge to get hands dirty in operations. He has seen both the hustle at start-ups and operational efficiencies at larger established businesses. Efficient ops is key to a profitable and sustainable business.” Grover added that Bahl’s was the first of several significant
hires that the company will be making this quarter. Bahl is an alumnus of graduate business school INSEAD and also holds a Masters in Quantitative Finance from Cass Business School, United Kingdom, and a Bachelors in Biomedical Engineering from Boston University, USA. BharatPe claims to serve over 30 lakh merchants across several major cities in India.

Dated: Jan 15, 2020

• Shri Punit Sood Appointed New Country Head Of RBS India:

Shri Punit Sood has been appointed the new country head of RBS India, the technology and operations hub of the Royal Bank of Scotland (RBS), effective today. He succeeds Pankaj Phatarphod. For Sood, this will be his second innings at RBS, where he is returning to lead India operations after a nearly two-year gap. In his new role, he will build the organisation’s strategic capabilities, supporting the bank to achieve its goals. An IIT-Roorkee, IIM Ahmedabad graduate, Sood was previously head of technology, India at RBS, a role he was appointed to in 2016 and held till February 2018, when he quit for personal reasons. He has since been an advisor to the Cornerstone Venture Partners Fund, a technology-focused global VC fund.

Dated: Jan 20, 2020

• Shri Sanjiv Chadha Appointed MD, CEO Bank Of Baroda & Shri Atanu Kumar Das To Head Bank Of India:

Shri Sanjiv Chadha has been appointed as Managing Director (MD) and Chief Executive Officer (CEO) at Bank of Baroda, a Personnel Ministry order issued on Monday said. Chadha, who is at present Deputy Managing Director in State Bank of India, has been appointed to the new post for a period of three years, it said. Lingam Venkata Prabhakar, Executive Director in Punjab National Bank, will be MD and CEO in Canara Bank, the order said. His tenure, from the date of assumption of charge on or after February 1, will be till December 31, 2022. AtanuKumar Das has been appointed as the MD and CEO in Bank of India for a three-year term. He is at present working as the Executive Director in the same bank.

Dated: Jan 21, 2020

• Shri Challa Sreenivasulu Setty appointed MD of SBI:

The government on Monday appointed ChallaSreenivasuluSetty as the managing director of the State Bank of India for a period of three years, according to an official order. The Appointments Committee of the Cabinet has approved the proposal of the Department of the Financial Services for the appointment of Setty, currently serving as the deputy managing director of the SBI, in the key post. Setty has been appointed as the MD of the SBI for a period of three years with effect from the date of his taking over the charge of the post or until further orders, whichever is earlier and which is extendable by 2 years or until further orders, whichever
is earlier, after review of his performance, the order said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/challa-sreenivasulu-setty-appointed-md-of-sbi/articleshow/73441920.cms
Dated: Jan 21, 2020

• RBI Appoints ED Shri Janak Raj As Member Of MPC:

The Reserve Bank of India (RBI) on Wednesday appointed its Executive Director Janak Raj as member of the Monetary Policy Committee (MPC), the highest interest rate setting body. Raj replaces M D Patra, who was recently elevated as Deputy Governor of the RBI. The decision to appoint Janak Raj was taken at the 581st meeting of the central board here on Wednesday. "The Board nominated Dr Janak Raj, Executive Director on the Monetary Policy Committee as an ex officio member," the RBI said in a statement. The government had in 2016 constituted MPC to set the benchmark interest rate. The MPC is headed by the RBI Governor. Of the six members, three are nominated by the government, while the remaining three are from the RBI (including the Governor). The Monetary Policy Committee takes decisions based on majority vote. Each member has one vote but the RBI Governor get a casting vote in case of a tie.

Dated: Jan 29, 2020
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<td>Circular Number</td>
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<td>Framework for imposing monetary penalty on authorised payment system operators / banks under the Payment and Settlement Systems Act, 2007</td>
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<td>Processing of e-mandate in Unified Payments Interface (UPI) for recurring transactions</td>
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* For Purchasing any of these Report Please Contact The Editorial Committee

### Upcoming Conferences for ASSOCHAM Department of Banking & Financial Services

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<td>06th March, 2020</td>
<td>Mumbai</td>
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<td>ASSOCHAM Banking E-Bulletin</td>
<td>10th March, 2020</td>
<td>Volume 55</td>
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