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Banking Updates

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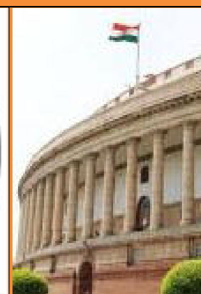

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इमेज IMAGE

Indian Bank Management Academy for Growth & Excellence (IMAGE)

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(For Private Circulation Only)

Banking Updates

Government Policy

Cairn dispute : PSBs told to take out cash held abroad

The government has asked State-run banks to withdraw funds from their foreign currency accounts abroad as New Delhi fears Cairn Energy may try to seize the cash after an arbitration ruling in a tax dispute. Cairn was awarded damages of more than $ 1.2 billion plus interest and costs in December in a long-drawn-out tussle with the Indian government over its retrospective tax claims. While New Delhi has filed an appeal, the London-listed firm has started identifying Indian assets overseas, including bank accounts that could be seized in the absence of a settlement, which cairn says it is still pursuing.

CVC revises SOPs with new time limit, procedure

The Central vigilance Commission has revised Standard Operating Procedures (SOPs) for carrying out an intensive examination of different government departments, public sector banks and PSUs. The Chief Technical Examiners Organisation (CTEO) of the CVC conducts intensive examinations of all contractual activities of the central government, central public sector undertakings, public sector undertakings, public sector banks and other organisations. The scope of its examination includes execution of works, purchase of goods, hiring of services, etc., which are mainly funded by the central government. In its revised SOPs, the CVC has decided a new time limit and procedure to deal with the examination.

Fin Min pitches again for PM Jeevan Jyoti Bima Yojana

The Finance Ministry has re-energised its effort to get more people, especially from lower income group and vulnerable sections, to enroll under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), a low-cost life insurance scheme. But bankers are not very enthused about this effort. "In these testing times, let's take a step towards security, subscribe to PMJJBY and secure the safety of your loved ones. Available to people in the age group 18 to 50 years with a bank account who give their consent to join/enable auto debit of premium," the Financial services Department (DFS) said in a tweet.

Commerce Ministry likely to ask RBI to extend Interest Equalisation Scheme

The commerce Ministry may ask the RBI to extend the interest Equalisation Scheme for exporters beyond June 30, 2021, till the end of fiscal 2021-22 to help exporters gain back lost ground due to the on-going Covid-19 pandemic. The interest Equalisation Scheme is popular with exporters as it allows all eligible sectors to access credit at lower interest rates with the government providing a subsidy. "A number of exporters and export bodies have asked the government to provide the interest equalisation benefit for the entire year because without the subsidy their competitiveness would be hit further since the pandemic related uncertainties were continuing to pose a challenge.

BOI, Central Bank, IOB being considered for privatisation

The government is considering Bank of India, Central Bank of India and Indian Overseas Bank as potential candidates for its ambitious plan to privatise two state owned banks in the current financial year ending March as per senior government official. The thinking is that the candidates should be mid-sized banks that are not merged. "Some of these banks are under prompt corrective action framework. Ideally, the government would like to wait for them to come out of the framework before privatisation for better valuation. Though no decision has been taken, the banks that fit the bill are Bank of India, Central Bank of India and Indian overseas bank, the official said.

Centre asks banks to foot 'interest on interest' bill

The Union finance ministry has informally told banks to reimburse or adjust the compound interest they charged customers in line with the Supreme Court's order asking them to refund "interest on interest" collected from accounts that sought a moratorium. Banks have been told that they can also adjust the amount against future liabilities for all accounts, irrespective of whether they opted for the moratorium or not, similar to the scheme the government announce for loans up to ₹2 crore. However, banks are thinking of making a representation to both the RBI and the centre through the Indian Banks association (IBA).

Govt. may Frontload its Bank Recap Plan

The government may frontload its bank recapitalisation plan this year to strengthen weaker lenders and further support its privatisation strategy. 'While most lenders are adequately capitalised, we may take a call after the first quarter results to see if some growth capital can be provided to further strengthen the banks said an official. The government allocated ₹20000 crore towards bank recapitalisation in FY22 and such capital is traditionally infused at the end of the financial year.

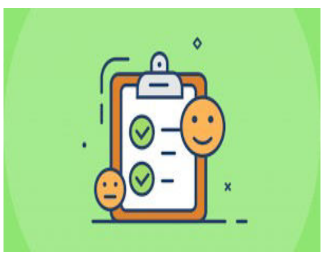
APY crosses 3 crore subscriber base by March: 79 lakh new additions in F Y 21

Atal Pension Yojana (APY) subscribers crossed the 3 crore mark by the end of March 2021 with addition of over 79 lakh new subscribers to the scheme in 2020-21, PFRDA said. During the financial year 2020-21 more than 79 lakh new APY subscribers joined Atal Pension Yojana (APY) leading total enrolments to over 3.02 crore as on March 31, 2021 the Pension Fund

Regulatory and Development authority (PFRDA) said. Of the total 3.02 crore subscribers under APY, around 70% of the accounts have been opened by public sector banks, while 19% were sourced by Regional Rural banks. Pace of enrolments has been encouraging especially in the second half of 2020-21 as it took less than six months to enroll 50 lakh new APY subscribers to reach 3 crore enrolments from 2.5 crore enrolments, PFRDA said.

Regulator Speaks

RBI to conduct customer satisfaction survey on bank mergers



The Reserve Bank of India (RBI has decided to conduct a customer satisfaction survey to find out the impact of the recent mergers of state-owned banks on banking services being availed by individuals. Among other things, the respondents will be asked whether the merger was positive from the point of customer services. The choice before the customer will be to tick one of the following options - strongly agree, agree, neutral, disagree or strongly disagree. The proposed survey will cover a total of 20000 respondents from 21 states, including Uttar Pradesh, Maharashtra, West Bengal, Tamil Nadu, Bihar, Karnataka, Madhya Pradesh and Gujarat. In all, there will be 22 questions.

Need new well-capitalised ARCs, says RBI study

The asset reconstruction sector, where activity is concentrated among the top five players, needs well capitalised and well-designed entities to strengthen the asset resolution mechanism further said Reserve Bank of India study. Notwithstanding the increase in the number of asset reconstruction companies (ARCs) over time, there has been a concentration in the industry in terms of assets under management (AUM) and the security receipts (SRs) issued. Of the total AUM 76% was held by the top five ARCs in March 2020.

Monitor movement of funds between banks and ARCs

It may be necessary to monitor if there is a circuitous movement of funds between banks and asset Reconstruction Companies (ARCs), according to an article in the Reserve bank of India’s monthly bulletin. The observation comes in the backdrop of banks being not just major shareholders of and lenders to ARCs but also sellers of non-performing assets (NPAs) to them. A movement of this kind can have implications for the genuine sale of non-performing assets and the overall growth of the ARC industry as per RBI officials of Department of Supervision.

Banks, UCBs with asset size of over ₹15000 crore must have two auditors

In a bid to ensure independence of bank auditors, the Reserve Bank of India (RBI) said that commercial and urban co-operative banks and non-banking finance companies will have to appoint auditors for a continuous period of three years. The auditor's removal ahead of this time period will need the RBI's approval. The guidelines for the appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) will be implemented for the first time for Urban co-operative Banks (UCBS) and NBFCs (including housing finance companies) from 2021-22. However, UCBs and NBFCs will have the flexibility to adopt these guidelines from the second half of the year to ensure that there is no disruption.

RBI top brass discuss credit flows with heads of small finance banks

The top brass of the Reserve Bank of India discussed credit flows to different segments of borrowers and outlook on potential stress on banks' balance sheets with the Chief of Small Finance banks (SFBs). The meeting assumes importance as customers of SFBs, including small business units, small and marginal farmers, micro and small industries and unorganised sector entities, have been impacted in the first and the ongoing second wave of the Covid -19 pandemic. Some of the other issues that were discussed include assessment of current economic situation and the liquidity scenario.

RBI to focus on risk-based supervision of banks, NBFCs

The Reserve Bank has decided to review and strengthen the Risk Based Supervision (RBS) of the banking sector with a view to enable financial sector players to address the emerging challenges. The RBI uses the RBS model, including both qualitative and quantitative elements, to supervise banks, urban cooperatives banks, non-banking financial companies and all India financial institutions. It is now intended to review the supervisory processes and mechanism in order to make the extant RBS model more robust and capable of addressing emerging challenges while removing inconsistencies, if any.

RBI rejigs portfolios after Rabi Sankar's appointment

After the appointment of T Rabi Sankar as deputy governor, the Reserve Bank of India redistributed the portfolios of the deputy governors. Sankar succeeded BP Kanungo, who retired on April 2 after getting a one-year extension in his position. Sankar has been given portfolios such as the department of currency management, external investments and operations, government and bank accounts, information technology, payment and settlement systems, foreign exchange department, internal debt management and right to information division. Sankar was in charge of the payments system, fintech, information technology and risk management. As a part of the reshuffle, M K Jain will now be in charge of central security cell, consumer education, department of supervision, financial inclusion and development, human resource. Michael Debabrata Patra will head portfolios such as department of economy and policy research, department of statistics and information management, deposit insurance and credit guarantee corpn., financial markets operation, financial markets regulations, financial stability unit, monetary policy department and international department. M Rajeshwar Rao will be handling regulation, communication, enforcement, inspection, legal and risk monitoring department.

₹3 crore penalty imposed on ICICI Bank

The Reserve Bank of India fined ICICI Bank ₹3 crore for violating prudential norms on the operation of its investment portfolio, RBI said in a statement. The central bank said it found contravention of norms in the matter of 'shifting of securities from one category to another.' The RBI did not mention when did the violation happen, or the exact nature of it. The action was based on the deficiencies in regulatory compliance and was "not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers."

RBI moves in to tame Re's Risk Premium

RBI had to fire-fight in the currency market with forward premium soaring up to 28.96% on short term onshore contracts, indicating that varying estimates of fund flows could cause wild swings in the local currency. RBI is said to have intervened through some state-run banks that brought down the cost of covering currency exposure across maturities, traders said. The premium on one-day forward contract, known as Cash Tom in market parlance, settled at 7.41% on 04.05.2021 compared with 28.95% earlier. The central bank likely intervened to help escape an uncertainty in the currency market, and if it did not intervene there would have been more arbitrage trade triggering volatility.

Compliance norms for KYC relaxed

The Reserve Bank of India announced relaxation in compliance for Know Your Customer (KYC) norms due to the ongoing pandemic and lockdowns. RBI Governor said that banks and regulated entities will not impose punitive actions until December 31, 2021 if customers are unable to update KYC. Keeping in view the Covid related restrictions in various parts of the country, regulated entities are being advised that for the customer accounts where periodic KYC updating is due or pending, no punitive restriction on operations of customer accounts shall be imposed till December 31,2021 unless warranted due to any other reason or under instructions of any regulator/enforcement agency or court of law etc., according to RBI Governor.

SFB loans to MFI get priority sector status

To soften the blow of the second wave of pandemic on low-income groups, RBI will provide ₹10,000 crore for 3 years at the repo rate to small finance banks (SFBs) to lend to individuals, SMEs etc. The RBI incentivised SFBs to lend microfinance institutions (MFIs) by granting priority sector lending status to such exposures. Credit will be up to 10% of a bank's priority sector portfolio as of March 31, 2021, while the facility is there until March 31, 2022, loans disbursed will continue to be classified as priority sector lending till the date of repayment / maturity, whichever is earlier.

Lenders allowed to revamp MSME accounts under Covid -19 related stress

RBI has allowed lenders to extend the facility for restructuring existing loans of micro, small and medium enterprises (MSMEs) without a downgrade in the asset classification under the "Resolution framework 2.0 given the uncertainties created by the resurgence of the Covid-19 pandemic. Among the conditions specified by the central bank for restructuring existing MSME loans include: the aggregate exposure, including non-fund bases facilities, of all lenders to the borrower should not exceed ₹25 crore as on March 31, 2021 and the borrower's account should have been a 'standard asset' as on March 31, 2021. Further the borrowers account should not have been restructured earlier.

Frame policies in a month, RBI tells lenders

RBI has asked lenders to frame board-approved policies within a month to implement viable resolution plans for stressed advances of individuals and small businesses under the 'Resolution framework' – 2.0 relating to Covid -19 related stress. The borrowers who will be eligible for the window of resolution to be invoked by lenders are: individuals who have availed of loans and advances for business purposes and small businesses including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021. In both the aforementioned cases, the lending institutions aggregate exposure should not be more than ₹25 crore. Further the credit facilities / investment exposure to the borrower was classified as 'standard' by the lending institutions.

Advisory group set up to assist Regulatory Review Authority

The Reserve Bank of India's Regulations Review Authority (RRA2.0) has constituted a six-member advisory group headed by S Janakiraman, Managing Director, State Bank of India, to support it in reviewing the central bank's regulations and compliance procedures with a view to streamlining / rationalising them to make them more effective. The Authority has been set up initially for a period of one year from May 1, 2021. M Rajeshwar Rao, Deputy Governor, RBI was appointed as the Regulations review Authority last month. The group will assist the RRA by identifying areas /regulations/guidelines/returns which can be rationalised and submit reports periodically to RRA containing the recommendations/ suggestions.

RBI to banks : Lend to healthcare sector within 30 days of availing of funds

The Reserve Bank of India said banks should lend to stakeholders operating in the Covid-related healthcare infrastructure and services space within 30 days from the date of availing of funds from it under the ₹50,000 crore 'On Tap' term Liquidity Facility to ease access to emergency Health services Scheme. As per the scheme, there is no tenor restriction regarding lending by banks. However, they will have to ensure that the amount borrowed from the RBI should be backed by lending to the specified segments until the scheme's maturity.

RBI not keen to pull Banks out of PCA Framework

RBI may delay regularising struggling state-run lenders that are under the prompt corrective action (PCA) framework as it has reservations over their capital adequacy levels. The regulator has raised questions over the government's bank capital infusion programme through non-interest-bearing bonds. The RBI reasons that capital infusion through bonds cannot be taken at face value and therefore, these banks may still be short of regulatory capital. In such a situation, they will continue under the PCA framework. Under the PCA regime, business restraints are imposed on struggling banks until they regain health.

RBI opposes fresh insolvency freeze

RBI has shot down suggestions of a fresh suspension of the Insolvency and Bankruptcy Code (IBC) due to the second wave of Covid, while making it clear that banks can still restructure distressed but viable loans, ensuring that their balance sheets remain transparent. In initial discussions with the government, the RBI has indicated a freeze will not help anyone in the long run as it will only show lower level of non-performing assets (NPAs) as per Govt. sources. The government has not completely shut the door on the issue but the regulator's reluctance will certainly weigh on the decision.

India Inc being permitted to set up funds in GIFT City a big boost to IFSC

Indian corporates can now set up funds in the Gujarat GIFT city, which is considered an overseas tax jurisdiction, and the fund can be invested back into India without the same being treated as round tripping. In a recent move, RBI has decided to treat investments by Indian sponsors of a fund in the GIFT City as overseas direct investment, paving the way for more Indian investors floating funds in GIFT City to invest in the country. Experts say, the move is significant as, in the absence of clarity, Indian investors would shy away from sponsoring a fund in the GIFT City.

PSBs asked to quickly implement Covid-related measures

The Reserve Bank of India asked public sector banks (PSBs) to quickly implement the recently announced Covid-19 related measures in right earnest. The measures included providing fresh lending support to entities in emergency health services, and resolution framework 2.0 for Covid-related stressed assets of individuals, small businesses and MSMEs. In the virtual meeting of PSB chiefs, top brass of RBI, including Governor Shaktikanta Das and four Deputy Governors, issues relating to the current state of the financial sector and credit flows to different sectors, including to small borrowers and MSMEs were also discussed.

RBI's activity balanced in forex, not amassing reserves

India rejected grounds used by the US treasury department for putting the country on the currency manipulator watch list, saying the central bank's activities in foreign exchange market were perfectly balanced and it was not accumulating forex reserves. For the second time since the start of the pandemic, India figured on the US treasury department's watchlist of currency manipulators. The Central bank's dollar purchase at 5% of the GDP exceeding the 2% threshold was cited as the reason.

Freeze on dividend declaration lifted partially

The Reserve Bank of India has partially lifted the freeze on declaration of dividends by commercial banks for the financial year ended March 31, 2021. It also permitted cooperative banks to pay dividend on equity shares from the profits of the financial year ended March 31, 2021 as per r the extant instructions. The central bank, on April 17, 2020, has directed commercial banks not to make any further dividend pay outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. The RBI issued the aforementioned direction in an environment of heightened uncertainty caused by Covid-19. It said it is important that banks conserve capital to retain their capacity to support the economy and absorb losses.

Banks are likely to declare nominal dividends for FY21 after the Reserve Bank of India (RBI) relaxed restrictions in this respect, bankers and analysts said. The Central bank allowed banks to pay up to 50% dividend of the amount determined as per the dividend pay-out ratio. ICICI Bank announced a dividend of ₹2 per share, after reporting a 260% jump in net profit in the March quarter. Analysts said banks are sitting on large amounts of capital they had raised last fiscal and have made accelerated provisioning against potential bad loans in anticipation of the stress.

Committee on ARCs invites stakeholder's views and suggestions

The Reserve Bank of India (RBI) said the committee on asset reconstruction companies (ARCs) has invited views and suggestions from market participants and other stakeholders. This comes after RBI highlighted that the existing ARC industry has registered a lacklustre performance so far. The Central Bank had announced the setting up of a committee under the chairmanship of Sudharshan Sen, former ED(RBI) to undertake a comprehensive review of the working of ARCs in the financial sector ecosystem. Market participants are expecting more clarity on ARC regulations after the move from regulator.

RBI joins network for 'greening the financial system'

The Reserve Bank of India (RBI) has joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS) as a member. The NGFS is a group of Central banks and supervisors willing to share the best practices and contribute to the development of the environment and climate risk management in the financial sector, while mobilising mainstream finance to support the transition towards a sustainable economy. The system was launched at the Paris One Planet Summit on December 2017. RBI expects to benefits from the membership of NGFS by learning from the contributing to global efforts on Green Finance which has assumed significant in the context of climate change'

Banking & Finance News

Digital frauds rising since Covid outbreak

Attempts and incidences of digital fraud have been increasing since the beginning of the Covid-19 outbreak, Credit bureau Trans Union said in a report based on its latest quarterly analysis of global online fraud trends. A separate report by fraud data insights start-up trust Check said that 41% of digital frauds in India occurred in the eastern region. Trans Union came to its conclusions about fraud against businesses based on intelligence from billions of transactions and more than 40,000 global websites and apps contained in its fraud analytics solution suite. These websites and apps have traffic coming from all countries. "Fraudsters are always looking to take advantage of significant world events. The Covid 19 pandemic and its corresponding rapid digital acceleration brought about by stay-at-home orders is a global event unrivalled in the online age.

MSMEs urge FM to review NPA classification norms

Stung by the second wave of the Covid -19 pandemic, small businesses have urged Finance Minister to review classification norms of bad loans and rationalise import duty on key raw materials such as iron and steel. The Federation of Indian Micro, Small and Medium Enterprises (FISME) in its suggestions to the finance ministry has said that" more than the requirement of additional funds, the greatest need that has emerged is the flexibility in assigning non-performing assets (NPAs). The industry body has said the framework to classify accounts under Special Mention Account (SMA) framework has been devised for normal times and should be revised for pandemic-hit years.

HDFC Bank unveils organisational changes to power future growth

The country's largest private sector lender HDFC Bank unveiled organisational changes under "Project Future - ready for its next wave of growth. "The bank is reorganising itself into three clear areas of Business Verticals, Delivery Channels and Technology / Digital to further build its execution muscle and be ready for the future, the bank said. The Bank said the creation of focused Business verticals and Delivery Channels will enable it to capitalise on the opportunities across customer segments in the time to come. HDFC Bank will re-double its efforts on its business verticals that include corporate banking, retail banking, private banking, government and institutional banking, retail assets and payments as well as commercial banking or the MSME vertical.

Yes Bank not to sell Bad Loans to NARC

Yes Bank will not sell any bad loans to the newly proposed National asset Reconstruction company (NARC), its top executive said, as it will be able to recover more than the bad debt aggregator. The bank, meanwhile, is pursuing its objective of owning a majority stake in an ARC and is waiting for the new set of guidelines from the Reserve Bank of India, Chief Executive of the Bank said.

ICAI to move RBI for tweaking of bank auditor appointment norms

RBI's new rules on statutory auditor appointments for banks and NBFCs has not come as any jolt for the audit profession, but the CA institute plans to approach the central bank for certain inclusions in order to improve overall bank audit and get a better outcome for the fraternity, ICAI president said. The missing points in the new guidelines as regards the cooling-off period for auditors, the need to give higher weightage for experienced firms compared to new firms and fixing the minimum number of statutory central auditors while leaving the decision of the maximum numbers to the banks are some of the points the ICAI would like to see in the new guidelines and will pitch for them.

Digital payments see muted growth in April due to lockdown

The growth of digital transactions eased in April at a time of localised lockdowns in several states amidst surging Covid-19 cases. The volume and value of transactions, however, remained higher than that in February. According to a data released by the National Payments Corporation of India, transactions on the Unified Payments Interface (UPI) in April scaled down from the ₹5 lakh crore peak it had touched in March. As many as 264 crore transactions worth ₹4.93 lakh crore were processed on UPI in April 2021 versus 273 crore payments amounting to ₹5.04 lakh crore in March this year.

Lenders see more pain as stricter lockdowns loom

Lenders are bracing for a further deterioration in asset quality metrics, cheque-bounce rates and collection ratios, anticipating a full month of strict lockdowns and curfews in May. While payment rejection rates were back to January levels, they are expected to rise further in May. Collection ratios will be hit by another 5-10% in the month as fresh Covid-19 infections continue to ravage the country. In the first week of April, as the surge in infections was limited to Maharashtra, we were able to present cheques, do a decent amount of collections, but now this work has almost come to a standstill in some of our biggest markets and we fear that May could turn out to be one of the worst months as compared to the last two quarters, said CEO of mid-sized lender.

SBI chief: will try to keep soft interest rate regime as long as possible

State Bank of India will try to keep the interest rates benign as long as possible with a view to supporting the economic growth, its Chairman said. On the impact of the second wave of Covid -19 on non-performing assets of the bank, the SBI chief said that as the lockdown was not pan-India, one will have to wait and watch to assess its impact on the banking sector. Observing that multiple variables including inflation have a bearing on the interest rates, SBI chief said its efforts were to support the growth initiatives. To really ensure that happens, it would try to keep the soft interest rate regime for a period as longer as possible.

Covid-19 : Banks favour flexible loan revamp plan

With economic uncertainty looking amidst surging Covid -19 cases and lockdowns put in place by several states, many banks are understood to favour a flexible loan restructuring package, especially to help small borrowers and entrepreneurs. “Banks don’t want customers to feel like delinquents or get NPA tags just because of the pandemic and economic situation. A flexible restructuring programme for banks to help out customers at this point would be helpful. The proposal of a flexible loan restructuring scheme is understood to have been discussed at recent meetings of the RBI with bankers.

Currency in circulation hits ₹29 lakh cr on 2nd wave

The unrelenting rise in currency in circulation has continued into FY-22 with Indians withdrawing over ₹57,800 crore in the first four weeks of April 2021. The second wave of the pandemic has given a renewed impetus to the ‘dash for cash’ phenomena, which was seen worldwide in the aftermath of Covid. According to RBI data, currency with the public has risen to ₹29,07,067 crore as of April 23, 2021 – an increase of ₹7,352 crore over the previous week. On March 26, the amount had stood at ₹28,58,547 crore. Interestingly, the hoarding of cash is happening even as the use of digital channels for transactions is growing every month.

Interest on interest : IBA hopes for reversal benefit

The Indian Bank's association (IBA) has sent a representation to the Finance Ministry to enhance the scope of its previous ex-gratia scheme to cover the refund / adjust the interest-on-interest charged to the borrowers during the Covid-19 related moratorium period – March 1 – August 31, 2020. Banking sources said the payment of the interest on interest component by banks will set a precedent. So, IBA has suggested that they should be compensated by the government. The government had picked up the tab towards waiver of interest on interest for loans up to ₹2 crore, irrespective of whether moratorium was availed or not, following the top court's order in October 2020. This cost the exchequer about ₹6500 crore.

NPCI refuses to Ban Crypto, leaves it to Banks

Unlike Visa and Master card, the domestic umbrella body National Payments Corporation of India (NPCI) has refused to block fund movements for crypto-currency trades. It recently told some of the banks to take a decision based on the advice of their respective legal and compliance departments. The stance taken by NPCI so far assumes significance at a time several leading banks are slowly choking payments connected to crypto deals. Half a dozen local banks have told payment gateway operators to blacklist merchants who are involved in buying or selling crypto currencies directly or indirectly. These banks have restrained customers from using online fund transfer facilities – like net banking and UPI to buy and sell crypto currencies. "If NPCI had taken a central decision to disable UPI and RuPay cards for investing in cryptos, it would have applied to all banks uniformly and left investors with fewer payment options.

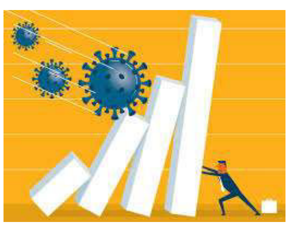
Borrowers who did not recast loans last year can avail scheme

The loan recast will be available to individuals - including home and other personal loans and small and medium enterprises that did not restructure their loans in 2020 which we reclassified as standard accounts till March 2021. The RBI also allowed lenders to provide relief to small and individual borrowers, who had availed of the restructuring option last year. Under the ₹50,000 crore scheme, banks can lend to those involved in the war against Covid, including vaccine manufacturers, importers or suppliers of oxygen and ventilators, importers of vaccines and Covid related drugs, logistics firms and also patients for treatment. The banks are being incentivised for quick delivery of credit under the scheme through the extension of priority sector classification to such lending up to March 31, 2022.

RBI measures timely, will help manage stress in the economy, say bankers

Bankers have welcomed the slew of measures announced by the Reserve Bank of India noting that the Central bank has continued to calibrate its policy throughout the Covid -19 pandemic and will help to manage the stress in the economy. The decision to create a dedicated ₹50,000 crore funds for ramping up the Covid related healthcare infrastructure reflects the RBI's commitment to transcend boundaries by addressing not only economic health but also public health. The decision to augment the lending firepower of Small Finance Banks (SFBs) through the priority sector tag is very welcome move, said SBI Chairman.

Banks demand extension of deadline for Covid packages



Banks have petitioned the Reserve Bank of India that the 180-day timeline for implementing resolution plans for borrower accounts under the August 6, 2020 circular on "Resolution framework for Covid -19 related stress" should be extended as a few of them are facing headwinds due to second pandemic wave. As per the circular, resolution of exposures (other than personal loans) must be implemented within 180 days from the date of invocation (not later than December 31, 2020) so, the resolution plan has to be implemented by June end 2021. But in view of the adverse impact of Covid-19, banks want leeway of 90 more days in implementing the resolution plan. Banks also want RBI to consider a three-month loan moratorium for retail and micro, small and medium enterprise (MSME) borrowers so that they can weather the Covid challenge without worrying about servicing loans.

Wizi App partners with HR tech companies to ease credit card applications

Chennai based credit card issuance and management app Wizi is partnering with a number of HR Tech and payroll companies to simplify the credit card application process for users and enable banks to issue cards instantly. In India, 78% of all the credit card issued are for salaried professionals and over 80% of all cards are sourced via push selling through call centres but the company is planning to completely digitise the entire card issuance process according to the Co-founder and Chief Marketing Officer of Wizi App.

IDBI Bank : Divestment, transfer of management control approved

The Cabinet Committee on Economic Affairs (CCEA) gave its in-principle approval for strategic disinvestment along with the transfer of the management control in the IDBI Bank Ltd. The extent of respective shareholding to be divested by the Central government and the LIC would be decided at the time of structuring of transaction in consultation with the RBI. The

Central government and Life Insurance Corporation together own more than 94% of equity of the IDBI bank. While the Central government owns 45.48% stake, the shareholding of LIC in the IDBI Bank is 49.24%. LIC is currently the promoter of the IDBI bank with management control while the Central govt is the co-promoter.

PSBs ally to bring services to doorsteps

Public sector banks have come together to form a new company to take banking services to the doorsteps of their customers even as they battle the challenges posed by the Covid pandemic. The new company called PSB alliance Pvt Ltd. will engage banking correspondents on behalf of the 12 public sector banks under a common standard operating procedure (SOP) to provide financial and non-financial services at customers' homes. Former State Bank of India (SBI) Chief General Manager and Deputy CEO of Reliance Jio Payments Bank has been appointed as CEO of the new company. Currently different PSBs engage different banking correspondents for their doorstep banking services

PSB s to only lead bad bank, pvt banks need to support : SBI MD

State run lenders will take a lead in creation of the bad bank, but the sick asset resolution platform needs the support of private banks and other lenders to be successful, SBI Managing Director said. If all lenders come on board, the National Asset Reconstruction Company (NARC) announced in the Budget will be able to aggregate 100% of a sick company's outstanding loans, which will ultimately lead to better resolution of the asset quality stress for all. The government is yet to announce the specific contours of the NARC or the bad bank and has also only said that it is willing to provide some sovereign guarantee to help the platform.

Banks ready health booster shot

Banks are set to launch multiple schemes under the RBI's ₹50,000 crore on-tap liquidity window announced on 05.05.2021. The schemes are aimed at rapidly boosting private investment in healthcare and financing individuals who have contracted Covid. In a meeting with the finance ministry large public sector banks discussed the possibility of making available credit online using the liquidity facility. Banks will go to the drawing board and will design the schemes with extremely competitive rates and draw up the eligibility criteria.

BoB sanctions ₹500 crore to serum Institute

Banks have changed gear to cater to the health care sector after the Reserve Bank of India opened a ₹50,000 crore liquidity tap exclusively for companies involved in providing vaccine, oxygen, ventilator etc. as the country fights a ferocious second wave of Covid -19 pandemic. Immediately after the central bank announcement, BoB has sanctioned ₹500 crore to Serum Institute of India (SII), the largest vaccine maker of the world which is now producing Covishield, administered to protect against the coronavirus infections. SBI the country's largest lender also sanctioned a credit line to Bharat Biotech, another Covid-19 vaccine maker, recently.

PSBs losing market share in loans to private sector rivals

The proposed privatisation of two public sector banks (PSBs) in FY 22 could accentuate the already declining market share of PSBs in loans, with the share of private sector banks (PvSBs) expected to go up further. A realignment of market share in loans has been happening in the banking space over the last four years. PSBs (or state-owned Banks) market share in loans declined to around 59% (of all scheduled commercial banks' outstanding credit) in December 2020 against around 65% in December 2017. However, during this period, Private Sector Banks market share rose to around 36% from around 30% as per RBI data. The aforementioned development comes in the back drop of PSBs turning cautious on loan growth in the face of stress in their balance sheets.

Now, another tool for SBI to resolve stress

State Bank of India sees the recently-introduced pre-packaged insolvency resolution process (PPIRP) for MSME corporates as another good tool in its armory for resolving stress. Mr. S. Janakiraman, Managing Director (Risk, Compliance and stressed assets resolution group (SARG), SBI, said that the bank was putting together a board approved policy framework for implementation of pre-pack among MSME corporate customers. The Bank will start implementation in next 4-6 week.

IBA CEO says bad bank expected to be operational next month

National Asset Reconstruction Company (NARCI), the name coined for the bad bank announced in the Budget 2021-22, is expected to be operational in June. Bad bank refers to a financial institution that takes over bad assets of lenders and undertakes resolution. The new entity is being created in collaboration with both public and private sector banks, Indian Banks' Association, CEO said. Various preparatory work is going on and that it should be operational next month. The biggest advantage of NARCL would be aggregation of identified NPAs (Non-performing assets). This is expected to be more efficient in recovery as it will step into the shoes of multiple lenders who currently have different compulsions when it comes to resolving a bad loan.

For last – mile rural reach, CSC, HDFC Bank launch chatbot

HDFC Bank and Common Services Centres (CSCs) launched chatbot 'Eva' on CSCs Digital seva portal to support the Village Level Entrepreneurs (VLEs) in providing banking services for the last mile rural consumers. Through Eva, VLEs can learn about the products and services offered by HDFC Bank, which will improve services to the last mile customers, CSC said. CSC said "Our partnership with HDFC will empower the VLEs through new skills and knowledge of products and services, while expanding the agenda of financial inclusion catering to rural customers. The digital platforms and innovations are allowing VLEs to constantly explore new opportunities for companies, services and citizens.

Sound private banks can undertake govt business

The Reserve Bank came out with modified guidelines that allow sound private sector banks to undertake government business, whether at the centre or in the states. According to the modified norms, scheduled private sector banks, which are not under the Prompt Corrective Action (PCA) framework of the RBI can undertake government business after executing an agreement with the central bank. "Scheduled private sector banks, not having agency banking agreement with RBI, but intend to handle government agency business, may be appointed as agents of RBI upon execution of an agreement with RBI. This will be subject to the condition that the concerned bank is not under PCA framework or moratorium at the time of making the application or signing of the agreement with RBI, the RBI said in a notification.

Carry positions can hurt exchange rate, cause inflation : SBI

A huge buildup of carry positions could negatively impact the exchange rate and lead to inflation, State Bank of India's economic research arm warned. With significant open position in USD – INR carry trade, a vibrant non-deliverable forward market with big players and a high forward premium. if due to any event, the positions are unwound, it can put significant depreciating pressure on the rupee, thus impacting inflation adversely, as per chief economic advisor of the SBI group. This is particularly important for the Reserve Bank of India as it works under an inflation-targeting regime. However, the current situation has forced it to focus more on growth, while making sure that the system is financially stable.

Lenders grow cautious on high-risk unsecured loans

Lenders are going slow once again on micro finance loans, as they see these unsecured loans to have become riskier amid the second wave of the pandemic. Performance of these loans is worsening given the low capital cushion and risky nature of such assets said lenders, who have become extra cautious while providing new collateral-less loans. "Unsecured consumer retail, credit cards, micro finance loans are at much higher risk, according to MD, Kotak Mahindra Bank. The Bank had reduced its unsecured book to 5.8% of total credit at the end of March from 7.5% a year earlier. Peer IDBI Bank, which recently found its way out of the RBI's prompt corrective action, is also shying away from such loans.

HDFC Bank gets 1.5% of Grameen eStore for ₹10 cr

HDFC Bank has bought 1.5% stake in CSC Grameen eStore for about ₹10 crore. This comes after the digital arm of the Tata Group – Tata Digital – had purchased a similar stake in the government-run rural ecommerce venture in December. India's largest private sector lender is looking at the platform to extend the reach of its products and services - especially the banking portfolio – in rural areas. The Grameen eStore launched in April last year, offers a huge range of products, including local handicrafts, groceries and consumer durables in far-flung areas. It has touched revenue of ₹250 crore within a year of launch.

2-wheeler dealers fear defaulting on loans as sales crawl

Drop in demand due to the lockdowns imposed to curb the Covid second wave has pushed up inventory levels of two-wheeler dealerships across the country. Compared to stocks of 15-20 days prior to the lockdown in the first quarter of 2020, the inventory has climbed to 41-46 days at the end of the fourth quarter of FY 21. This has brought a majority of dealers close to defaulting on credit. According to Crisil, the inventory range for the two-wheeler segment has been above normal since the onset of the pandemic from the second quarter of FY 21, Crisil said "our interactions with two-wheeler dealers suggest that muted consumer sentiments have resulted in inventory buildup. Two-wheeler retail sales have failed to pick up owing to significant increase in the cost of acquisition, the surge in petrol price and the decline in income levels.

MFIs want more relief measures

A week after the RBI announced some relief measures for micro finance institutions (MFIs), the lenders have urged the central bank to provide additional support. In a letter to RBI Governor, MFI association has sought a special liquidity facility of at least ₹15000 crore to be provided by all-India financial institutions such as National Bank for Agriculture and Rural development (NABARD) and small Industries Development Bank of India (SIDBI). Of this, at least 40% of the funds should go to MFIs with an asset size of Rs 500 crore. The fresh rise in infections has resulted in localised lockdowns, adversely impacting the borrowers' ability to pay back.

IDBI to cap corporate exposure

With the exit from Prompt Corrective Action (PCA) framework, IDBI Bank is looking to disburse about ₹4500 – 5000 crore to corporates, predominantly mid-sized manufacturing units, in the current financial year (FY22). The focus will be on sectors such as steel, cement, pharma, and chemicals. The bank will cap the exposure limit of one entity at about ₹500 crore to avoid chunky exposures. It however may look at large exposure only for high rated public sector units the bank said.

The bank is also looking to grow its ₹45000 crore corporate book by about 10%.

Auto-debit payment bounce rate increases again in April

The second wave of the pandemic and the localised lockdowns have led to the problem of failure in auto-debit transactions surfacing again in April. According to the National Automated Clearing House (NACH) data, in April 34.05% of auto-debit transactions in volume terms failed compared to 32.76% in March - the lowest after February 2020. In absolute terms, in April of the 85.4 million auto debit transactions initiated, 56.3 million were successful, while 29.08 million failed. Since December, the share of unsuccessful auto-debit requests had been declining steadily, indicating higher regularity in EMIs, utility and insurance premium payments. Unsuccessful auto-debit requests through the NACH platform are generally referred to as bounce rates. The NACH platform is largely used to collect payments for loans, investment in mutual funds, and insurance premiums.

SBI eyes over ₹10K-cr credit pipeline for health infra

State Bank of India, the country's largest lender, expects over a ₹10,000 crore credit pipeline for large and medium health care firms for augmenting infrastructure and capacities. The bank had held discussions with firms that needed funds for building hospital infrastructure. On a conservative basis, the bank can lend ₹10,000-15,000 crore. The loans will fructify only in the medium to long term as players would look to assess demand over a period beyond immediate requirements emerging from the pandemic. The Reserve Bank of India will provide on-tap liquidity of ₹50,000 crore with tenors of up to three years at the repo rate till March 31, 2022.

Banks, RBI favour further cutback in small savings rates

Banks and the industry regulator favour a cut in small savings rates to help lower the cost of borrowing in the broader economy, which experts believe would need both fiscal and monetary support to return to a trajectory of sustainable growth. The central bank has been struggling to keep bond yields from spiking in a year that will witness record government borrowing. With North Block expanding its balance sheet to compensate for the lack of immediate private sector investments. However, relatively high small savings rates considered politically sensitive, could make Mint Street's task of lowering broader debt costs difficult.

Banks go after promoter trusts of firms having stressed loans

Lenders have started seeking additional guarantees from family trusts of promoters of companies whose existing loans are under stress. In the last few weeks, top banks have been making inquiries in certain cases where businesses have been hit hard by Covid and they even sought additional guarantees to de-risk their loans, as per sources. Even in Sales, where promoters are seeking additional loans, the lenders are asking for more collateral or guarantees. In some cases where promoters hold shares of companies via a trust, banks have been demanding guarantees for additional loans or in some cases for existing loans that are getting stressed.

Lenders make provisions in Q4 to refund interest on interest

Post the announcement of fourth quarter results by banks and finance companies, it has come to light that many have made provisions for refunding the interest on interest on the loan moratorium to all borrowers. Private sector lender HDFC Bank has kept aside ₹500 crore for interest on interest provisions while ICICI Bank said it has provided ₹175 crore for the purpose. For axis Bank, the estimated impact of the interest-on-interest refund is ₹160 crore. Mahindra Finance has kept aside ₹32 crore for this purpose.

Covid takes a toll on low-income segment's appetite to buy a home

The Covid-19 pandemic took a toll on the capacity of the low-income group (LIG) to buy a home in FY 21, going by housing finance bellwether HDFC's loan approval numbers. However, the appetite of the higher income group (HIG) and middle-income group (MIG) on this count remained undiminished. In the LIG segment (annual income above ₹3-₹6 Lakh) in number terms, housing loan approvals declined to 27% of overall approvals in FY21 from 30% in FY 20, as per HDFC's investor presentation. In value terms too, housing loan approvals in the aforementioned segment were down to 14% of overall approvals against 16%.

Banks to RBI: More Covid-hit cos may need recast of loans

Banks have told the Reserve Bank of India that the extended restrictions due to the resurgence of the Covid pandemic have caused significant stress on businesses and a restructuring window may be required for more loans. Although the RBI did allow lenders to restructure loans for borrowers earlier this month, the facility was restricted to loans of up to ₹25 crore. Since the measures were announced, the second wave of Covid emerged across the country, resulting in most parts of the country observing some form of lockdown.

Banks see drop in loan collections as lockdowns hit Cos.

In signs of fresh trouble for the financial services sector, banks and non-banks across the board have seen drop in loan collection ratios in the first fortnight of April. Lenders saw collections drop between 5% to 10% as lock down in various key states across the country took a toll on businesses. The worst affected have been the micro and small enterprises, micro finance and the commercial vehicles (CV) segments where collection efficiencies dropped rapidly.

PSB bad loans may cross 18% in extreme scenario

Given the second COVID-19 wave all over the country, non-performing assets (NPAs) or bad loans of public sector banks (PSBs) could cross 18% if there is deterioration in economic activity due to the pandemic, former RBI deputy governor H R Khan said. As per the Financial Stability Report released by the RBI, the NPAs of the banking sector were projected to surge to 13.5% of advances by September 2021, from 7.5% in September 2020 under the baseline scenario. The report had warned that if the macroeconomic environment worsens into a severe stress scenario, the NPA ratio may escalate to 14.8%. With regard to public sector banks, Mr. Khan said the latest Financial Stability Report indicates that NPAs can go up to 16% in sever case scenario but extreme case scenario has not been portrayed this time.

CARE cuts GDP forecast to 10.2%

CARE Ratings has cut GDP growth forecast for FY22 from 10.7-10.9% to 10.2% in the backdrop of the second wave of Covid-19 pandemic, with various States imposing restrictions ranging from nigh curfews to weekend lockdowns to full lock downs. This is the second time within a month that the credit rating agency has revised GDP growth forecast downwards. The agency estimated the potential loss of Gross value added (GVA or output) at ₹1.13 lakh crore.

Fitch affirms 'BBB-rating for India with negative outlook

Rating agency fitch Ratings has affirmed India's long term foreign currency Issuer default rating (IDR) at 'BBB- with a negative outlook. India's rating balances a still strong medium-term growth outlook and external resilience from solid foreign reserve buffers, against high public debt, a weak financial sector and some lagging structural factors, Fitch said. The negative outlook reflects lingering uncertainty around the debt trajectory, following the sharp deterioration in India's public finance metrics because of the pandemic from a previous position of limited fiscal headroom.

Adopt digitisation or perish

With the surge in digital transactions, there is a need for banks to adopt the model of fintech companies otherwise they will perish, former finance secretary S C Garg said. Fintech companies have already captured a lot of area in the payments space, and now the credit segment, which is the principal business of banks, is witnessing significant action from the fintech players. "Banking in the digital era will have to adapt – Fintechalise or it will perish. Once the limit of digital wallets increases and if currency gets digitalised with a much more direct relationship between the currency issuer the Reserve Bank of India (RBI) and the people, the banks will formally get squeezed out of the payments space.

Bad bank to get Rs. 2 L cr of defaulting companies' loans

The Indian Banks association (IBA) has asked members to identify large loans where they are lead bankers and get approval from co lenders so that these loans can be sold to a National Asset Reconstruction Company (NARC, or the bad bank). The association has identified 102 corporate bad loans totaling to Rs. 2 lakh crore, where the amount outstanding in each is over Rs. 500 crore. They include loans in a variety of industries. These have been languishing in the books of banks for years with many admitted under the insolvency process. These loans are almost fully provided for over the years and they exclude the ones where there is fraud involved or those currently under liquidation. Approval from 75 % of the lenders by value is required to transfer the loans to an ARC.

Legally Speaking

Vehicle ownership transfer : changes in motor vehicle rules notified

The Ministry of Road Transport and Highways has notified certain changes in the Central Motor Vehicles Rules, 1989 to facilitate the owner of a vehicle for nominating a person in the registration certificate, which would help the motor vehicle to be registered or transferred in the name of the nominee in case of death of the owner. Now the owner can put the name of the nominee at the time of registration of the vehicles and can also add it later through an online application. The process is otherwise cumbersome and non-uniform across the country.

Ensuring more transparency in banking

The recent Supreme Court judgment affirmed its 2015 judgment directing Reserve Bank of India to release annual inspection reports, annual reports and list of loan defaulters of its regulated entities under the Right to Information Act – 2005. The apex court rejected the prayer of State Bank of India, HDFC Bank Ltd and a few others who had filed a "recall petition" against the judgement of 2015. The apex court reiterated that it has a duty to uphold the interest of public at large, the depositors, country's economy and the banking sector and that RBI does not place itself in a fiduciary relationship with the financial institutions because, the reports of the inspections, statements of the bank, information related to the business obtained by the RBI are not to be held back under the pretext of confidence of trust.

Centre plans to amend depositors' insurance law

In a bid to ensure timely support to depositors of stressed banks, the government may bring amendment to DICGC

Act in the monsoon session with the objective to provide account holders easy and time-bound access to funds to the extent of the deposit insurance cover. Last year, the government raised insurance cover on deposit five-folds to ₹5 lakh with a view to provide support to depositors of ailing lenders like Punjab and Maharashtra Co-operative (PMC) Bank. Following the collapse of PMC Bank, Yes Bank and Lakshmi Vilas Bank too came under stress leading to restructuring by the regulator and the government.

IDBI – Sivasankaran deal raises hopes for defaulting promoters

Former promoters of defaulting companies that are under the insolvency process can hope to take back control of their companies if the debt resolution process falls to find new owners. The recent decision by consortium of lenders led by IDBI Bank to allow C. Sivasankaran to take ownership of his company by paying an amount higher than the liquidation amount may have raised hopes of erstwhile promoters such as Naresh Goyal, Anil Ambani and Punj Lloyd. The companies once owned by these promoters including Jet Airways, Reliance Communications and Punj Lloyd are heading towards liquidation under the IBC process.

Supreme Court allows personal bankruptcy cases on tycoons

India's Supreme Court has allowed personal bankruptcy cases to resume against individuals including tycoons who were once among the country's richest. The top court upheld the legal validity of the country's law that allowed lenders to drag them into bankruptcy court. The two-judge panel headed by Justice L. Nageswara Rao said petitions challenging the law are dismissed. The federal government in 2019 introduced the law that allowed lenders to file parallel bankruptcies against defaulting firms and the individuals who guaranteed those loans. Lenders last year filed bankruptcy cases against businessmen including Reliance Group's Anil Ambani, Dewan Housing Finance Kapil Wadhawan and Bhushan Power & Steel Ltd.'s Sanjay Singal. The cases were halted on appeals filed in higher courts. The verdict is a boost for lenders as it allows them to seek recovery of dues from guarantors of loans even while bankruptcy processes against the companies are pending. This could potentially speed up efforts by trying to clear one of the world's worst piles of bad loans.

Financials of Public Sector Banks– Quarter ended 31.12.2020 (Rs in Crores)										
Sl.No	Bank	Total Business(Net)	Operating Profit	Net Profit	Gross NPA		Net NPA		CRAR Basel III	ROA
		Amount	Amount	Amount	Amount	%	Amount	%	%	%
1	Bank of Maharashtra	266875	902	154	8072	7.69%	2580	2.59%	13.65%	0.34%
2	Bank of Baroda	1699981	5591	1061	63182	8.48%	16668	2.39%	12.93%	0.37%
3	Bank of India	1026866	2836	541	54997	13.25%	9077	2.46%	12.51%	0.28%
4	Canara Bank	1640582	5382	696	49789	7.46%	16774	2.64%	13.69%	0.24%
5	Central Bank of India	504728	1193	165	29486	16.30%	7515	4.73%	12.39%	0.19%
6	Indian Bank	910894	3099	514	35237	9.04%	8537	2.35%	14.06%	0.35%
7	Indian Overseas Bank	371585	1731	213	16753	12.19%	3905	3.13%	11.49%	0.28%
8	Punjab National Bank	1809588	6391	506	94479	12.99%	26598	4.03%	13.88%	0.15%
9	Punjab & Sind Bank	155115	140	-2376	8490	13.14%	1638	2.84%	16.39%	-8.90%
10	State Bank of India	5992360	17333	5196	117244	4.77%	29032	1.23%	14.50%	0.49%
11	UCO Bank	319218	1334	35	11440	9.80%	3228	2.97%	12.08%	0.06%
12	Union Bank of India	1534396	5311	727	87969	13.49%	19063	3.27%	12.98%	0.28%

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आपका अपना बैंक **Your Own Bank**

Ready Reference

Important Banking Indicators

CRR	4.00%
SLR	18.00%
Repo Rate	4.00%
Reverse Repo	3.35%
MSF Rate	4.25%
Bank rate	4.25%

MCLR/RBLR Rates of our Bank w.e.f. 03.05.2021

Overnight	1month	3months	6 months	One Year	RBLR
6.90%	7.05%	7.15%	7.20%	7.30%	6.80%