



IBOA CONNECT



All India Indian Bank Officers' Association

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House Keeping - Requires due attention

Dear Comrade,

According to the evolution and emergence of new scenarios and developments in the Banking Industry, new systems and procedures come into force. These changes are implemented for effective control and effective monitoring. Changes are eternal in the Banking Industry in terms of Technology, mitigation of risk and innovative financial products etc. While the systems and schemes are framed at the apex level, the field level officers are expected to implement the same in letter and spirit. While implementing these advisories, field level officers encounter with lot of issues which they find very difficult to address and resolve within the time frame due to work pressure and lack of manpower.

Field level officers have to address the emergence of various issues while complying with the guidelines like complying re-KYC, implementing Centralized Account Processing (CAPC) and disbursement of INDGECLS Covid 19 and IND-PMSVANIDHI Scheme etc., All these are in addition to routine branch work with depleted man power. The officers at the field level are addressing the challenges to the maximum extent possible. But in the instances where the things are beyond their control- like the recent debit freezing of some accounts centrally- the field level functionaries had to face the customers'

wrath. So, when things are escalated it is expected that timely solutions are given to enable smooth functioning of the branches and better customer service.

In this background Branch Managers and Officers are made to lose sight of some of the very important tasks which are bound to affect them badly. Branch House Keeping primarily with regard to proper appraisal of the loans, documentation, complying with all sanction terms for the loans disbursed (planning to complete later), creation/extension of EM, safe keeping of documents, completion of MODs, CERSAI registration, Insurance cover, review/renewal of accounts and obtaining timely acknowledge of debts etc., Since there is huge pressure for business growth, schematic lending and recovery etc., officers tend to attend the above referred important statutory and regulatory matters at a later period. This will ultimately affect the officers very badly and Bank's interest as well. The concerned officers may land in vigilance issues for having failed to properly monitor the credit portfolio. Hence we appeal to our comrades to give utmost importance to house-keeping and effective monitoring of credit portfolio.

Yours Comradely

R Sekaran
Secretary General

**Wishing you all
a very
Happy Diwali**

BASE YEAR CHANGE FOR CONSUMERS PRICE INDEX - A DESIGN TO MANIPULATE THE REALITY OF PRICE MOVEMENT

The Centre has changed the base year of consumer Price Index for the industrial workers (CPI-IW) from 2001 to 2016. It is a serious concern that the Labour Minister has announced this, ignoring all the questions raised and suggestions made by all the trade unions in the country through their joint letter dated 25th August 2020.

Entire exercise made by the Labour Bureau functioning under Ministry of Labour on this matter has been thoroughly arbitrary, deliberately designed to suppress the real impact of the price rise of essential items for human survival and also to deprive the workers of their entitlement for legitimate DA. The Labour Bureau deliberately ignored the very fact that even in the midst of economic slowdown, the prices of essential items, food items in particular always remain on the rise and did not hesitate to arbitrarily as well as drastically reduce the weight assigned to food items in the standard consumption basket from 46.2% to 39% for the purpose of computation of consumer price index. This is done when the average consumption expenditure marked a sharp decline with the rural consumption expenditure falling by more than 9 per cent as per CSO estimate and also when in global hunger index, India has been ranked as low at 94 out of 107 nations under survey below Bangladesh and Pakistan.

It is also done in the linking factor for converting the numbers of 2016 to

2001 series equivalent to suppress the impact of actual price rise. Two previous changes of base year witnessed a higher linking factor of 4.93 (1960 to 1982 -22 years gap) and 4.63 (1982 to 2001—19 years gap); now a 16 years gap (2001 to 2016) entailed a linking factor of only 2.88 (62% reduction for difference in 3 years in gap.).

Then the choice of base year in 2016 is also designed for manipulation to suppress the impact of price rise. Originally till July 2020, exercise was being done with the idea of 2013-14 as the base year. Changing it to 2016 is an afterthought by the Centre as the same year, the demonetisation was undertaken affecting negatively the price-level of the items in standard consumption basket for CPI-IW owing to virtual collapse of the economic operation in the country in the last quarter of 2016. This change is also done with the purpose of suppressing the real impact of price rise.

The employers' organisations have long been demanding upon the Govt to freeze the variable DA payment to workers as a relief to them during the period of economic slowdown. Govt has now responded to that demand of their capitalist bosses through backdoor. The present exercise of changing base year of CPI-IW to 2016 with all its components, some of which are mentioned here, is meant for that at the cost of the working people.

MFIs in INDIA : Need Social Impact Monitoring

The microfinance industry in India witnessed unprecedented growth over the last couple of decades, from just a few players offering SHG loans to a matured market, the industry has come a long way.

What are MFIs?

- Micro finance Institutions, also known as MFIs, a microfinance institution is an organisation that **offers financial services to low income populations.**
- Usually, their area of operations of extending small loans are rural areas and among low-income people in urban areas.
- MFIs provide the much-needed aid to the economically underprivileged who would have otherwise been at the mercy of the local moneylender and high interest rates.
- The model had its genesis as a **poverty alleviation tool**, focused on economic and social upliftment of the marginalised sections through lending of small amounts of money without any collateral to women for income-generating activities.
- MFI loan portfolio has reached Rs 2.31 lakh crore at the end of FY2020, touching the lives of 5.89 crore customers.
- Some of the MFIs, that qualify certain criteria and are non-deposit taking entities, come under RBI wings for Non-Banking Financial Company (NBFC) Regulation and supervision. These “Last Mile Financiers” are known as NBFC MFI.
- The objective of covering them under RBI was to make these NBFC MFIs healthy and accountable.

Digitalisation and growth of MFI sector

- Over the years, the sector has incorporated several changes in its operating model, including digital interventions across the lending value chain.

- MFIs have adopted digital technologies in order to eliminate the redundancies, enable quick customer on-boarding, loan disbursals and even cashless collections.
- The use of digital technologies has enabled MFIs not only to **reach a greater number** of clients and thereby grow at a much faster pace, but also to do so in an efficient manner by **streamlining processes and reducing turnaround times.**

Challenges Associated with MFI

- **Social Objective Overlooked:** In their quest for growth and profitability, the social objective of MFIs—to bring in improvement in the lives of the marginalised sections of the society—seems to have been gradually eroding.
- **Impact of COVID-19:** It has impacted the MFI sector, with collections having taken an initial hit and disbursals yet to observe any meaningful thrust.
- **Inadequate Data:** While overall loan accounts have been increasing the actual impact of these loans on the poverty-level of clients is sketchy as data on the relative poverty-level improvement of MFI clients is fragmented.
- **Loans for Conspicuous Consumption:** The proportion of loans utilised for non-income generating purposes could be much higher than what is stipulated by RBI. These loans are short tenured and given the economic profile of the customers it is likely that they soon find themselves in the vicious debt trap of having to take another loan to pay off the first.

Way Ahead for MFIs

1. **Digital technologies should be utilised even beyond the lifecycle of the loan.**
- MFIs should ensure that the ‘stated purpose of the loan’ that is often asked

from customers at the loan-application stage is verified at the end of the tenure of the loan.

- This post-verification process will ascertain whether the loan amount has brought in any meaningful improvement in their lives; digital records of this should be maintained for further scrutiny and new loan sanctions.

2. Create authenticated customer data

- In an industry that is dominated by cash, determining household income for loan eligibility purposes poses a serious challenge.
- Field officers should be prudent enough to include income from all sources as overestimating or incorrectly estimating would mean that genuinely deserving customers aren't offered any.
- If captured and reported properly, this data could serve as critical underwriting inputs when these customers (having proved their credit worthiness in the microfinance industry) chose to avail financial services from commercial banks,

3. Social Impact Scorecard

- RBI should encourage all institutions to monitor their impact on the society by means of a 'social impact scorecard'
- This customer data in scorecard that is verified and captured digitally can be used to evaluate the impact of each loan in the lives of the clients, subsequent improvement in their earning capacity over the years, other direct/indirect benefits rendered from loan utilisation and finally how soon MFI customers are able to transition out of the MFI fold.
- This 'social impact scorecard' could also be leveraged when **MFIs themselves seek funding to support their operations**, which can serve as the crucial differentiating 'intangible factor' to enable commercial banks, development institutions and others in making lending decisions to MFIs.

Conclusion

MFIs need to focus on creating a sustainable and scalable microfinance model with a mandate that is unequivocal about both economic and social good.

Wedding Bells

AIIBOA Wishes a Very Happy

Married Life to the Newly Wedded Couple.



POTHOLES ON THE DIGITAL PAYMENTS SUPERHIGHWAY

Context: Digital payments have found strong ground, especially in India, increasingly relegating all other modes of payments to the background.

Payment Ecosystem steered by the RBI

1. RTGS and Large Value Payments

- **Initiative of RBI:** A major thrust toward large value payments was effected through the Real Time Gross Settlement System, or RTGS, launched by the RBI in March 2004.
- **Impacted Capital Markets:** The large value payments on stock trading, government bond trading and other customer payments were covered under the RTGS, providing finality of settlement in short time period
- **Reduced Risks:** The payment system greatly reduced the risks such as the Harshad Mehta scam and improved the confidence in financial system thus attracting more participation (domestic and foreign players)

2. NEFT and Bulk Retail Payments

- The RBI introduced National Electronic Funds Transfer, or NEFT, and bulk debits and credits to support retail payments around the same time.
- Now, NEFT is available round the clock and RTGS will follow from December 2020 — only a few countries have achieved this.

3. Setting up of NPCI as Umbrella Organisation for retail payments

- National Payments Corporation of India (NPCI) was set up by 10 lead banks at the instance of the RBI in 2009.
- **Learning from other successful models:** In 2004, a four-member team of RBI visited the Riksbank, the central bank of Sweden and learnt that a not-for-profit organisation owned by eight Swedish banks was set up in Sweden for providing retail payment

and related services. The model appeared as an attractive proposition as payments is basically a **public good**.

- Thus the idea of the NPCI as a not-for-profit company has a link from Sweden's financial system
- The corporation was fully supported by the RBI and the government as an extended arm of the sovereign
- The setting up of such an umbrella organisation to build a super highway for digital payments led to humongous success in the coming years

Challenge Ahead for NPCI- Demand to convert into for-profit Company

- There is a demand from some quarters that the NPCI should be converted into a for-profit company to withstand competition.
- But this will be a retrograde step with huge potential for loss of consumer surplus along with other strategic implications.
- Instead, like the RBI providing free use of the RTGS and other products, the strategy should be to assist the NPCI financially, either by the RBI or the government, to provide retail payment services at reduced price (in certain priority areas).

Issue of Merchant Discount Rate(MDR)

- MDR is charged to merchants for processing debit and credit card transactions. To accept debit and credit cards, merchants must set up this service and agree to the rate.
- The amount that the merchant pays for every transaction gets distributed among three stakeholders—the bank that enables the transaction, vendor that installs the point of sale (PoS) machine and the card network provider such as Visa, MasterCard, RuPay.

- In Budget 2020-21, the government prescribed **zero MDR for RuPay and UPI**, both NPCI products, to popularise digital payments benefiting both customers and merchants.
- For reasons unknown, the government left out other providers of digital payment products from this MDR prescription, which is unjustified and had adverse effects.
- Taking advantage of this dichotomy, **many issuing banks switched to mainly Visa and Master cards for monetary gains.**
- As customers were induced by such supplier banks, it created a kind of **indirect market segmentation and cartel formation**, though there is hardly any quality difference in payment products.

Way Ahead

- The ideal pricing for digital payments products should be based on an analysis of producer surplus, consumer surplus (i.e. gain or loss of utility due to pricing) and social welfare for which we need cost-volume-price data.
- Digital payment system is like a national superhighway, for which the government has a crucial role to play in protecting consumers against exploitation.
- A free market should not deny a fair amount of return to payment service providers including Fin-Tech companies. But this should not be at the cost of huge loss of consumer surplus.

Retirements

Sl.No.	Name	Designation	Branch
1	Com Sridhar K	Deputy General Manager	Internation Div
2	Com Pilankar Pradeep Prabhaka	Deputy General Manager	Corp Br Chennai
3	Com Natarajan S	Deputy General Manager	Ic: Trichy
4	Com Sunil K Pradhan	Zonal Manager	Zo:barddhaman
5	Com Radhakrishnan N	Deputy Zonal Manager	Zo:ernakulam
6	Com Sanjay Kumar S Lade	Deputy Zonal Manager	Corporate Office
7	Com Ravi K	Chief Manager	C P P C Chennai
8	Com Rajasekar B I	Chief Manager	Zo:chennai(S)
9	Com Vanchi Nathan N	Chief Manager	Srinagar Colony
10	Com Baby M R	Senior Manager	Ic Bengaluru
11	Com Chandrasekaran G	Senior Manager	Manali New Town
12	Com Balakrishnan V	Senior Manager	Kmch Goldwins
13	Com Avudaiappan E	Senior Manager	Rmpc Poonamalle
14	Com Ponnusamy P	Senior Manager	Zo:trichy
15	Com Parag Kumar Maitra	Senior Manager	Strand Road
16	Com Janardhan Naidu M R	Senior Manager	Begumpet
17	Com Rama Kanta Sahu	Senior Manager	Sailashree Viha
18	Com Dipak Ray	Manager	Garia
19	Com Venkataraman V K	Asst.manager	Trichy Main
20	Com Biren Kumar Hazarika	Asst.manager	Sibsagar
21	Com Rama Gopal B	Asst.manager	Ashok Nagar(Hy)
22	Com Dayalan V	Asst.manager	Kamaraj Salai

AIIBOA Wishes the above Comrades a Very Happy, Healthy and Peaceful Retired Life.

IMPORTANT CIRCULARS DURING THE MONTH OF OCTOBER 2020

Circular No.	Date of Issue	Subject
DEP-19	10/1/2020	Revision of Interest Rates on Domestic Term Deposits
DEP-20	10/1/2020	Master Circular on Opening & Handling of Government Deposit Accounts for various types of accounts.General guidelines
GENL-20	1/1/2020	Atal Pension Yojana (APY) – Incentive to Business Correspondents for mobilizing Non-Persistent Subscribers to Persistent
ADV-143	10/1/2020	Review of Benchmark interest rates - MCLR` EBLR` Base Rate and BPLR
ADV-144	10/1/2020	New Loan Product – "IND PASHUDHAN MITRA"
ADV-145	10/3/2020	"Submission of Claims for the June 2020 and September 2020 Quarter (FY 2020-21) for Education Loan account held with Erstwhile Allahabad bank Branches under Dr Ambedkar Central Sector Scheme of Interest Subsidy on Educational Loan for Overseas Studies for students belonging to Economically Backward Classes (EBCs) & Other Backward Classes (OBCs)"
ADV-146	10/3/2020	Consolidated Interest Rate circular for MCLR and Repo Linked Products
ADV-148	10/5/2020	New Loan Product – "IND Micro Food Processing Enterprises- (PMFME)- Individual" & "IND Micro Food Processing Enterprises- (PMFME)- Group"
ADV-149	10/6/2020	Formation of Mid Corporate Vertical (MCV) at Corporate Office- Modifications
HRMD-99	10/5/2020	Submission of Life Certificate by all Staff pensioners and Family Pensioners` exgratia recipients and TDS on Pension Payments reg.
HRD-102	10/6/2020	Launching of MSME Prerana – Business Mentoring Program for MSME Entrepreneurs
ADMIN-67	10/7/2020	Direction of Special Committee on Large Value Frauds
ADV-150	10/8/2020	RBI Master Circular on – Deendayal Antyodaya Yojana- National Rural Livelihoods Mission (DAY-NRLM)
ADV-151	10/9/2020	Approval of Resolution Plan under IBC-2016 Compliance Certificate relating to Section – 29A
ADV-152	10/9/2020	"ONLINE OTS DRIVE" Campaign-II from 15.10.2020 to 31.12.2020
ADV-153	10/9/2020	Roles & Responsibilities of Law Officers
ADV-154	10/12/2020	Recovery Action in Education Loan NPA accounts
ADMIN-68	10/12/2020	RECENT INCIDENT OF ARMED ROBBERY IN BRANCH
GENL-21	10/12/2020	Security of ATM transactions – Concealing of power sockets and LAN ports in ATM Cabins
ADV-155	10/13/2020	Observance of "Intensive Kisan Credit Card Campaign" From 15th October 2020 to 16th November 2020
HRMD-104	10/13/2020	Benefit Of Additional Notional Service Under Regulations 26 Of Indian Bank Employees Pension Regulations 1995 – Implementation Of Judgement Of Hon'ble Supreme Court As Per IBA Clarification Dated 01.02.2018.
ADV-156	10/13/2020	Externally Unrated Exposure
ADV-157	10/13/2020	2nd and 3rd Mega e-Auction of Properties under the SARFAESI Act.
ADV-160	10/14/2020	Role of Zonal Risk Officers (ZROs) – in Credit Committees
CRA-34	10/13/2020	TIMELY REVERSAL OF C2C ENTRIES
ADV-161	10/14/2020	Implementation of Data Analytics & Business Intelligence (DABI) Tools for Generation of Leads under Retail Assets Portfolio
GENL-22	10/12/2020	Indian Bank Corporate Merchant UPI Solution for Payment Collection
ADMIN-69	10/14/2020	PSB Door Step Banking Services-Introduction of Additional Services
ADV-162	10/15/2020	SHG – Growth Acceleration Campaign: from 16.10.2020 to 17.11.2020
ADMIN-71	10/16/2020	Implementation of Revision of Rates of VDA in respect of Outsourced Watch & Ward hired from Private Security Agencies by Bank
DEP-21	10/16/2020	REGISTRATION OF NOMINATION IN ALL ACCOUNTS
HRMD-111	10/17/2020	CONTRIBUTION TO VOLUNTARY PROVIDENT FUND (VPF).
ADV-164	10/17/2020	"Extension of Special Drive for Provision of KCC to dairy farmers of Milk Cooperatives and Milk Producers Companies – From 01.10.2020 to 31.12.2020 "
HRMD-113	10/17/2020	Classification of period of absence of 'Persons with Disability' and Pregnant Women employees of our Bank due to COVID-19 lockdown
ADV-165	10/17/2020	MSME OUTREACH CAMPAIGN -19.10.2020 TO 18.11.2020
ADV-166	10/17/2020	MSME Loans - Charges for switchover to Repo linked Rate of Interest
GENL-24	10/21/2020	Prevention of Money–Laundering (Maintenance of Records) Fifth Amendment Rules` 2019 Self declaration for current address
ADV-169	10/22/2020	Scheme for construction of godown under lease agreement with food corporation of india (fci)/ central govt. or state govt. Agriculture produce procurement corporations/ agencies.
ADV-170	10/23/2020	Policy on Lending to Infrastructure Investment Trusts (InvITs) 2020-21
CRA-35	10/23/2020	National Pension System (NPS) Campaign Quarterly Reward and Recognition Programme Campaign Start Date – 25.10.2020
ADMIN-73	10/23/2020	Statutory Central Audit Observation
ADV-171	10/29/2020	Recovery Action in Vehicle Loan (including Tractors) NPA accounts. MD & CEO's directions
ADV-172	10/29/2020	Recovery Action in Agriculture Loan NPA accounts: MD & CEO's directions
ADV-173	10/29/2020	Recovery Action in MSME Loan NPA Accounts (Book Balance upto Rs. 1.00 Cr)
ADV-175	10/28/2020	Loan System Delivery of Bank Credit – Operational guidelines
DEP-22	10/29/2020	Additional Branches permitted for acceptance of Bulk Deposit Annexure
ADV-176	10/31/2020	Renewal of kcc accounts and canvassing fresh kcc proposals: utilizing the services of business correspondents (bc
ADV-177	10/31/2020	DOCUMENT e-VERIFICATION AND ARCHIVAL (DeVA) RELAXATION FOR RENEWAL OF KCC ACCOUNTS

Non Inclusion of a circular does not reflect on its importance.

**Indian Bank announces results for Q2 FY21, Operating Profit up by 40%
Net profit at Rs. 412 crore**

Key Summary of Q2FY21 Results

In Rs Cr	Q2FY20	Q1FY21	Q2FY21	YoY%	QoQ%
Earnings & Profit					
Interest Income	9420	10120	10057	7	-1
Interest Expenses	6281	6246	5913	-6	-5
Net Interest Income	3139	3874	4144	32	7
NIM % Domestic	2.67	2.83	3.06	-	-
Non Interest Income	1249	1328	1611	29	21
Operating Profit	2135	2753	2995	40	9
Loan loss provisions	3443	1830	1880	-45	3
Profit after Tax	-1755	369	412	-	12

In Rs Cr	Sep'19	Mar'20	Jun'20	Sep'20	YoY%	QoQ%
Balance Sheet						
Gross Advances	359391	368664	366787	365896	2	0
Domestic Corporate	151029	168899	167977	160336	6	-5
Domestic RAM	187638	191356	189892	196290	5	3
Deposits	469797	488835	489109	501956	7	3
Domestic CASA	189844	199488	203106	207706	9	2
Domestic Term Deposits	272692	282417	278623	286765	5	3
CASA ratio %	40	41	42	41	-	-
Gross NPA	45449	41998	39965	36198	-20	-9
Net NPA	15116	14273	12755	10053	-33	-21
Slippages during the quarter	4794	3841	523	249	-95	-52

Ratios %	Q2FY20	Q1FY21	Q2FY21	YoY bps	QoQ bps
Asset Quality					
GNPA	12.64	10.90	9.89	-275	-101
NNPA	4.59	3.76	2.96	-163	-80
PCR (with AUC)	75.53	80.52	84.39	886	387
PCR (without AUC)	66.74	68.09	72.23	549	414

	Q1FY21	Q2FY21	QoQ bps
Capital Ratios			
CET -I	10.30	10.57	27
Tier -1	10.47	10.74	27
CAR	13.45	13.64	19