



# IBOA CONNECT



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## Public Sector Banks : Catalysts for Inclusive Growth

Dear Comrades

On July 19th, 2023, we will collectively commemorate the 54th Bank Nationalization Day. The nationalization of banks was primarily undertaken to foster economic growth by extending banking services to sectors in need and promoting social banking and financial inclusion. The significant role played by nationalized banks in expanding and advancing various segments of the economy is evident through the growth observed in GDP, exports, per capita income, employment, and the reduction of poverty.

Social banking and financial inclusion have been substantially achieved by ensuring accessibility, affordability, and reliability of banking services. Accessibility has been enhanced through branch expansion and the deployment of business correspondents, bringing banking services to the doorsteps of individuals. Affordability has been prioritized through the adoption of cutting-edge technologies, while reliability has been ensured through the enforcement of necessary regulatory functions by various regulatory authorities.

As a result of the reforms introduced in the banking sector in the year 1991, licenses have been issued for private banks, followed by payments and small finance banks. Although private banks have steadily increased their market share through their distinctive operational styles, public sector banks have witnessed tremendous improvements in terms of efficiency, productivity, and profitability. These advancements are clearly evident from the recent consecutive financial results.

Every commercial bank strives to tap into the potential of various segments of the economy, including corporate, retail, agriculture, and MSME, in order to enhance their bottom line. However, Public Sector Banks (PSBs) take on an additional responsibility of ensuring social banking and financial inclusion. They achieve this by opening Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts for adults in every household, issuing insurance products such as Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for the general public, and providing pension products like Atal Pension Yojana. Moreover, PSBs have extended Mudra loans for small businesses and implemented PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi) for the benefit of hawkers.

The Government strives to achieve inclusive growth, recognizing that only through inclusive growth can employment opportunities be created, poverty reduced, and basic education and healthcare services provided. Social banking and financial inclusion play a crucial role in achieving this inclusive growth.

The Government's policy objective of achieving inclusive growth with stability necessitates the attainment of universal financial inclusion. Financial inclusion is no longer a matter of choice but an imperative policy direction. Any activity that deviates from societal priorities is bound to be phased out over time. Therefore, for a business to be sustainable, it must have a social orientation. This holds particularly true for the banking industry, which, due to its role as a financial intermediary, must align itself with the developmental needs of the society in which it operates.

One of the prominent reasons behind the banking crisis was the financial system's focus on advancing its own interests, resulting in a detachment from the real sector and the larger society. In order to prevent such crises and foster a stable and prosperous economy, the Banking sector must maintain a strong connection with the real economy and effectively serve the needs of the society as a whole.

It is essential to recognize that banks play a vital role in the fabric of society. They rely on the community for various resources such as manpower, funds, and support services, while also serving the community as customers of their services. Given this interdependence, it is only fair to expect banks to reciprocate by prioritizing the well-being of society through the implementation of social banking measures.

Recognizing the significance of social banking and financial inclusion, the Reserve Bank of India (RBI) formulates regulations, and the Government develops policies that Public Sector Banks (PSBs) then implement. PSBs have the unique ability to extend banking and financial services to millions of people, ensuring inclusive growth. Sustaining inclusive growth necessitates maintaining the Public Sector Character of Banks.

As we observe the 54th Nationalization Day, let us collectively reaffirm our commitment to safeguarding PSBs and preserving the prosperity of our nation.

**With Greetings.**

**Yours Comradely**



**R Sekaran  
Secretary General**

## WEDDING BELLS

**Selvi. S Shrilekha, M.Tech.,**

(D/o Com. C Anandeswari, Indian Bank, CMDA Branch)

**Married to**

**Selvan. S Harikrishna, B.E., M.B.A.,**

**At Chennai on 06.06.2023**

**Selvi. S Meenakshi, B.E., M.S.,**

(D/o G Srinivasan, Senior Manager (Retd), Indian Bank)

**Married to**

**Selvan. B P Venkatesh, B.E., M.S.,**

**At Chennai on 21.06.2023**

**Com. Aneez Fathima**

(Asst Manager, Indian Bank, Tuticorin)

**Married to**

**Com. A. Chozha Rajan**

(Asst Manager, Indian Bank, Mylapore)

**At Trichy on 24.06.2023**

**Com. D N Bharath Padmanabhan,  
B.Tech., MBA., D.LL.,M.L.,**

(Manager, Indian Bank)

**Married to**

**Selvi. T Saradha, B.Com., MBA.,**

**At Chennai on 02.07.2023**

**AIIBOA Wishes a Very Happy Married Life to the Newly Wedded Couple.**

## FIRST LOSS DEFAULT GUARANTEE (FLDG) SYSTEM

### Context :

The Reserve Bank of India (RBI) has recently allowed the First Loss Default Guarantee (FLDG) system in the digital lending space.

### About the First Loss Default Guarantee (FLDG) system :

- First Loss Default Guarantee (FLDG) is also known as default loss guarantee (DLG).
- FLDG is a lending model between a fintech and a regulated entity.
  - Financial technology (fintech): it is a new technology that seeks to improve and automate the delivery and use of financial services.
- It is a safety-net arrangement among banks, non-banking finance companies (NBFC), and lending service providers (LSPs), popularly known as fintech players in the digital lending space.
- Under this, a third party guarantees to compensate up to a certain percentage of default.
  - The fintech originates a loan and promises to compensate the partners up to a pre decided percentage in case customers fail to repay.

### Advantages :

- The credit risk is borne by the Lending service providers (LSPs) without having to maintain any regulatory capital.
- The loan portfolio backed by FLDG is akin to the off-balance sheet portfolio of the LSP wherein the nominal loans sit in the books of the lender without having to partake in any lending process.

- FLDG helps expand the customer base of traditional lenders but relies on the fintech's underwriting capabilities.

### Disadvantage :

- FLDG costs are often passed on to customers.

### FinTech

- The term "FinTech" is a combination of the words "finance" and "technology".
- Fintech refers to the integration of technology into offerings by financial services companies to improve their use and delivery to consumers.
- It primarily works by unbundling offerings by such firms and creating new markets for them.
- Benefits: Companies in the finance industry that use fintech have expanded financial inclusion and use technology to cut down on operational costs.
- Challenges: Fintech funding is on the rise, but regulatory problems exist.
- Fintech applications: robo-advisors, payment apps, peer-to-peer (P2P) lending apps, investment apps, and crypto apps, among others.

### Lending service providers (LSPs)

- They are new-age players who use technology platforms in the lending space.
- They are agents of a bank or NBFC
- They carry out one or more of a lender's functions (in part or full) in customer acquisition, underwriting support, pricing support, disbursement, servicing, monitoring, and recovery of specific loans or loan portfolios on behalf of REs as per the outsourcing guidelines of the RBI.





# PREVENTIVE VIGILANCE

## STRUCTURED LOAN PRODUCTS

### VEHICLE LOANS

- Follow all the common guidelines in identifying the applicant and obtaining all the required set of documents for loan processing.
- Obtain a quotation from the applicant. Verify the rates quoted by the vendor- including Insurance, Road Tax etc, whether rates are inflated to get more loan amount. Verify genuineness of the Vehicle Dealer & Quotation submitted by the applicant.
- Loan can be given for purchase of vehicle on road cost i.e., including Registration, Insurance, Road Tax etc.
- Demand draft comprising of Bank Loan and the Customers Contribution should be drawn in favour of the Authorized Dealer of the vehicle.
- The DD should be sent directly to the Dealer with a covering letter stating that the DD should be appropriated towards purchase of the vehicle as described in the letter and not for settling other dues of the borrower. Dealer should be communicated through Email about Registration Vehicle with Bank's Hypothecation Clause by providing details of DD issued in their favour.
- The vehicle should be Comprehensively Insured with Bank's hypothecation clause. Obtain & keep on record the copy of the Vehicle Insurance policy.
- Advise the borrower to register the vehicle with concerned Road Transport Authority, with Bank's hypothecation clause.
- Obtain the photocopy of the R.C. Book (Registration Certificate) and verify the same with the original.
- Ensure that the remarks "Hypothecated to Indian Bank" indicating Bank's Charge is entered in the RC book and Insurance Policy of the vehicle.
- Obtain Invoice / Receipts / Bills issued by the Dealer of the Vehicle for having delivered the vehicle and hold the same in borrowers' file
- Inspect the vehicle - verify the specifications and maintain the record
- Obtain blank forms of D 19-A & B in duplicate, 19-C in triplicate and 19-D in single, signed by the borrower at the time of documentation.
- Applicable processing fees to be recovered.
- In case of loan for purchase of used (Second Hand) vehicles, ensure that the vehicle is not more than 3 years old and the vehicle is fit in

all aspects. Certificate of Fitness and Valuation of the Vehicle from a reputed / Government Recognised Valuer to be obtained.

### Dont's :

Do not deviate any stipulated guidelines as mentioned in the Master Circular of IBVL. Do not disburse loan by crediting the proceeds to the customer's account or by disbursing cash. Do not give the demand draft to the customer for handing over to the dealer

### PERSONAL LOANS :

- Employees of PSU / Government establishment or reputed companies who are drawing their salary through the accounts maintained with us and where check-off facility is available, are eligible.
- Employment certificate / salary slip to be obtained. Check the salary credited with that shown in the salary slip.
- Ensure that the applicant is on permanent role of the company / Government establishment.
- Desired CIBIL score of the borrower should be ensured. The details of the loan facilities as per CIBIL report should be discussed in the Appraisal Note.
- Quantum of loan to be arrived after taking into account the EMIs of loans already availed and EMI for the proposed loan facility . Also stipulated "Take Home Pay" should be ensured.
- The loan should be sanctioned strictly as per the minimum / maximum amount prescribed by the Bank.
- Keep in touch with the salary Disbursement Authorities in case salary of any employee is not being credited to the account.
- Applicable processing fees to be recovered.

### JEWEL LOANS :

- Jewel loan can be sanctioned to individuals who are over 18 years of age with a steady source of income against the collateral security of Gold Ornaments.
- Proper introduction of the borrower is important and minimum capacity to service the interest is necessary.
- Refer to periodic HO Circulars for gold rates for the advance value of gold. Make it a habit to see the circulars in our Bank's intranet to find out the latest advance value of gold before sanctioning jewel loans.
- Always be present when the appraiser is handling the gold ornaments.

- In addition to the Jewel Appraiser's verification, Officer should also ensure the purity of gold ornaments.
- Officer should take-over the custody of jewels from the appraiser, immediately after his appraisal and keep in jewel safe.
- The repayment period for Jewel loan should not be more than 35 months.
- Overdraft can also be sanctioned but to the customers of good standing only.
- The necessary Processing fees should be recovered for the sanction of loan.
- If the loan is not closed within the stipulated period, notice should be sent to the borrower to repay the loan with interest and the matter should be placed to the ZO authorities and their approval to be obtained for auctioning the ornaments to recover the Bank's dues.
- If the borrower fails to repay the loan outstanding the ornaments should be auctioned in public by fixing floor price depending on the market value of the ornaments.
- Follow CO guidelines in case of Undelivered Jewel Packets.

#### Don'ts :

Ornaments with alphabetic initials / names, Gold bars should not be accepted. Do not allow/permit the customer for mis-utilising Jewel Loan facility to keep their valuables safely with the Bank. To obviate such possibility a service charge of 1% of the original limit sanctioned should be charged in addition to the regular interest. Do not allow the appraiser to enter strong room or do any other work independently in your absence. Appraiser are not allowed to access the Jewel Loan documents and control Register kept inside the Safe Room to avoid tampering of records.

#### GENERAL GUIDELINES :

- You should know loan products of our Bank as well as, those of your competitors. This will enable you to market our Bank's products.
- Ascertain the credit worthiness of the applicant (verify the conduct of other accounts maintained at the branch and analyse the reports of CIBIL, EXPERIAN etc). Find out the eligibility of the applicant.
- Obtain post-dated cheques or ECS Mandate from the borrowers wherever Check-Off facility is not available.
- Do not issue any letter stating that "loan will be sanctioned" -before completing the formalities.
- Inform the borrowers about the pre-sanction charges/expenses like Processing Charges, Legal Opinion Charges, Valuation Charges,

CIBIL/EXPERIAN Charges, etc and Post Sanction Charges like Documentation Charges, Registration and Stamp Duty for registering EM with SRO, EM Charges, TL Review Charges, etc - wherever applicable.

- Use appropriate documents as per the credit facility sanctioned.
- Fill up the documents in all columns.
- Get the documents properly stamped according to the State Stamp Act.
- Obtain the signatures of the Borrowers / Guarantors on each and every page of the documents and wherever alterations are made. Affix rubber stamp as applicable to the constitution of the firm and capacity of the executant – except wherein they have signed in their individual capacity.
- Recording of verification of units/assets financed and to be financed by the Bank.
- Visit all OCC Units on monthly basis, record verification of stocks. Visit SOD Units (Qly/Hly) where stock involved, record the same. Obtain stock statements monthly for all the OCC Accounts; enter the same in the system to avoid slippage of Accounts. Entrust Inspection of OCC/OD Accounts to all the officers in the branch to enable them also know about the borrowers.
- Verify staff accounts on monthly basis and scrutinize the transactions in Staff accounts. Also meticulously attend the OSM alerts raised over transactions in Staff Accounts.
- Complete Pre Release Audit / Legal Audit formalities before release of the loan.
- Recover all the charges as per latest circulars to avoid Leakage of Income.
- Renew D11s in time, enter in the system only after obtention of D11s.
- Maintain Office order and rotate job as per CO Guidelines.

#### SHG LOANS :

- The SHGs which are already in existence with the active involvement of State Government Organization/Voluntary Agencies (VAs) / Non-Government Organisations (NGOs) / Self Help Group Promoting Institutions (SHPI) etc., are preferred to be brought under the SHG Bank linkage programme. If an NGO is involved in registration and mentoring the SHG, ensure that it is registered and rated.
- Only those persons or if their family is a resident of the village/town/city for a minimum period of two years, will be eligible for becoming a member of the SHG.

- Interact with SHG members directly in regard to the loan and never allow NGO to be more than an observer. Their role is only to help SHGs and they should not be allowed to dilute the checks and controls built into our procedure in the guise of helping us, in documentation.
- Ensure individual SB accounts are opened for all members of the SHGs by following extent guidelines namely verification of KYC documents, due diligence of the member etc.
- Do not activate the Inoperative SHGs with new members and not to be treated as existing SHG
- Before processing their proposals for loan facilities, Books of Accounts of SHGs are to be verified and copies of the same to be obtained. Audit report of SHGs should be obtained from Chartered Accountant not from Tax Consultants.
- Ensure savings of the SHGs are deposited in SHG SB account.
- At the time of loan documentation, identities of each member should be verified thoroughly and no chance for impersonation of any member should be given. The photo, specimen signature of each member obtained in the Info Card, SHG Opening form and Resolution copy should match.
- Loan documentation should be done in the presence of an officer and this task should never be delegated to anyone else.
- At the time of disbursement of the loan, address the SHG members directly and inform them in clear terms about the loan amount, period of loan and monthly repayment.



## **RETIREMENTS**

S.No.	NAME	DESIGNATION	BRANCH
1	COM. UDAYAKUMAR A .	ASST. GENERAL MANAGER	CO:ESTATE
2	COM. CHANDRASEKAR S .	ASST. GENERAL MANAGER	CO: RURAL BANKING DEPT
3	COM. SUDARSANAN C .	ASST. GENERAL MANAGER	KALLAKURICHI
4	COM. GHANAPATHI KRISHNAN B .	CHIEF MANAGER	CO:RECOVERY - II
5	COM. SUJATHA T .	SENIOR MANAGER	CO: CUSTOMER SERVICE CELL
6	COM. CHANDRASEKAR P .	SENIOR MANAGER	ZO:POONAMALLEE
7	COM. BALASUBRAMANIAN V J .	SENIOR MANAGER	SAMV MUMBAI
8	COM. MANOHARAN M .	SENIOR MANAGER	ZO:TRICHY
9	COM. SELVAKUMAR M .	SENIOR MANAGER	ZO:SALEM
10	COM. THENNARASU A .	SENIOR MANAGER	ZO: DHARMAPURI
11	COM. SAKTHI VEL N .	SENIOR MANAGER	ZO:SALEM
12	COM. SRINIVASA RANGAN .	MANAGER	M.D & C.E.O SECTT
13	COM. HEBLI VINOD RAMCHANDRA .	MANAGER	SERVICE BRANCH, MUMBAI
14	COM. KUPPUSAMY K .	ASST. BRANCH MANAGER	TITTAGUDI
15	COM. RAVI S .	ASST. BRANCH MANAGER	TIRUVALLUR BAZAAR
16	COM. GEETHA C .	ASST. BRANCH MANAGER	SINGANALLUR
17	COM. PAPPANNAN K .	ASST. MANAGER	COIMBATORE MAIN

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



## IMPORTANT CIRCULARS DURING THE MONTH OF JUNE 2023

Date of Issue	Circular No.	Subject
03/JUN/2023	CRA-18	Portability of IB Arogya Raksha for existing customers of UIIC to Universal Sompo (Group product)
	ADV-3	RBI MASTER CIRCULAR ON CREDIT FACILITIES TO MINORITY COMMUNITIES
06/JUN/2023	HRD-2	Joint certification on "AML-KYC and Compliance" in collaboration with Indian Institute of Banking and Finance (IIBF)
	CRA-2	RBI Master Circular - Disbursement of Government Pension by Agency Banks
07/JUN/2023	ADMIN-27	Reiteration of Guidelines – Recording Details of Transactions in Passbook/Statement of account
	ADMIN-2	RBI Master circular on Facility for exchange of notes and coins
12/JUN/2023	ADV-65	Modification in existing guidelines of IB Home Plus Scheme
	ADMIN-4	RBI Master Circular on the Scheme of Penalties for bank branches including currency chests based on performance in rendering customer service to the members of public
14/JUN/2023	GEN-2	Online Submission of Assets & Liabilities Statement as on 31/03/2023 by Officers of our Bank
	ADV-6	RBI Master Circular on Lead Bank Scheme
16/JUN/2023	FX-10	Amendment on Tax Collected at Source (TCS) on LRS
	ADV-11	SCHEME GUIDELINES AND STANDARD OPERATING PROCEDURE (SOP) FOR SUPPLY CHAIN FINANCE (SCF)
17/JUN/2023	CRA-21	Electronic Bank Guarantee in EXIM Bills
	ADV-13	NPA Management Policy 2023-24
28/JUN/2023	GEN-3	Revised procedure of dispatching Personalized ATM Debit Cards and Issuance of Instant Debit Cards for New Customers
	ADMIN-9	CONDUCT OF ELECTRICAL SAFETY & ENERGY AUDIT IN BRANCHES/ OFFICES
21/JUN/2023	FX-11	Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit- Modifications
	ADMIN-12	Policy/Guidelines on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT) norms for FY 2023-24
21/JUN/2023	ADMIN-32	Introduction of Account opening at Branches through CKYCR ID
	CRA-11	Centralized portal for Disaster Incident Reporting
22/JUN/2023	ADMIN-33	Reporting exceptions by ABM/Second Officer of the Branch
23/JUN/2023	HRD-27	Incentive for Completion of Self-Learning Training Programs on Bank's Learning Management System (LMS).
26/JUN/2023	HRMD-30	Maintenance of Punctuality and Attendance at work
27/JUN/2023	CRA-27	Missing Documents: Reiteration of guidelines
30/JUN/2023	ADV-69	Consolidated Interest Rate Circular
30/JUN/2023	DEP-28	Launching of New Term Deposit Product "IND SUPREME 300 DAYS"
30/JUN/2023	HRMD-32	Changes in Disciplinary Authority / Appellate Authority / Reviewing Authority.
30/JUN/2023	ADMIN-35	Mahila Samman Savings Certificate 2023 - A new Deposit Scheme of Government of India for Women and Girls

**Non-inclusion of a circular does not reflect on its importance**

# Photo Gallery



Our General Secretary, on behalf of IBOA(TN & P), has presented a cheque to cover the Tuition Fee of a deserving student in need.

## MEMBERS MEET



At Coimbatore on 10.07.2023



Com Manoharan M, Vice President, IBOA (TN & P) was honoured upon his retirement in Trichy

## Executive Committee Meeting



IBOA (UP & UK), at Kanpur on 02.07.2023.



IBOA (MP & Chattisgarh) at Jabalpur 02.7.2023



IBOA (AP & TS), at Hyderabad on 25.06.2023