Registered with Registrar of Newspapers under RNI No. MAHBIL/2013/51592. Postal Registration No. MCS/087/2018-20.
Published on 4th of every month. Posted at Patrika Channel Sorting Office, Mumbai-400001. Posting date: 6th of every month.

ISSN 2349-7483

The Indian BANKER

The Monthly Journal Published by the Indian Banks' Association

दि इंडियन बैंकर

Volume VIII Issue 1 Mumbai, August 2020, Pages: 68 ₹ 60

Financial Inclusion in India

Progress and Prospects

Indian Banks' Association

Dashboard

1. Banking and Money: All Scheduled Commercial Banks (INR Crore)

	Outstanding as on		% Variation Over		
	Jul 3, 2020	**Jul 5, 2019**	**Last Month**	**Last Year**	**End March 27.03.2020**
Aggregate Deposits	14,075,185	12,674,680	0.86	11.05	3.71
1. Demand	1,510,533	1,312,800	2.28	15.06	-6.58
2. Time	12,564,652	11,361,880	0.69	10.59	5.11
Bank Credit	10,291,611	9,697,510	0.36	6.13	-0.77
1. Food	85,886	70,770	0.24	21.36	65.92
2. Non-food	10,205,725	9,626,750	0.36	6.01	-1.11
Cash in Hand	83,392	77,890	-1.33	7.06	-4.32
Balance with RBI	441,784	509,970	-0.84	-13.37	-12.54
Investments	4,218,390	3,545,820	1.58	18.97	14.21
Money Supply					
M3 (a+b+c+d)	17,536,789	156,024	0.82	11139.83	4.42
a. Currency with Public	2,571,573	21,100	1.07	12087.84	9.81
b. Dem.Dep.with Banks	1,631,361	14,282	2.10	11322.50	-6.12
c. Time Dep. with Banks	13,293,677	120,276	0.67	10952.66	4.86
d. Other Dep. with RBI	40,178	366	-14.41	10868.60	5.24

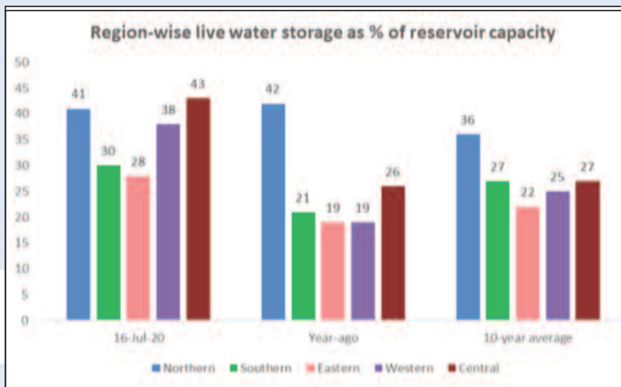
2. Price

	2020	2019	% Variation Over Month	Year
WPI: 2011-12=100 (June 2020)	119.3	121.5	1.4	-1.8
CPI: 2012=100 (June 2020)	151.6	142.9	0.5*	6.1

*CPI indices for May-20 are imputed indices published by the NSO and accordingly the 'Percentage variation of Current Month over Previous Month' can be interpreted with caveat.

3. Deployment of Gross Bank Credit by Major Sectors (₹ Crore)

	25.05.2018	24.05.2019	22.05.2020	Y-o-Y [2018-19] %	Y-o-Y [2019-20] %
Gross Bank Credit	7,636,504	8,516,737	9,108,882	11.5	7.0
Non-food Credit	7,583,758	8,451,239	9,029,747	11.4	6.8
Agriculture & Allied Activities	1,027,880	1,107,883	1,146,207	7.8	3.5
Industry [Micro & Small, Medium & Large]	2,644,568	2,814,039	2,861,607	6.4	1.7
Services	1,993,233	2,287,877	2,543,070	14.8	11.2
Personal Loans	1,918,077	2,241,440	2,478,863	16.9	10.6



Note: Storage level as on week ended 16 July, 2020

Source : CMIE

4. Forex Reserves	As on	A year ago
(Including Gold & SDR)	**10.07.2020**	**12.07.2019**
₹ in Crore	3,883,436	2,944,980
US$ Million	516,362	428,798

5. Bank Rate	Percent	Effective
1. Bank Rate	4.25	27.03.2020
2. MCLR (Overnight)	6.65/7.30	10.07.2020

6. Term Deposit Rate > 1 year (%) Percent 2020

Jun-19	Jun-26	Jul-03	Jul-10
5.10/5.65	5.10/5.65	5.10/5.50	5.10/5.50

7. Exports, Imports & Trade Balance (₹ Million)

	Apr-20	May-20	Jun-20	% Apr-May	% May-June
Trade Balance	-515,736.70	-238,116.70	60,064.30	53.83	125.22
Exports	789,514.10	1,441,660.10	1,658,988.50	82.60	15.07
Imports	1,305,250.80	1,679,776.80	1,598,924.20	28.69	-4.81

8. Ratios

	Percent	
1. CRR	3.00	w.e.f. 03.04.2020
2. SLR	18.00	w.e.f. 17.04.2020
3. Repo Rate	4.00	w.e.f. 22.05.2020
4. Reverse Repo Rate	3.35	w.e.f. 22.05.2020
5. Marginal Standing Facility (MSF) Rate	4.25	w.e.f. 22.05.2020
6. Cash Dep. Ratio	3.73	as on 03.07.2020
7. Investment Dep. Ratio	29.97	as on 03.07.2020
8. Credit Dep.Ratio	73.12	as on 03.07.2020

9. Index of Industrial Production - Sectoral [Base: 2011-12=100]** 2019-20

	Mining	Manufacturing	Electricity	General
Growth Apr-May	3.7	3.5	6.7	3.9
Growth over corresponding period of the previous year (May)	2.3	4.4	7.4	4.5

** Due to lockdown, the figures of May 2020 cannot be strictly compared with that of the previous month and year.

10. Capital Markets (INR Billion)

	Mar-20	Apr-20	May-20	Jun-20
Capital Issue	1068.3	788.8	799.3	1348.7
Public Issue	107.1	0.1	4.0	47.5
Rights Issue	4.8	0.0	0.0	535.3
Private Placements	956.4	788.6	795.3	765.9

Call Money rates (Weighted Average) as on 10.07.2020 - 3.47%

11. Prime Rates/ Prime Lending Rates as on Apr/May 2020 (% p.a)

US	CANADA	ECB	JAPAN	SWISS	BRITAIN	HONG KONG
3.25	2.45	0.00	1.48	0.75	1.10	5.00

(As lending practices vary widely by location, these rates are not comparable)

Sources: 1,2,4,5,6,8 - RBI Weekly Supplement 3 - RBI 7,10 - CMIE 9 - MOSPI 11 - Different Central Banks

Indian Banks' Association

Head Office:
Blocks 2 & 3, Stadium House, 6th Floor, 81-83 Veer Nariman Road, Mumbai 400 020, India.
Tel + 91-22-22824846

Editorial Office:
World Trade Centre, Centre 1, 6th Floor, Cuffe Parade, Mumbai 400 005, India.

Tel : + 91-22-22174019
Fax: + 91-22-22184222

Website: iba.org.in, theindianbanker.co.in
e-mail: svp.corpcomm@iba.org.in, mgr2.corpcomm@iba.org.in

Chief Executive & Editor

Sunil Mehta

IBA Communication Department

Sangeeta Shenwai
Senior Vice President

Suresh Shroff
Manager

Advertising

Finsight Media,
hari@finsight-media.com

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Subscription Rates	1 Year	3 years
Bank Employees*	₹ 400	₹ 1,000
Other Individuals / Institutions	₹ 600	₹ 1,500
Overseas subscriptions	US$150	-

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Printed and published by Sunil Mehta on behalf of Indian Banks' Association, printed at M/S Printrade Issue (India) Pvt. Ltd., Unit No. 10 Pragati Industrial Estate, 316, N. M. Joshi Marg, Lower Parel, Mumbai-400 011 and published at Indian Banks' Association, Stadium House, Block 3, 6th Floor, Veer Nariman Road, Mumbai 400 020.

Editor: Sunil Mehta

Design, Content and Marketing Support by
Finsight Media Pvt Ltd

Editor's Note

Financial Inclusion is a continuous process, not a goal post. In the cover story of this issue, Dr K Srinivasa Rao begins with an enumeration of its various objectives and socio-economic benefits. He traces its progress in India beginning with the social control of banks in 1967 through the Rangarajan Committee Report on Financial Inclusion in 2008 into the immensely successful PMJDY and other complementary policy initiatives by the Govt and the RBI. He highlights the positive social impact of these initiatives in India and on India's ranking in Global Findex of the World Bank. The economic impact of Covid-19 continues to occupy the mind of bankers. P Amaranatha Reddy presents a snapshot of this impact from a different angle than that of the cover story in our previous issue. He strongly focuses on the regulatory initiatives undertaken to deal with it.

In another article, presenting the distilled knowledge of a couple of key books on human behaviour in his typical laconic style, A K Jagannathan puts together management 'mantras' for top executives of banks. Anuradha Narayanan spells out the risks in outsourcing by banks through various live examples and emphasises that 'a breach of RBI guidelines can be clearly observed in frauds related to outsourcing by banks.' Ravi Mishra writes on the need and importance of Statutory Audit in banks, whereas Aparna Mishra creates a ready primer on mutual funds and Ashutosh Pande analyses the turmoil at IL&FS with a focus on its impact on the NBFCs in India.

In the legal section, K S Hareesh Kumar describes the status of the 'Liquidator' Under Companies Act 2013 and IBC 2016. In the Hindi section, while Vijay Prakash Srivastava discusses the strategies of HR management in the times of emerging banking paradigms, Subah Singh Yadav presents a comprehensive account of the Fintech phenomenon. We hope that the readers will find the above content informative and useful. We would be happy to have your feedback.

Sunil Mehta

Indian Banks' Association

Vision

To work proactively for the growth of a healthy, professional and forward looking, banking and financial services industry, in a manner consistent with public good.

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EDITORIAL COMMITTEE

Newsroom

Europe's big fiscal deal - The EU's €750bn Covid-19 plan is historic — but not quite Hamiltonian

Five day European Council meeting was concluded on July 21st. The summit, which signed off on a multi-year spending package worth €1.8trn ($2.1trn), will be one for the history books. The deal struck by the EU's 27 national leaders has two elements: the regular EU budget, or multi-annual financial framework (MFF), worth nearly €1.1trn over seven years; and a €750bn 'Next Generation EU' (NGEU) fund to help countries recover from the Covid-19 recession. Rows over the second of these explain the summit's length.

France and Germany laid the groundwork for the deal with their own agreement in May, and the final compromise was not too distant from their proposal. Hard-hit southern governments secured recovery funds worth several percentage points of GDP. The small countries of the self-styled 'frugal' bloc — the Netherlands, Austria, Sweden and Denmark — won hard-fought concessions. Poland and Hungary managed to water down efforts to attach rule-of-law conditions to budget payments. Most leaders emerged into the Brussels dawn claiming to have agreed on something historic, and to judge by the soaring euro, investors concurred.

The deal broke two historic taboos. First, Europe's leaders agreed that the European Commission could incur debt at an unprecedented scale. Starting sometime in 2021, the NGEU will be funded by borrowing over six years, with bonds at a range of maturities extending to 2058. Second, a total of €390bn will be distributed as grants, and hence will not increase recipient governments' debt burden.

This is a lifeline for the likes of Italy, where government debt is already on course to reach 150 percent of GDP by the end of 2020. It breaches a former red line over substantial intra-EU fiscal transfers. Both developments would have been unimaginable just six months ago.

The EU has now marshalled a fiscal response to the Covid crisis equal to or better than America's. The programme is equivalent to 4.7 percent of its GDP, a macroeconomically significant amount that comes on top of large stimulus spending by national governments. It has plugged the budgetary hole left by the departure of Britain, a net contributor before Brexit. It has answered the European Central Bank's repeated pleas to balance its monetary activism with a comparable fiscal effort. The EU may also have set a precedent for handling future crises, although any additional future collective borrowing will be stubbornly resisted by the frugal (as well as parts of Germany).

The recovery funds will be distributed to governments using an allocation key based on criteria such as unemployment and income per person. Governments will submit spending and investment plans to the commission, which will evaluate them on the basis of its annual 'country-specific recommendations'. Governments' spending plans are also supposed to align with the commission's priorities on climate and digitisation.

But the commission will not have the final say over whether to approve disbursements of funds. Rather like Germany during the euro crisis, the frugal do not trust Brussels' technocrats to police the reform efforts of southern states. Instead, Mark Rutte, the Dutch Prime Minister, secured an 'emergency brake': any government can object to another's spending plans, delaying and complicating disbursements. That allows him to tell Dutch voters that they have not signed a blank cheque for irrational spending. But Lucas Guttenberg of the Jacques Delors Institute fears the brake could entrench mistrust inside the EU if beneficiary governments believe others are objecting in bad faith.

The deal falls some way short of the 'Hamiltonian moment' some had hoped for it. Unlike America's treasury secretary in 1790, no one has proposed mutualising EU countries' legacy debts; not even the new common debt will enjoy joint-and-several guarantees. And the question of how the EU will pay back the sums borrowed has been left largely unanswered. Attempts to increase the EU's 'own resources' (its revenues, in EU jargon) have traditionally been blocked by national parliaments, which jealously guard their powers of taxation. Yet from 2028 money must be found to repay the debt the EU will soon incur: if not from own resources, then from larger national contributions. Next year the commission will propose EU-wide taxes on digital firms and climate-unfriendly imports.

There are two areas of concern. The first is the price demanded by the frugal. To preserve the recovery fund's grants, cuts fell on so-called 'future-oriented' areas like research, health-care and climate adjustment. These, critics grumble, are precisely the priorities the frugal claim should take precedence over agricultural and regional subsidies, which remain intact.

Moreover, the frugal won big increases to the rebates they get on their contributions to the EU budget (Austria's doubled). These small-country triumphs cost money and will have to be fought over again when the next MFF comes around. Emmanuel Macron, France's president, has long wanted to eliminate the rebate system.

The second set of concerns centred on how to prevent hand-outs to countries that undermine the rule of law. The EU has long struggled to bring wayward governments like Hungary's and Poland's into line. Both are large net recipients from the MFF, and some hoped to pressure them by attaching rule-of-law conditions to disbursements.

Many criticised the deal's cuts to favoured programmes and its lack of a provision for parliamentary oversight of the spending. Yet although the parliament may complain about the deal, on past form, it is unlikely to squash it. A budget must be in place from the start of next year. The parliament will not want to spark a crisis by blocking it.

How Indonesia's biggest bank is pushing MSMEs to go international

Indonesia's micro, small, and mid-sized enterprises (MSMEs employ more than 116.7 million people annually, or 97 percent of the total national workforce, data from Indonesia's Central Statistics Agency show.

Despite this, less than 15 percent have proper access to financing, according to APF Canada's 2018 Survey of Entrepreneurs and MSMEs in Indonesia. This presents a large opportunity for local banks to fill, and PT Bank Rakyat Indonesia (Bank BRI) has risen to meet MSMEs financing needs.

In 2019, Indonesia's biggest bank by assets recorded US$33.5m in value from local MSMEs exports, or 34 percent over the original target of US$25m in transaction value. The lender achieved this through its two-pronged growth strategy involving the Rumah Kreatif BUMN programme and the Indonesia Mall programme.

Through the Rumah Kreatif BUMN programme, Bank BRI helps enterprises access capital through the People's Business Credit. The lender also provides a variety of training, financing, and procurement services to MSMEs. Since its inception, the programme has seen more than 306,000 MSME members sign up.

Meanwhile, Indonesia Mall is focused on bringing retail MSMEs in the international field through e-commerce, thus giving them access to new revenue channels. Through the programme, Bank BRI provides support to vendors by handling shipping and logistics and providing marketing support on major e-commerce platforms, such as Tokopedia, Shopee, Bukalapak, Blanja, Blibli and Qoo10. Around 10,000 MSMEs have signed up for the programme, and these companies' revenues were reportedly boosted by 40 percent in 2019, according to Bank BRI.

Many MSMEs in Indonesia do not have access to larger customer segments because they simply don't know how to begin selling their products online. Further, most are not yet included in the formal financial sector, which makes international sales a difficult prospect to pursue in general. One of BRI's signature programmes called Indonesia Mall is an assisted e-commerce initiative that helps local MSMEs go global by participating in mainstream online retail.

Through Indonesia Mall, local MSMEs gain front row access to Bank BRI's financial products. Indonesia Mall not only helps small businesses expand their sales channels, but it also provides them with education on financial products. As the MSME grows its business via Indonesia Mall, bank simultaneously provides them with important tools like Kredit Usaha Rakyat (People's Business Loan) and also prepared Rp120 trillion (US$8.4 billion) to help MSMEs to grow through this mechanism.

APAC banks face $1.27t in credit losses over the next two years

Asia Pacific (APAC) banks' forecasts until end-2021 paint a bleak picture of loan defaults and downtrodden profits, with the region is expected to take up 60 percent of the $1.3t credit losses globally this year alone. APAC banking systems expected to lose as much as $1.27t in over the two years reports S&P Global Ratings and is not slated to recover until 2023. For 2020, the region will account for $518b of the forecasted $926b total increase in credit losses in 2020, dominated by $398 billion of losses in China.

China's banking system is likely to account for more than three-quarters of these losses and one-half of the region's loans over the next two years, more of a testament to its size. Its asset quality pressures are frontloaded by maintaining a reasonable level of loan loss provisions to non-performing asset (NPA) coverage. India and Indonesia's path to recovery from the pandemic may be more painful than in some other APAC banking jurisdictions.

India is seeing a deep recession and had high NPLs leading into the pandemic, whilst Indonesian corporates are burdened by its slow economy, weak commodity prices, and high foreign currency debt—the effects of which may spill over on banks. Overall, APAC financial institutions' outlook is tilted towards negative on the back of the pandemic, oil price shocks, and market volatility, S&P noted.

Nevertheless, asset quality for banks in the region excluding India, profitability excluding Japan and capitalisation are in generally good shape, even as the pathway for the virus remains uncertain. Still, we anticipate that bank capital buffers will be significantly tested over the next six to 18 months. India also has the second-highest NPA level, albeit ranking fifth in system loans — the country's system loans contribute to less than 5 percent of loans in the APAC.

On a global scale, bank credit cost ratios in 2020 are forecasted to be around 160 basis points (bps), more than double their 2019 level of 78 bps. This is higher than the ratio recorded in the aftermath of the 2008-2009 global financial crisis, which was around 100 bps to 120bps. Meanwhile, 2021 credit costs are expected to come at around 95 bps -- a level that is still about one-fifth higher than in 2019.

S&P also observed that current accounting rules require a more timely recognition of credit losses than during the financial crisis, the composition of global lending is more weighted toward developing-market economies (including China) that tend to have poorer asset quality, and that the financial crisis had a more limited effect on loan asset quality in some regions (including APAC) than we expect to be the case at present.

Digital transactions could reach INR 15 trillion a day by 2025

Payments through digital modes are expected to jump to 1.5 billion transactions, worth INR 15 trillion a day in five years as per the Reserve Bank of India (RBI) estimates. The daily transactions average at about 100 million now for a volume of INR 5 trillion. Just before the Covid outbreak, the daily transactions were averaging around 125 million a day, which is more than five times the volume of digital transactions witnessed in 2016 June. Digital payments include transactions done through credit and debit cards, apart from various mobile payment modes like Unified Payment Systems (UPI).

The plan to take digital payments to such heights is being supported by innovation labs supported by the RBI that are experimenting with mobile payments that don't require good data connectivity, or even through basic phones and even without phones. Those systems should be up and running by 2024. Besides, an Acceptance Development Fund (ADF) has been set up in which the RBI has contributed heavily, along with payments services providers to develop the infrastructure for greater cards acceptance.

Government's Zero MDR move has hit payments industry

The government's decision to reduce merchant discount rate (MDR) to zero for certain payments has hurt the industry quite negatively and may discourage innovation, a committee on QR code-based payments has observed in the report. The committee's main recommendation was that there should be uniformity in QR code types and they should be interoperable wherever possible. The committee was not in favour of the abolishment of the MDR charges.

In December, the government said transactions are done through RuPay and Unified Payments Interface (UPI), floated by National Payments Corporation of India (NPCI), will attract zero MDR. Such reduction impacted the survival of payment gateway entities. The MDR reduction has led to a contraction in the gross national value of services and to significant contraction in the revenue of the payments business, which supports multiple participants in the ecosystem. Most of the players are from small and medium enterprises (SME) background, and they have been affected badly. The fintech space also attracted over $2 billion of capital in the last two years. But the reduction in MDR rate meant space might not attract capital in the future. The expectation of revenue generation from digital transaction processing has been severely affected by Zero MDR.

The payments industry has spent more than INR 2,000 crore in digital payments promotion and continues to invest more than INR 1,000 crore in capital expenditure annually. Such action by the government will impact the ability to achieve the government's goal of 4000 crore digital transactions and digital India initiative.

The committee is headed by D B Phatak Professor Emeritus at Indian Institute of Technology, Mumbai; Arvind Kumar Director-General, Standardisation Testing and Quality Certification (STQC), at Ministry of Electronics and Information Technology; Sunil Mehta Chief Executive, Indian Banks' Association; A S Ramasastri, Institute for Development of Research in Banking Technology; Dilip Asbe Managing Director and CEO, NPCI; Vishwas Patel Chairman, Payments Council of India are other members of the committee.

Strong pipeline of assets to be monetised via InvITs and REITs visible

The Securities and Exchange Board of India (SEBI) has taken a series of policy measures to attract more participation into Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs). There is clear visibility of a strong pipeline of infrastructure and real estate assets to be monetised through InvITs and REITs in the near future.

Infrastructure and real estate are the two sectors that have tremendous spillover effects on the rest of the economy. REITs and InvITs are vehicles which enable monetisation of existing assets and have shown significant growth over the last three years. The total unit capital of all REITs and InvITs put together stands at more than INR 58,000 crore at present.

Measures such as reducing the trading lot, facilitating further fund-raising through a preferential issue, including easier placement to institutional investors, rights issue and enabling monetisation through pledging of units have been taken by SEBI.

However, market participants believe that allowing foreign portfolio investors (FPIs) to invest in debt securities issued by REITs and InvITs will further improve the liquidity in the market. They feel that allowing FPIs to invest in debt securities will improve investor confidence and create more liquidity.

Big-ticket loan disbursals slump 67 percent in June quarter

The number of big-ticket loans of INR 50 crore or more sanctioned by lenders in the country crashed 67 percent year-on-year in the first quarter ended June amid the Covid-19 pandemic and resultant lockdowns according to a study by Propstack. Only 423 such loans were sanctioned in the June quarter, down from 1,285 a year ago, according to data intelligence provider Propstack that compiled filings on the Corporate Affairs Ministry portal. Among these, only 79 loans were valued at more than INR 500 crore, against 200 a year ago.

Under the Companies Act, a company availing a secured loan is required to register a charge on the ministry’s portal by filing certain forms. For June, 231 loans in the INR 50 crore and above category were sanctioned while 50 loans in the INR 500 crore and above category were approved. This was significantly higher than the activity witnessed in April and May when India was under lockdown to contain the spread of the pandemic.

Most of the loan sanctions came from government-owned lenders and developmental finance institutions like SIDBI and NABARD. The number of loans sanctioned by government-owned lenders rose 4 percent on the year, while sanctions by housing finance companies slumped 78 percent and those by non-bank lenders and private banks fell 74 percent and 59 percent, respectively, Propstack analysis showed. Activity by state-owned lenders increased largely because of Covid-19-related emergency credit line. There is credit uptick in Covid emergency line and some refinance activity. But Capex related loan activity is not much.

As the cost bites, customers exit loan moratorium

Even as the decision on extending the moratorium period on term loans hangs in the balance, the first quarter results of banks and NBFCs indicate that the number of borrowers opting for the facility has come down in recent months. Axis Bank, for example, has reported that just 9.7 percent of its loan book by value was under moratorium at the end of the first quarter compared with 25-28 percent in the previous quarter.

In the case of Bajaj Finance, 15.7 percent of its assets under management were under moratorium as on June 30, versus 27.1 percent as on April 30. For SBI Cards, the number of accounts under moratorium went down to 1.5 lac in June from 12.5 lac in May.

There are multiple reasons for the decline. The moratorium comes at a cost, and the customer has to pay interest for the moratorium period. Whoever has the ability to pay wants to come out of it. Also, as the situation has stabilised over a period, people have better visibility in terms of earnings and salary. So there is no panic for hoarding cash. It is also observed that the pace of revoking moratorium is higher in the case of the salaried class than self-employed. As per estimates, during the last two months, anywhere between 30 percent and 50 percent of people who had availed themselves of the moratorium option had opted out. These are, however, only initial trends with more results, especially of public sector banks yet to be announced. Bankers are also cautious and point out that more borrowers could still opt for the moratorium in the coming weeks.

Bankers and experts attribute the dip in moratorium levels to active engagement with borrowers, the realisation of the interest component and more certainty on salary and employment prospects since the start of the lockdown.

The majority of customers who took the moratorium in the first phase are deciding not to roll it into the second phase as it costs money. However, most banks have increased provisioning and are of the view that a clearer picture would be available only when the moratorium ends. The current moratorium ends on August 31.

Two crores Jan Dhan accounts opened in the last three months

As Covid relief from the Centre and State governments flowed in, a significant number of new Jan Dhan accounts were opened in the last three months. Government data show that the total number of Pradhan Mantri Jan Dhan Yojana accounts has gone up from 38 crores in April to 39.82 crores as on July 8, with a total balance of INR 1,31,576 crore.

Significantly, out of the 40-crore Jan Dhan beneficiaries, 22 crores are women. The growth has been driven by the benefits announced as part of the Pradhan Mantri Garib Kalyan Yojana, under which INR 500 was deposited by the Centre into the Jan Dhan accounts of women.

The average balance in Jan Dhan accounts has also been steadily rising, in the range of 15 to 24 percent for many banks in the last two years and is now hovering around INR 2,240-2,400. The data also show that in April-May, the main lockdown period, withdrawals from Jan Dhan accounts averaged INR 2,000 crore a week.

However, the pace of withdrawal slowed in June, and the average balance has gone up by at least 10 percent compared to pre-Covid times. An analysis of the growth in Jan Dhan accounts shows that while about three crore accounts were added every year in the last four years till April 2020 — from 28.23 crores as on April 2017 to 31.42 crore in April 2018, 35.39 crores by April 2019, and 38.07 crores in April 2020 — close to two crores were opened just in the last three months.

The total balance, too, has gone up from INR 63,971 crore in April 2017 to INR 1,19,680 crore in April 2020. However, a spurt in Jan Dhan accounts also poses a problem for banks as some of them turn inoperative after a few months. Also, servicing the accounts and linking them with RuPay Cards could be a challenge for banks if the number continues to rise.

SEBI asks MFs to disclose portfolios every 15 days

The Securities and Exchange Board of India (SEBI) said mutual funds would undertake at least 10 percent of their secondary markets trade in corporate bonds through the Request for Quote (RFQ) platform of stock exchanges from 1 October.

This is aimed at boosting the liquidity on the exchanges for secondary market bond transactions. The regulator also mandated MFs to disclose their portfolio every 15 days.

As per current norms, funds disclose their month-end portfolios with only a few funds issuing half-monthly portfolios. Additionally, the markets regulator also mandated disclosure of yields of the underlying instrument. Currently, MF schemes typically disclose the yield of the entire portfolio and not of individual securities. The disclosure of yields of individual bonds will increase transparency for investors who are stuck in schemes that have taken riskier bets of investing in lower-rated papers.

The secondary trades to be done on the RFQ platform will not include inter-scheme transfers. These secondary transactions over RFQ platform would ensure negotiated deals across securities over an electronic platform. SEBI said the move would enhance transparency and disclosure pertaining to debt schemes and investments by MFs in corporate bonds and commercial papers. This is based on recommendations of the Mutual Fund Advisory Committee (MFAC). Trading in corporate bonds is largely OTC (over the counter), which is then reported to the exchanges. To replicate this OTC nature but with better price discovery and transparency through electronic mode, SEBI has recently introduced RFQ platforms. SEBI has decided to mandate MFs to use this platform in a phased manner. Use of this platform by other institutional investors as well will result in better transparency and price discovery in the bond market.

SEBI has also directed that all transactions in corporate bonds and commercial papers wherein an MF is on both sides of the trade will be executed through the RFQ platform of stock exchanges in one-to-one mode, and any transaction entered into by an MF in corporate bonds in one-to-many mode and gets executed with another MF shall also be counted for the 10 percent requirement.

Jayasree Menon, Senior Vice President
Department of Research & Statistics
Indian Banks' Association

Financial Inclusion in India

Progress and Prospects

Dr K Srinivasa Rao

Financial inclusion (FI) is increasingly recognised the world over as a key driver of economic growth and poverty alleviation. It is broadly a process of connecting the society with the formal financial system known globally to have a multiplier impact on bringing about socio-economic transformation in society. Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investment in human capital. Thus, FI is mainly intended to:

(i) Provide access to affordable financial services to society to enable them to save, borrow, and remit funds to settle financial transactions. FI also covers social security financial products like insurance, pension annuities and bank assurance products.

(ii) Pool money lying with individuals by developing a robust financial network to spur investments and provide finance to enterprises.

(iii) Spread a culture of commercial and business orientation that can add to the economic prosperity and well being of the society.

(iv) Eventually develop a well-informed, financially and digitally literate society well versed with optimising financial resources that can plough back into the economy in the form of increased gross domestic product (GDP) and higher tax collections.

1. The genesis of FI

With the introduction of 'social control' on banks dating back to 1967, banks began to disseminate services to not merely to the rich and mighty urban class, but also to people at the lower strata of society to uplift their economic well-being. Banks began an arduous journey to move from 'class banking' to 'mass banking' that still continues.

The momentum to connect the banking with people gained more prominence after bank nationalisation in 1969 / 1980. It was intended to hasten reach of banking services to masses, a welfare concept enunciated in the social control of banks that was strengthened further with ownership of the majority of banks passing on to the government.

During expanding banking services, maintaining minimum balance in the account and need for an introduction to open a new bank was a hurdle in connecting masses with the formal system that were mostly not literate and lacked awareness. Reserve Bank of India (RBI) then introduced, for the first time, the system of allowing customers to open 'no frill' account, a product designed for propagating mass banking. Such accounts can be opened with 'zero balance' based on simplified 'Know your Customer' (KYC) norms. These liberalised banking facilities began to spread banking and savings habits.

The expanding form of banks gradually made inroads into hinterland when liberalised branch expansion policy renewed thrust on opening new bank branches. It was the 'Report of the Committee on Financial Inclusion' (2008) *(Chairman: Dr C Rangarajan)* that brought FI to the centre stage of formal policy-making in banks. It was the first time that the RBI directed banks to adopt a three-year board approved FI Policy (FIP) beginning its first phase from April 1, 2010. The board of banks is also made accountable to ensure that road maps articulated in the FIP are implemented to achieve the desired FI targets.

In order to facilitate the implementation of FI, the RBI for the first time permitted use of intermediaries where banks can engage business facilitators and Business Correspondents (BCs). The BC model allowed 'Cash in – Cash out' transactions at a remote location much closer to the rural population to enable last-mile reach. In order to strengthen the BC model of delivery and help prospective users to identify a BC having a good service track record, a BC Registry has been launched under the aegis of Indian Banks' Association (IBA). For capacity building and to ensure certain minimum standards of service rendered by the BCs, a BC Certification course through Indian Institute of Banking and Finance (IIBF) has also been introduced.

2. Financial Inclusion Policies (FIPs)

The FIPs articulated by each bank's board aims at keeping self-set targets in respect of rural brick and mortar branches to be opened, BCs to be engaged, coverage of unbanked villages with population above 2000 and as well as below 2000. In the meantime, the RBI dispensed the tag of 'no frill' savings bank accounts in 2012 and designated them as Basic Savings Bank Deposit (BSBD) accounts to standardise the spread of banking to far-flung geographies. Relaxed KYC norms have been allowed for BSBD accounts with the aggregate balance not to exceed INR 50000 with credits into account not exceeding INR one lac. Aadhaar card is to be accepted as a proof of identity as well as address.

The RBI also added micro-lending products, specifically designed and oriented, more importantly for rural areas to the eligible farmers for farm sector enterprise known as Kisan Credit Cards (KCCs) and for general businesses as General Credit Cards (GCCs). RBI has been monitoring the implementation of FIPs on a monthly basis. In order to effectively implement FIPs, the tasks were disaggregated and disseminated down up to the branch level. Branch level functionaries should ensure that the assigned targets are achieved to speed up the journey of FI.

These 3-year FI policies of banks are expected to create a road map of steps to be taken towards pursuing inclusive banking in villages with a population of over 2000. The purpose is to reach banking services to hitherto unbanked areas.

3. Delivery infrastructure

Liberal expansion of the network of bank branches and touchpoints is essential in the journey of FI. RBI has, from time-to-time simplified and opened up a wider scope to establish new branches with a balanced focus on penetrating rural and hilly terrains. In addition to the classification of branches into the metro, urban, semi-urban and rural, the RBI introduced another set of segregation of bank branches into six tiers.

Under the new policy, domestic banks are permitted to freely open branches in Tier 2 to Tier 6 centres with a population of less than 1 lac under general permission where they can open branches and report to the RBI instead of seeking specific centre-wise prior approval. In the North-Eastern States and Sikkim, domestic banks can open branches without having any permission from the RBI.

With the objective of further liberalising, general permission to domestic banks (other than RRBs) for opening branches in Tier 1 centres, the RBI permitted branch expansion, subject to certain conditions. The compulsory requirement of opening branches in unbanked villages is put as a condition in permitting the opening of branches in Tier 1 centre. The RBI directed banks to allocate at least 25 percent of the total number of branches opened at Tier 1 centres during a year for opening new branches in unbanked (Tier 5 and Tier 6) rural centres during the year.

RBI relaxed the branch authorisation guidelines in 2017 wherein fixed-point BC outlets serving for more than 4 hours a day and five days a week are treated on par with physical brick and mortar branches. An exclusive fund viz, Financial Inclusion Fund (FIF) has been created to support the adoption of technology and capacity building with an initial corpus of INR 2000 crore.

Further, the entry of new private banks and their branch network have also added to the banking infrastructure more notably, branches of Small Finance Banks (SFBs) and Payment Banks. This is intended to incentivise banks to spread banking in unbanked villages that may not necessarily be lucrative for banks. The idea is to cross-subsidise the revenues at the two groups of branches and to spread the network of branches across the geography. Among Payment Banks, Indian Post Payment Bank (IPPB) has the potentiality to leverage the vast network of Department of Posts (DOP) with 1.55 lac Post Offices, more than 3 lac postmen and Grameen Dak Sewaks to further scale up FI initiatives in the country.

Thus, the expanded network of branches when seen together with the spread of BCs and alternate delivery channels created a strong delivery infrastructure more focused on deposits and remittances but are yet to develop in terms of ability to disseminate credit to the mass of customers connected to the banking system.

With all these efforts, the number of bank branches works out to 1,47,210 by September 2019. The number of bank branches per 100000 works out to 14.72 in 2017 ranking at 76 while the global average is 18.13 branches. Considerable improvement is desired to push FI and to expand the scope of access.

4. Digital penetration

In the journey towards FI, in addition to the network of bank branches, the advancement of technology had a catalytic role. By using integrated core banking technology, banks started developing a strong network of alternate electronic delivery channels at a much faster pace. Increased mobile connectivity, mobile network, Internet services were made accessible and affordable to people at the bottom of the pyramid.

As a result, the number of Point of sales (POS) terminals increased from 12,11,890 in September 2015 to 45,89,727 by September 2019 while the number of debit cards increased from 604 million to close to 835 million during the same period. The number of ATMs reached 2,10,086 by December 2019. But still, there is a lot of scope for increasing the ATM network. India is having 21.74 ATMs per 100000 adult population ranking at 111 when the global average is 56.11 ATMs per 100000 adult population.

Close to 1200 Fintech companies collaborate with banks to increase digital outreach in different forms. Forty-five wallet players, 50 UPI–based payments service providers and 142 banks on the Unified Payment Interface (UPI) platform are actively collaborating with each other to deliver services to customers. Such digital spread extends to telecom companies, e-commerce entities, banks, Internet companies and even messaging applications. As a result of the proliferation of such financial sector touchpoints, the scope for FI through digital penetration increased significantly.

5. Electronic payment mode

Coterminous with expanded digital infrastructure, facilities of electronic payment gateways for online payments have also been well developed. As the larger part of the RBI policy to promote digital inclusion, making online remittances through National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement System (RTGS) in savings bank accounts made free from January 2020 is indeed significant. It is also now made available on 24*7 basis facilitating quick fund transfer round the clock. The account number and Indian Financial Systems (IFSC) code are becoming popular to remit funds from one end to other. The merchant discount rates (MDR) – the charges that merchants have to pay to banks on transactions done on debit / credit were waived while presenting the Union Budget 2019-20.

Companies with a turnover of INR 50 crores or more are mandated to provide the free facility of payment through Rupay debit card and UPI, Quick Response (QR) code to customers from January 2020 and tax of 2 percent will be levied on entities drawing cash of over INR 1 crore during a year. It is intended to discourage cash transactions. In view of recent efforts, digital payment volumes have seen considerable growth. The RBI vision for Digital Payments and Settlement System – 2019-2021 released in May 2019 clearly intended to *'empower every Indian with access to a bouquet of e-payment options that are safe, secure, convenient, quick and affordable.'*

In the same realm, the 'Report of the high-level committee on deepening of digital payments *(Chairman: Nandan Nilekani)'* envisaged a tenfold increase in digital payments in the next three years. The RBI reinforces easing digital payment foothold with several continuing collaborative measures that can evolve a robust and seamless payment ecosystem.

Enhancing access to financial touchpoints and reducing the cost of access have been the twin drivers of digital inclusion. The recent growth in digital banking infrastructure could bring about a cultural shift in the intensity of use of the electronic mode of payments and settlement, more encouraging is its adoption even in the hinterland with the active use of POS terminals, QR codes, and digital wallets based on rising broadband speed and easy access. Moreover, the introduction of a new type of prepaid payment instruments (PPIs) will go a long way in deepening FI through further digital penetration.

6. Game-changing initiatives

The government initiated the National Mission for Financial Inclusion (NMFI) and introduced a scheme to ensure that every unbanked family to have at least one bank account for connecting people with the formal banking system, known as Pradhan Mantri Jan Dhan Yojana (PMJDY), the scheme was floated in August 2014 to provide universal banking services based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving unserved and underserved areas.

A digital pipeline has been laid for the implementation of PMJDY through linking of Jan-Dhan account with mobile and Aadhaar (Jan Dhan-Aadhaar-Mobile (JAM)). The trinity has connected millions of hitherto unbanked families. Banks have measured up to the spirit of FI and opened 380 million savings accounts as on February 12, 2020, of which Public Sector banks (PSBs) have opened 303 million accounts working out close to 80 percent. Involvement of PSBs in making the scheme realise its objective has contributed substantially to take FI forward.

In order to move towards creating a universal social security system for all Indians, especially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes, were designed. They pertain to the insurance and pension sector that were announced by the government in the Budget for 2015-16. The schemes were launched on May 9, 2015, for providing life and accident risk insurance and social security at a very affordable cost namely (a) Pradhan Mantri Suraksha Bima Yojana, (b) Pradhan Mantri Jeevan Jyoti Yojana and (c) Atal Pension Yojana. Pradhan Mantri Vaya Vandana Yojana to protect elderly aged 60 years and above was initially opened for subscription for a period of one year ie from May 4, 2017, to May 3, 2018.

Similarly, Pradhan Mantri Micro Units Development and Refinance Agency Ltd (MUDRA) Yojana (PMMY) was rolled out to develop micro-entrepreneurship where collateral-free loans could be granted by banks up to INR 10 lacs. The purpose is to prompt people to avail small loans and start their own enterprise so that job seekers could be converted into job providers. These two flagship schemes can take the progress of FI to the next level, but the potential beneficiaries should know about them.

7. Financial literacy and credit counselling

Lack of knowledge on using banking relationship for prosperity is one of the key limiting factors in taking FI to the next level – deepening customer connect. The society connected to the banking system is simply unaware of the use of banking relationship and about its utility to save, borrow and remit funds. The regulator expects banks to educate customers on how to use the bank account for social well being. But banks engrossed in their primary responsibility to safeguard stakeholder interest are simply not able to disseminate knowledge to its customers. This gap in information and knowledge is keeping huge banking infrastructure underused.

Realising this fact, RBI has set up financial literacy centres (FLCs) in selected blocks. But the RBI efforts in developing an informed society equipped with financial and digital literacy are a far-fetched aspiration. The efforts are still at a nascent stage. RBI has directed that all rural bank branches should develop into FLCs, but with the kind of asset quality issues, branches may not be able to fulfil such a tall responsibility.

In order to build capacity and skills, and sensitise the counsellors of FLCs and rural banks' branch managers for delivering basic financial literacy at the ground level, a two-tier training programme on financial literacy was designed. Further, the National Centre for Financial Education (NCFE) has been set up under Section 8 of the Companies Act, 2013 to focus on promoting financial education across the country for all sections of the population as per the National Strategy for Financial Education (NSFE). In this context, the Financial Inclusion and Development Department (FIDD) of the Reserve Bank is working as the nodal department for formulating and implementing policies for promoting FI in the country. But the efforts are not adequate to impart literacy to such a large population now connected after implementing the PMJDY scheme.

8. Progress of FI

In the background of some of the unparalleled policy initiatives taken and implemented since 2010, it will be

Table 1: Progress of FI in India (2010-2019)

S.No	FI Parameter	End March 2010	End March 2018	End March 2019
1	Banking outlets – Bank Branches	33378	50806	52489
2	Business Correspondents	34174	515317	541129
3	Other touchpoints	142	3425	3537
4	Total banking touchpoints	67694	569547	597155
5	Basic Savings Bank deposits accounts (BSBDA) (No of accounts in Millions)	73	536	574
6	BSBDA A/C (Amount in INR Billion)	55	1121	1410
7	Kisan Credit Card (No of cards in Millions)	24	46	49
8	Amount of loan outstanding in KCC in INR Billion	1240	6096	6680

Source: Annual report of Reserve Bank of India 2019-20 interesting and noteworthy to look at the progress in the journey of FI.

The data on FI since March 2010 can quantify the outcome and achievements of the banking system and related stakeholders. Unless detailed research is conducted, it will be difficult to assess the exact impact of the progress in implementing FI thus far. Out of close to 660000 villages in India, close to 6,00,000 villages have either a brick and mortar branch or a BC point.

The steep increase in the number of banking touchpoints from a mere 67,694 in 2010 to a whopping 5,97,555 has increased easy access to banking services. As a result, the number of BSBD accounts has increased from 73 million to 574 million with deposits in the accounts going up from INR 55 billion to INR 1410 billion by March 2019. These numbers would have gone up by now.

But the borrower base continues to be poor going up from 24 million to just 49 million. It indicates that propensity to borrow from the formal banking system is still low. Non-Bank peer-to-peer lenders (NBFC – P2P) and co-origination of loans by banks / NBFCs should bring about some change in the trend. But in all its dispensation, financial literacy efforts need to be accelerated to reach out to millions of newly connected customers to derive the full synergy of FI efforts.

Another big challenge is a large number of inoperative accounts. It is estimated that close to 23 percent of PMJDY accounts, and in all 42 percent of deposit accounts do not have a turnover or have a scanty turnover that does not actually provide any advantage to customers. Lack of cash in the hands of people in the hinterland is known to be a reason but with government routing subsidies through direct benefit transfer (DBT) provides a way to activate the account. Unless financial and digital literacy efforts are increased with greater involvement of village-level people, the bulk of account holders may not use the banking system, defeating the very purpose of connecting them with the mainstream financial system.

9. Global recognition of FI policies

Despite the limitations with which the ambitious policy of FI is pursued, India has been a front-runner in implementing FI. India ascended the global map after PMJDY was implemented beginning in August 2015 and with the digital thrust that came after demonetisation.

The Global Findex (GFX) assessed by the World Bank began to measure and highlight efforts of economies in implementing FI beginning with its first edition in 2011 that is released once in three years. The latest edition is GFX – 2017 showed that 515 million adults worldwide opened an account at a financial institution or through a mobile money provider between 2014 and 2017. The next edition is due sometime in 2020. GFX also showed that that 69 percent of adults globally have an account, up from 62 percent in 2014 and 51 percent in 2011. In high-income economies, 94 percent of adults have a bank account; in developing economies 63 percent do. There is also wide variation in account ownership among individual economies.

The progress is laudable as far as India is concerned. Its GFX was 35 in 2011, 53 in 2014 and 80 in 2017. This reflects a speedy improvement in FI moving from a mere 35 in 2011 to 80 by 2017, a remarkable uptick. The focused Indian FI policies in the last few years have worked out well and have been effective. It is significant to note that GFX – 2017 stands in the league at 80 for China, Russia – 76, Brazil -70 and South Africa – 69. GFX - 2014 was 79 for China and 53 for India. The rapid incremental improvement in India's efforts can be considered significant. It is 96 for UK and 93 for the US. Looking at the constraints of poverty, illiteracy, lack of spread of banking network, the progress achieved with the PMJDY scheme has been a great differentiator in FI space.

The whole inclusion has been further aided by the digital revolution that has also been widely recognised in Global Microscope – 2019 a report on the 'enabling environment for financial inclusion and the expansion of digital financial services' released by Economic Intelligence Unit (EIU) that ranked India well ahead of its peers among 55 countries studied in the report. It assessed regulatory and policy environment in its approach towards digital inclusion though it did not measure FI outcomes. The progress in five domains considered by the report was related to (i) government and policy support, (ii) stability and integrity (iii) products and outlets (iv) consumer protection and (v) infrastructure.

While the increase in countries' scores across the index provides evidence of more favourable environments for FI around the world, Colombia, Peru and Uruguay maintained their rankings at the top. Among the BRICS economies, the ranking of India is considerably ahead; Brazil 9, Russia 19, India 5, China 11 and South Africa at 13. It affirms that India is steadfast in pursuing FI through digital thrust for which infrastructure is getting built, and policies are made FI friendly.

10. FI impact in the society

With the FI objectives achieved so far, it has been a game-changer for economic transformation and improved social well-being. India has proved to be a pioneer in setting standards for pursuing FI. The combination of several sustained policy efforts of the RBI and government had a multiplier impact (a) on the development of banking infrastructure – physical and digital well spread in the hinterland, (b) due to institutionalised user-friendly dependable electronic payment systems introduced for round the clock usage, (c) on the development of a well-diversified range of financial products that can meet the needs of every age / income / gender, (d) on the systemic controls that have been designed to provide safety and security against cyber threats, and (e) in the area of customer grievance and redressal system that has been ensured by institutionalising the internal and external ombudsman.

As a result, FI efforts pursued so far the base of the banking system has increased to 195 crores of depositors and 15 crores of borrowers by the end of March 2019. It is noteworthy that the World Bank financial Inclusion Index (FINDEX– 2017) indicated that 80 percent of Indian adults of the age of over 15 years have a bank account. It works out that a minimum of 80 crores people are connected to the banking system in one form or other, but the number of people availing credit facility still continues to be poor. Before peeping into the prospects of the future shape of FI, a review of performance during the journey - 2010-19 will provide the strengths of FI infrastructure built thus far to tread future journey.

11. National Financial Inclusion Strategy (NSFI) 2019-24

Several countries pursue FI with a view to ensure inclusive economic prosperity. Articulation of NFSI puts many economies on the global map of FI. By mid - 2018, close to 35 countries including Brazil, China, Indonesia, Peru and Nigeria have already launched their own NFSI and another 25 countries are set to formulate them to expedite systematic implementation of FI. Many countries have modified and updated their NFSI to make them more effective.

In the backdrop of a decade of implementing experience of FI in India and achieving considerable connect of masses with the mainstream financial system, it will be interesting to look at the newly enacted NSFI 2019-24 that lays a clear future pathway. It is a well-articulated document of the RBI prepared under the aegis of Financial inclusion Advisory Committee (FIAC) and is based on inputs from the government of India, financial sector regulators and host of other stakeholders, more importantly, the financial sector intermediaries who have to implement it.

Future FI strategies are designed to make the financial services available, accessible and affordable in a safe and transparent manner to support inclusive and resilient multi-stakeholder led growth. Further leveraging of the BC model, access to livelihood and skills development, financial literacy and education, customer protection, and grievance redressal are some of the pillars on which future agenda of FI will be driven. Having set a robust banking and financial infrastructure, the next focus will be on deepening the reach, increasing usage and sustainability of FI so that its synergy could be fully harnessed.

Considerable progress is achieved in reaching milestones in FI in providing access of banking services in terms of branch network, ATMs, POS, BC network, digital kiosks and customer service points etc. Even huge number of new bank accounts was opened after PMJDY scheme was introduced. Simplified asset and liability products were also introduced to make it convenient for people to avail the services.

But the challenge remains that customers connected with the banking system are not coming back for business and inoperative accounts are on the rise. Either they remain inoperative, or even if the customers come back, they do little business. Unless customers borrow and repay loans on a regular basis, the real benefit of FI will not reach the target group. The financial literacy efforts are launched, but there is a huge missing link.

12. Task ahead

The future success of FI will depend on the ability of the financial system to persuade customers to aggressively use the banking system and increase their entrepreneurial capacity. Having provided wider access to financial services, some of the reasons for the shyness of connected customers to use the services can be attributed to high transaction cost, lack of surplus income with people at the bottom of the pyramid, product knowledge and lack of trust on the financial system. Insufficient documents, the distance of service providers and poor quality of services keep away customers.

Among the future priorities to push FI, simplification of procedures, sharing information about schemes, products and government subsidies and merits of DBT should be the initiatives. Financial literacy by engaging local people, use of local language and use of BCs to disseminate knowledge will be important. Having established global leadership in promoting FIs, there is a huge potentiality to pump prime efforts to deepen the customer relationship. Unless customers get used to regularly borrow, repay loans, migrate to digital mode, increase transactions and turnover in the accounts, the full potentiality of FI cannot accrue to the economy. It will rest on twin pillars. Financial and digital literacy and greater use of banking services by customers can ensure that the end state objective of FI is achieved. Bank's account holders must realise the benefit of banking relationship and how it can add to their well being and prosperity.

Optimising FI will be able to rejuvenate the economy and help in reaching a GDP target of US $ 5 trillion by 2025. The entire stakeholder community should adopt it on a mission mode taking up the responsibility to develop a well-informed and literate society. Educated members of the society should come forward to teach the merits of using the financial system, more importantly on savings, borrowing and electronic remittances. FI can, therefore, be a great differentiator in not only shaping the economy but also in deciding the social stature of future generations in the global trajectory.

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About the Author

Dr K Srinivasa Rao is currently teaching Risk Management as Adjunct Professor at IIRM, Hyderabad. He is a career banker holding range of responsibilities in the bank in India/abroad. He last held the position of General Manger, Strategic Planning in Bank of Baroda. After superannuation, he joined as an Associate Professor in NIBM, Pune and subsequently, moved as Director, NIBSCOM till November 2019.
His academic accomplishments include Ph.d in Commerce from BHU. Besides CAIIB and DBM, he holds an MBA in Finance and LLB.

He regularly writes on banking and finance. His book on 'Transformation of Public Sector Banks in India' was published in September 2019.

He can be contacted at kembais@gmail.com.

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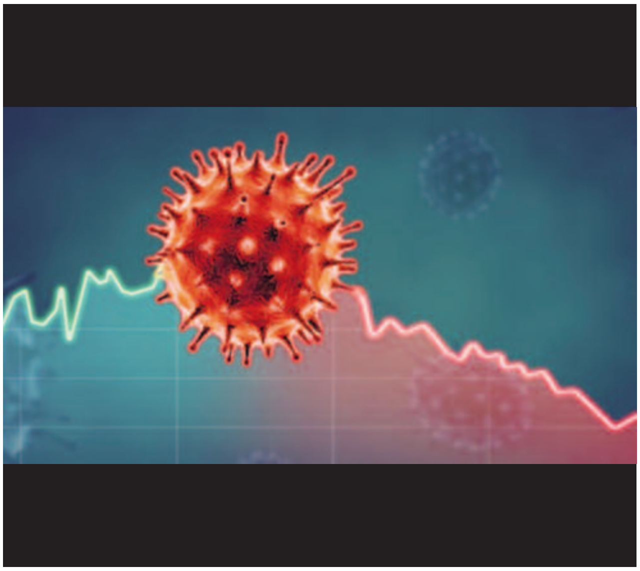


COVID-19

Impact on Indian Economy and Banking

P Amaranatha Reddy

The outbreak of Covid-19 epidemic and its rapid spread among all the states of India has presented fresh challenges for the Indian economy causing a severely disruptive impact on both demand and supply-side elements that has the potential to derail India's growth story in a significant way. Though the economy grew at a rate of 4.7 percent, a six-year low, in the third quarter of the financial year 2019-20, there was a strong hope of recovery in the last quarter of the financial year 2019-20 because of the number of stimulus measures initiated by the government to bring back the economy on the growth trajectory. However, the new Covid-19 epidemic outbreak has made a recovery extremely difficult in the near to medium and long run.

World Bank and credit rating agencies have downgraded India's growth for the fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalisation in the 1990s. However, the International Monetary Fund projection for India for the financial year 2021-22 of 1.9 percent GDP growth is the highest among G-20 nations.

Within a month, unemployment rose from 6.7 percent on March 15 to 26 percent on April 19. During the lockdown, an estimated 14 crore people lost employment. More than 45 percent of households across the nation have reported an income drop as compared to the previous year.

The Indian economy is feared to have lost over INR 32,000 crore (US$ 4.5 billion) every day during the first 21 days of complete lockdown which was declared following the coronavirus outbreak. Under complete lockdown, less than a quarter of India's $2.8 trillion economy was functional. Up to 53 percent of businesses in the country have been significantly affected. Supply chains had been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in what was 'essential' and what was not.

Those in the informal sectors and daily wage groups were the most at risk. A large number of farmers around the country who grow perishables were also affected. Various businesses, such as hotels and airlines, are cutting salaries and laying off employees. The live events industry has seen an estimated loss of INR 3000 crore (US$420 million). The resulting domestic supply and demand disruptions (on the back of weak external demand) are expected to result in a sharp growth deceleration in FY 2020-21.

Demand-side impact

Tourism, hospitality and aviation are among the worst affected sectors that are facing the maximum brunt of the present crisis. Declining footfall in shopping complexes and closing of cinema theatres and other public services had affected the retail sector by impacting both essential and discretionary items. Consumption got affected due to job losses in unorganised sectors and decline in income levels, particularly the daily wage earners due to slowing activity in several sectors like construction, retail and entertainment etc.

With ever-increasing panic and fear among the people, the overall confidence level of the consumer has dropped significantly, leading to the postponement of their purchasing decisions. Hotels witnessed large scale cancellations not only from leisure travellers but also from business travellers as conferences, seminars and workshops. Travel restriction has seriously impacted the transport industry.

Supply-side impact

The shutdown of factories and the resulting delay in supply of goods from China and other parts of the world affected many Indian manufacturing industries. Some sectors like automobiles, pharmaceuticals, electronics and chemical products etc faced raw material and component shortage — this hampered business sentiment and affecting investment and production of companies. Besides having a negative impact on the import of important raw materials, the slowdown of manufacturing activity in China and other markets of Asia, Europe and the US are impacting India's exports to these countries as well.

Broadly speaking, the overall impact on the Indian economy because of the Covid-19 can be categorised as under:

1. Sectors that have high impact
2. Sectors that have a significant impact
3. Sectors that have a moderate impact

Sectors having high impact

Pharmaceuticals

India imports about 85 percent of its total requirement of active pharmaceutical ingredients (API), and about 67 percent of bulk drugs, drug intermediates from China. As per the records of Pharmexcil, out of the total 58 molecules that are imported from China, 12 are imported from the Hubei province, which was the epicentre of coronavirus. With the situation in China still critical, supply disruptions from China may continue for some more months. The possibility of a shortage in the availability of medicines in India could lead to increase in prices of some items like paracetamol which has seen a price hike of about 40 percent.

Travel and tourism

Aviation is one of the worst affected sectors of the economy because of Covid-19 crisis. The crucial aviation sector that connects nations across the world is witnessing a flurry of layoffs and pay cuts. Domestic traffic growth is seriously affected because of complete lockdown, postponing and cancellation of domestic travel plans by domestic travellers. Some workers have been asked to go on forced unpaid leaves by aviation companies, who have been hit equally hard as the tourism and hospitality sector. According to the International Air Transport Association, airlines globally can lose in passenger revenue up to $113 billion (INR 8.4 lac crore).

The tourism sector was the first to get disrupted by the impact of Covid-19 and will be the last to see a resumption of activities. The tourism sector will be the worst affected due to virus pandemic. A KMPG report from the last month had already predicted the Indian tourism and hospitality sector to lose more than over 3.8 crore jobs. That figure is bound to increase.

Of all the segments of the hospitality sector, the meetings, incentives, conferences and exhibitions - known as MICE segment - has been hit the most. Some of the major international events have also been cancelled including tech events such as Mobile World Congress (MWC), Google I/O; facebook's F8 Event, which had led to huge economic losses.

According to IATO (Indian Association of Tour Operators), the hotel, aviation and travel sector together could incur a loss of INR 8,500 crore due to travel restrictions imposed on foreign tourists in India for a month. This is also expected to have a negative impact on jobs in the industry.

Segment having a significant impact

Electronics and consumer durables

India imports nearly 70 percent of the components for television, and other consumer durable products such as air conditioners, refrigerators, and washing machines. Due to supply disruption, sales of these items are likely to be hampered. It is also anticipated that the prices of these durable consumer items will see a price increase in the range of 3-5 percent.

Gems and jewellery

India exports 36 percent of its diamonds to China. The rescheduling of the Hong Kong International Jewellery Show and cancellation of four major trade events will cause an estimated loss of INR 8000-10000 crore for Jaipur alone and INR 20000 crore worth of deals in the first half-year of 2020 are under the cloud. It could also affect 2 million jobs.

Petrochemicals

India exports 34 percent of its petrochemicals to China. Finding new markets will be tough. Prices and margins of petrochemicals will be under pressure.

Seafood

Falling production and decreasing consumer demand are already pushing up the prices of fish and aquatic food, meaning many people will lose jobs. India exported INR 5,673 crore worth of marine products to China in 2018-19. The consignments to China have dropped by 10 to 15 percent.

With annual export volumes of 280,000 tones, India is the largest shrimp supplier to the US, accounting for a 40 percent share of the latter's imports by volumes. As, no fresh orders are forthcoming from other key markets like the European Union, Vietnam, and Japan; the industry is going to suffer significantly.

Sectors having a moderate impact

Auto components

China accounts for 27 percent of India's automotive parts imports and about 30 percent of its tyre imports. Since most of these companies located in Hubei province, there will be a delay in supplying the goods to India. Moreover, uncertainty surrounding the coronavirus will also impact the demand for vehicles as consumers will postpone their vehicle purchasing decisions.

Agriculture products

Agriculture and allied activities sector is going to be adversely affected by the pandemic. Fifty percent of pesticides inputs and 10 percent urea comes from China. Due to logistical problems following the lockdown tea estates are unable to harvest the first flush. The entire Darjeeling based tea industry will see a significant fall in revenue, and exports could drop up to 8 percent.

The prices of several commodities like soybean, maise and chana have fallen. The poultry sector, which is the fastest-growing subsector of in agriculture, was facing losses to the tune of INR 150-200 crores each day.

Micro, Small and Medium Enterprises (MSME) sector

The MSMEs are literally the backbone of all Indian sectors and often engaged in manufacturing and export activities — two key drivers of the Indian economy and also which contributes to over 30 percent of India's GDP. MSMEs were out of action due to the lockdown, chocking all production activities at major firms across sectors.

A large number of MSMEs could incur business losses and also face severe cash flow disruption, which in all likelihood will have an adverse effect on the livelihood of several people working in this sector. The automobile sector in India was forced to stop key manufacturing activity and has led to a sharp drop in production and sales.

Real estate sector

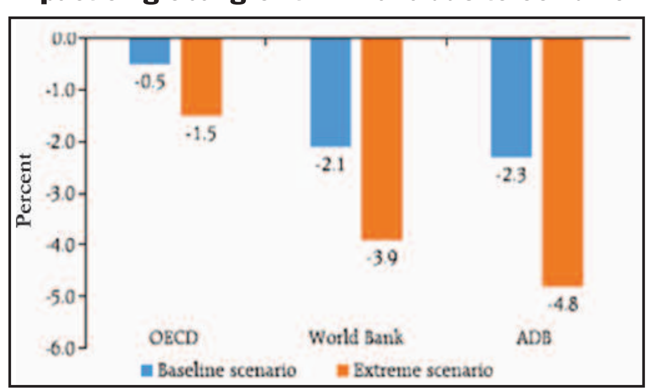
The real estate sector outlook has also suffered immensely due to the lockdown, which was announced to prevent the spread of the deadly Covid-19 virus. ANAROCK Group in a report had predicted that housing sales would fall 25-35 percent while office absorption will fall in the range of 13-30 percent on a year-on-year (y-o-y) basis.

In the long run, such a reduction in commercial and residential property could reset the future of real estate in India, the report added. While construction activities have resumed in some areas, there are many hotspot areas in urban areas where key construction projects have been put on hold for several weeks due to the lockdown. This has led to unemployment among millions of migrant labourers in India, who are engaged primarily in construction activities.

Impact of other counties

In the initial days of February, most forecasts of global output loss due to Covid-19 were in terms of the outbreak being confined to China and being brought under control by March / June. However, it was acknowledged that even in the limited scenario, the economic impact would be significant as China is a much larger player-both in terms of economic size and its role in the global value chain.

Figure 1 Multilateral institutions estimate of the impact on global growth in 2020 due to Covid-19



Source: OECD: World Bank: and ADB

(Notes: Organisation of Economic Cooperation and Development (OECD) estimates of March considered baseline scenario of Covid-19 peaking in China in Q1:2020 a limited spread to others. The extreme scenario considered a long-lasting and more intensive Covid-19 outbreak spreading to the most regions. The estimated impact is in terms of a percentage point of global GDP growth. World Bank estimates of April considered baseline scenario of a global pandemic and extreme scenario of an extreme global pandemic. The estimated impact is in terms of percent deviation from the benchmark from the envisaged model. Asian Development Bank (ADB) estimates April

considered baseline scenario of shorter containment and smaller demand shocks: and an extreme scenario of longer containment and larger demand shocks. The estimated impact is in terms of percent of GDP).

According to Credit Rating Information Services of India Limited (CRISIL), about 18 percent of India's total merchandise imports are from China. India had a trade deficit of $159 billion as of calendar 2019, and it remains a net importer from China (including Hong Kong) of $56 billion.

The global economy is on a slowdown mode, and no emerging economy can grow at its normal phase. Moreover, all the economies were grappling with their own issues, and Covid-19 made matters worse. Most of the Global Financial institutes estimates show that there will be a negative impact on the world economy.

Impact of global slowdown on India's growth and inflation

The possible impact of the global slowdown on India's growth and inflation can be assessed by using the Quarterly Projection Model (QPM) under alternative scenarios.

Scenario 1 assumes global growth in 2020 to be three percentage points lower than in 2019. Scenario 2 assumes that the outbreak is contained faster, and the loss of global output growth is only 1.5 percentage points relative to 2019.

Lower global output and demand can impact the Indian economy through a variety of channels. First, it can affect exports adversely, leading to lower domestic demand, growth and inflation. Second, international crude oil and other commodity prices have already softened sharply amidst high volatility and India, being a net importer can benefit from the lower commodity prices. Finally, heightened global financial market volatility can feed into domestic financial markets and impact both growth and inflation.

Impact of Covid-19 on the banking sector

Banking services in India are classified under the essential services list. Banking and financial institutions (FIs) were under immense pressure to ensure business as usual amidst the lockdown and health crisis.

Banking operations such as cash deposits, withdrawals, clearing of cheques and other traditional teller services had to be executed by maintaining a safe distance of at least a meter. Bank employees are discharging their duties to serve the customers in this need of the hour.

The major impact on the banking system is likely to be as under:

Asset quality

Quality of assets will deteriorate substantially in Corporate, Small and Medium Enterprises (SME), retail and agriculture sector, leading to pressure on bank's profits and availability of capital ie lendable resources of the bank. A sharp decline in economic activity and the rise in unemployment will lead to deterioration of household and corporate finance, which in turn will result in delinquencies.

Profitability

On account of rising non-performing loans (NPL) and increased provision would result in the burden on banks' profitability.

Figure 2 (a)

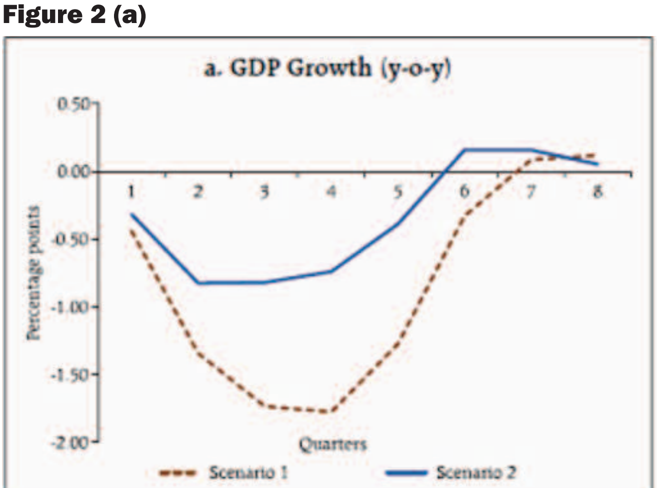
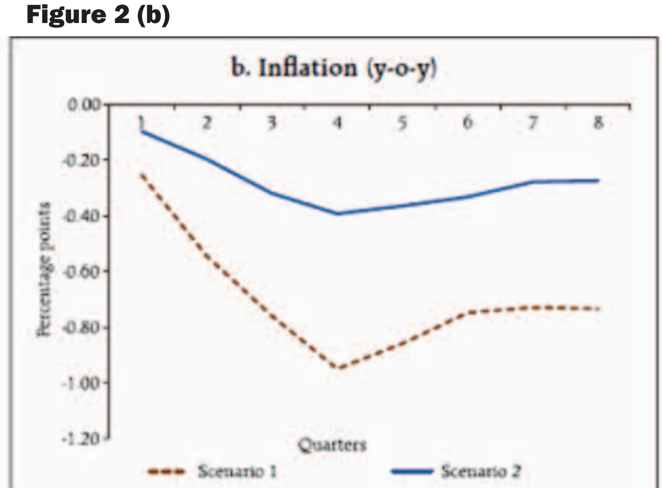


Figure 2 (b)



Source: RBI staff estimates

Credit supply

Credit supply to the economy is hampered because of the volatility in global financial markets and heightened risk aversion among Indian banks. Moreover, NBFCs will limit their capacity to lend, which will further hinder credit supply to the economy.

Digital banking

In the aftermath of the pandemic and economic uncertainties, emerging technologies will play a key role in speeding up transactions and reducing costs for banks. The Indian banking sector has already realised the role of technology in achieving the reach and scale.

Other possible implications for banks

In the days to come, more R&D resources and investment may be channelled to public health and medical system, particularly in the context of increased healthcare awareness. Online education, online entertainment and telecommunication platforms may emerge as new avenues of life.

Banks can increase investment in these emerging areas by utilising their research and product innovation capabilities. These technologies will play critical roles in the digital transformation of banks and FIs and re-imagine digital delivery of services.

Measures initiated by the government

Government of India (GoI) and Reserve Bank of India (RBI) initiated timely measures to give some relief to FIs, which ultimately benefit the consumers, industry and some push to the economy.

These measures set out various developmental and regulatory policies that directly address the stress in financial conditions caused by Covid-19. These measures consist of:

(i) expanding liquidity in the system sizably to ensure that financial markets and institutions are able to function normally in the face of Covid-related dislocations;

(ii) reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic;

(iii) easing financial stress caused by Covid-19 disruptions by relaxing repayment pressures and improving access to working capital; and

(iv) improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

I. Liquidity management

As stated earlier, the first set of measures is intended to ensure that adequate liquidity is available to all constituents so that Covid-19 related liquidity constraints are eased.

1. Targeted Long Term Repos Operations (TLTROs)

The onset and rapid propagation of Covid-19 in India had ignited large sell-offs in the domestic equity, bond and forex markets. With the intensification of redemption pressures, liquidity premia on instruments such as corporate bonds, commercial papers and debentures had surged. Combined with the thinning of trading activity with the Covid outbreak, financial conditions for these instruments, which are used, inter alia, to access working capital in the face of the slowdown in bank credit, had also tightened. In order to mitigate their adverse effects on the economic activity leading to pressures on cash flows, it has been decided that the Reserve Bank will conduct auctions of targeted term repos of up to three years tenor of appropriate sizes for a total amount of up to INR 1,00,000 crore at a floating rate linked to the policy repo rate.

Liquidity availed under the scheme by banks has to be deployed in investment-grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020. Banks shall be required to acquire up to fifty percent of their incremental holdings of eligible instruments from primary market issuances and the remaining fifty percent from the secondary market, including from mutual funds and NBFCs.

Investments made by banks under this facility will be classified as held to maturity (HTM) even in excess of 25 percent of total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be reckoned under the large exposure framework.

The first TLTRO auction was held on March 27, 2020.

2. Cash Reserve Ratio (CRR)

a. Liquidity in the banking system remains ample, as reflected in the absorption of surpluses from the banking system under reverse repo operations of the liquidity adjustment facility (LAF) of the order of INR 2.86 lac crore on a daily average basis during March 1-25, 2020. It is observed, however, that the distribution of this liquidity is highly asymmetrical across the financial system, and starkly so within the banking system.

As a one-time measure to help banks tide over the disruption caused by Covid-19, it has been decided to reduce the CRR of all banks by 100 bps to 3.0 percent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020.

This reduction in the CRR would release primary liquidity of about INR 1,37,000 crore uniformly across the banking system in proportion to liabilities of constituents rather than in relation to holdings of excess Statutory Liquidity Ratio (SLR). This dispensation will be available for a period of one year ending on March 26, 2021.

b. Furthermore, taking cognizance of hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, it has been decided to reduce the requirement of minimum daily CRR balance maintenance from 90 percent to 80 percent effective from the first day of the reporting fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020.

3. Marginal Standing Facility (MSF)

Under the MSF, banks can borrow overnight at their discretion by dipping up to 2 percent into the SLR. In view of the exceptionally high volatility in domestic financial markets which bring in phases of liquidity stress and to provide comfort to the banking system, it has been decided to increase the limit of 2 percent to 3 percent with immediate effect. This measure will be applicable up to June 30, 2020. This is intended to provide comfort to the banking system by allowing it to avail an additional INR 1,37,000 crore of liquidity under the LAF window in times of stress at the reduced MSF rate announced in the Monetary Policy Committee's (MPC's) resolution. These three measures relating to TLTRO, CRR and MSF will inject total liquidity of INR 3.74 lac crore to the system.

4. Widening of the monetary policy rate corridor

In view of persistent excess liquidity, it has been decided to widen the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the LAF would be 40 bps lower than the policy repo rate. The MSF rate would continue to be 25 bps above the policy repo rate.

II. Regulation and supervision

Alongside liquidity measures, efforts are also undertaken to mitigate the burden of debt servicing obligation brought about by disruptions on account of the fall-out of the Covid-19 pandemic. Such efforts, in turn, will prevent the transmission of financial stress to the real economy and will ensure the continuity of viable businesses and provide relief to borrowers in these extraordinarily troubled times.

EFFORTS ARE ALSO UNDERTAKEN TO MITIGATE THE BURDEN OF DEBT SERVICING OBLIGATION BROUGHT ABOUT BY DISRUPTIONS ON ACCOUNT OF THE FALL-OUT OF THE COVID-19 PANDEMIC. SUCH EFFORTS, IN TURN, WILL PREVENT THE TRANSMISSION OF FINANCIAL STRESS TO THE REAL ECONOMY.

1. Moratorium on term loans

All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India FIs, and NBFCs (including housing finance companies and micro-finance institutions) ('lending institutions') are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, maybe shifted across the board by three months.

2. Deferment of interest on working capital facilities

In respect of working capital facilities sanctioned in the form of cash credit / overdraft, lending institutions are being permitted to allow a deferment of three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. The accumulated interest for the period will be paid after the expiry of the deferment period.

The moratorium / deferment are being provided specifically to enable the borrowers to tide over the economic fall-out from Covid-19. Hence, the same will not be treated as a change in terms and conditions of loan agreements due to the financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade.

3. Easing of working capital financing

In respect of working capital facilities sanctioned in the form of cash credit / overdraft, lending institutions may recalculate drawing power by reducing margins and / or by reassessing the working capital cycle for the borrowers.

Such changes in credit terms permitted to the borrowers to specifically tide over the economic fall-out from Covid-19 will not be treated as concessions granted due to financial difficulties of the borrower, and consequently, will not result in asset classification downgrade.

The rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

4. Deferment of implementation of Net Stable Funding Ratio

As part of reforms undertaken in the years following the global financial crisis, the Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) which reduces funding risk by requiring banks to fund their activities with sufficiently stable sources of funding over a time horizon of a year in order to mitigate the risk of future funding stress. As per the prescribed timeline, banks in India were required to maintain NSFR of 100 percent from April 1, 2020. It has now been decided to defer the implementation of NSFR by six months from April 1, 2020, to October 1, 2020.

5. Deferment of the last tranche of Capital Conservation Buffer

The Capital Conservation Buffer (CCB) is designed to ensure that banks build up capital buffers during normal times (ie, outside periods of stress) which can be drawn down as losses are incurred during a stressed period.

As per Basel standards, the CCB was to be implemented in tranches of 0.625 percent and the transition to full CCB of 2.5 percent was set to be completed by March 31, 2019. It was subsequently decided to defer the implementation of the last tranche of 0.625 percent of the CCB from March 31, 2019, to March 31, 2020. Considering the potential stress on account of Covid-19, it has been decided to further defer the implementation of the last tranche of 0.625 percent of the CCB from March 31, 2020, to September 30, 2020.

Consequently, the pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instrument (Perpetual Non-Cumulative Preference Shares and Perpetual Debt Instruments (PNCPS and PDI)) shall remain at 5.5 percent of risk-weighted assets (RWAs) and will rise to 6.125 percent of RWAs on September 30, 2020.

III. Financial markets

The decision in respect of financial markets is essentially of a developmental nature, intended to improve depth and price discovery in the forex market segments by reducing arbitrage between onshore and offshore markets. This measure assumes greater importance in the context of the increased volatility of the rupee caused by the impact of Covid-19 on currency markets.

Permitting banks to deal in Offshore Non-Deliverable Rupee Derivative Markets (Offshore NDF Rupee Market)

The offshore Indian Rupee (INR) derivative market - the Non-Deliverable Forward (NDF) market - has been growing rapidly in recent times. At present, Indian banks are not permitted to participate in this market, although the benefits of their participation in the NDF market have been widely recognised.

All aspects of the issue have been examined in detail, and a consensus has emerged in the RBI that the time is apposite to remove segmentation between the onshore and offshore markets and improve the efficiency of price discovery.

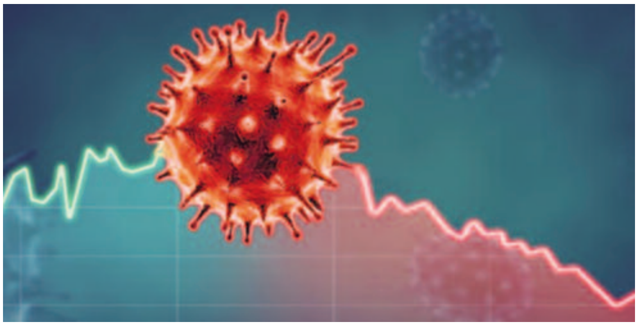
Accordingly, it has been decided, in consultation with the government, to permit banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020. Banks may participate through their branches in India, their foreign branches or through their IBUs. Final directions are being issued today.

IV. Other initiatives

a) Banks are allowed to covert the existing Short Term Crop Loans including agriculture gold loans up to June 30, 2020, with a commensurate extension of Interest subvention (IS) and Prompt Repayment incentive (PRI) benefit against such accounts till June 30, 2020 (earlier it was allowed up to March 31, 2020).

b) It is imperative that banks are required to conserve capital to retain their capacity to support the economy and absorb losses, in these uncertain times of Covid-19.

   Accordingly, it has been directed that all banks shall not make any further dividend payouts from the profits pertaining to financial year ending March 31, 2020, until further instructions.



c) In case of stressed assets, banks are required to implement a resolution plan in respect of entities in default within 180 days from the end of review period of 30 days. Now it is advised that in respect of accounts which were within the review period as on March 1, 2020, the period from March 1, 2020, to May 31, 2020, shall be excluded from the calculation of the 30 days timeline for the review period.

In respect of all such accounts, the residual review period shall resume from June 1, 2020, upon expiry of which the lender shall have the usual 180 days for resolution. In respect of accounts, the review period was over, but the 180 days resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 90 days from the date on which the 180 days period was originally set to expire.

d) *IBC 2016:* The existing threshold of INR 1,00,000 for triggering insolvency is raised to INR one crore so as to prevent triggering insolvency proceedings against MSME.

e) Department of Financial Services instructed that there will not be any charges for debit cardholders for withdrawing cash from any ATM for three months and there will not be a minimum balance requirement for Saving Bank Account.

Many retail banks are already rapidly responding to the pandemic and going beyond their day-to-day remit to support their customers.

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About the Author

P Amaranatha Reddy is an AGM in Bank of Baroda currently working as Deputy Regional Head, Vijayawada.
He has been with Bank of Baroda since 1999 and has worked in various branches and corporate office. He has worked in priority sector and agriculture credit as a branch head. He also has experience of working in Uganda for about five years.

His educational and professional qualifications are MSc (Ag), MBA (Banking & Finance), Certificate in Corporate Banking, NCFM- banking Module, NCFM-Commodities Market Module and NCFM-Financial Market Beginners Module, CAIIB.

He can be reached at amarreddy.polu@gmail.com

Management (Matrix) Mantras for Top Executives

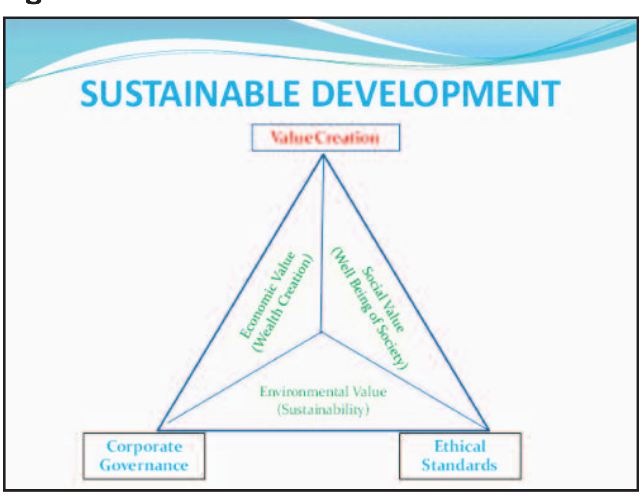
A K Jagannathan

Certain important and a few new Management Principles have been depicted in the form of Matrix presentation (for easy understanding and grasp) with a brief write-up on each of them.

A: Sustainable Development (SD)

The Triple Bottomline (TBL) *(John Elkington -1994)*

Figure 1



SD refers to the process of the quality of environmental (sustainability) and social systems (well-being of society) in pursuit of economic development (wealth creation).

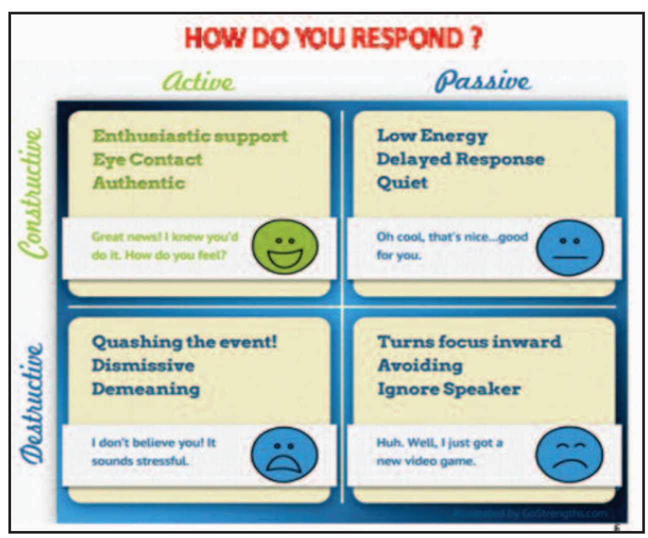
The three bottom lines are related to Profit, People and the Planet.

It meets the needs of the present generation without compromising the ability of future generations to meet their needs. It is to ensure inter-generational equity.

There should be no tax on future generations by squandering away the resources for the present by the present generation.

B: Response Styles *(Shelly Gable- 2006)*

Figure 2



- *Active Constructive Response (ACR)*

You come home one evening, excited, having been selected to attend an Executive Development Programme at Wharton for three months and break the news to your wife.

Response 1: Great news. I know you are talented, and you will be CEO one day. You deserve a sweet today.

This response has a positive outcome for both.

- *Passive Constructive Response (PCR)*

  Response 2: Oh, cool. That's nice.

  A low energy response. The enthusiasm of the giver is deflated.

- *Active Destructive Response (ADR)*

  Response 3: Oh! Why should they send you all the way to the US? You will go away for three months. What will I do? I don't want your parents.

  A negative response. The milestone in his career is discounted.

- *Passive Destructive Response (PDR)*

  Response 4: Ah, well, I just got a new video game.

  The husband's good news is ignored. It conveys the indifference in attitude.

So, how you respond every day to your colleagues defines your relationship. It can be warm, spontaneous, genuine, positive - a great way to build and strengthen relationships. The pay-off is: both feel better.

If the response is cold, manipulative and negative, the bonding is strained or broken.

The role positive emotional exchange plays in making our relationships healthy may be noted.

C: Givers and Takers

(Book: Give and Take by Adam Grant - 2013)

Givers

They help others – with their time and expertise. They keep others' interests in mind- others' focussed. Acts of giving can be: knowledge sharing, mentoring, providing feedback.

Agreeableness and disagreeableness are about your outer veneer, whereas giving and taking is about your inner motives. Agreeable givers are 'fakers'. They are nice to the face but willing to stab you on the back.

Disagreeable givers are the most undervalued people in an organisation. They have other people's interests at heart.

They are the ones who are willing to blow the whistle and play the devil's advocate.

If you only give, you become a doormat. The givers who get themselves in trouble are the ones who are constantly helping others.

Takers

They try to get as much as possible from others. They never want to give anything back unless they have to. They look after their interests only – self-focused.

The common pattern is to be a giver at home and a matcher in office. But in office, people worry that other people are takers since it is a dog-eat-dog competitive place.

Takers manage to fool other people – kissing up and kicking down: submissive towards superiors and dominant with subordinates. Takers often will give first and then make a bigger ask later.

Matchers

They try to keep an even balance between the give and take, quid pro quo. If I were a matcher and I were to do you a favour, I would expect an equal one back. If you did me a favour, I might feel I was in debt until I had settled the score.

The best thing to do when you encounter a taker is to operate more like a matcher.

'Givers advance the world. Takers advance themselves and hold the world back' (Simon Sinek).

D: Secure Base Leadership

(Book: Care To Dare by George Kohlrieser & Others-2012)

Secure Base is a *'person, place, goal or object that provides a sense of protection, safety and caring and offers a source of inspiration and energy for daring, exploration, risk-taking and seeking challenges'.*

Secure base leadership can unleash the astonishing potential in followers through caring and daring.

- **Playing to win**

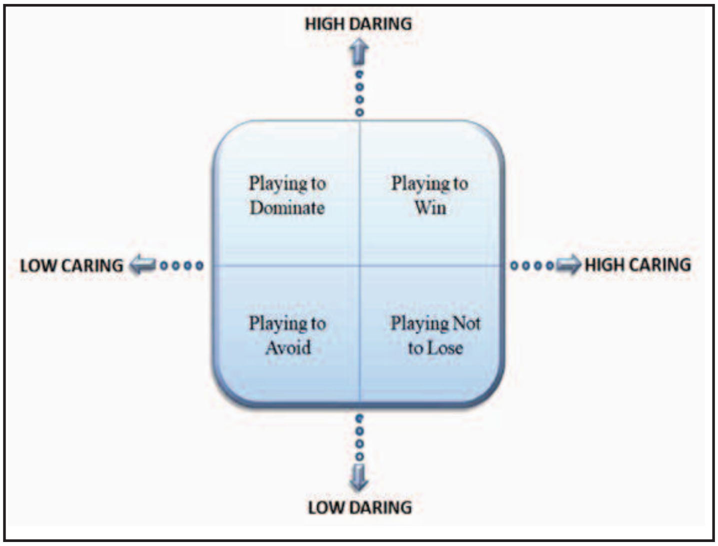
  High Caring + High Daring

  Inner Voice: 'Together, we can achieve great things.'

  Theme: Courage

As a leader, stay bonded to your people while also focussing the team on stretch goals: you are playing to win. You are there to cover others' backs, and at the same time,

Figure 3



you challenge your followers with tough feedback and high expectations. Since they feel both safe and challenged, they will feel free to explore, be creative and take risks inherent in innovation. They will fully engage and follow through change.

- **Playing not to lose**

  High Caring + Low Daring

  Inner Voice: Let us be safe and not take too much risk

  Theme: Cocoon

Here, you are focussed on failure, possible mistake, and worry about what could go wrong. You play not to lose. You avoid risk-taking. The close bond makes you overprotective. You will stifle creativity and innovation. You play defensively.

- **Playing to dominate**

  Low Caring + High Daring

  Inner Voice: Who needs others? I can do better myself

  Theme: Control

This approach means focussing on results at the expense of relationships. You place so much focus on daring that you stretch individuals / your team too far.

Over time, you can become detached from your people. It may produce short term results; you are likely to create a negative 'pace-setting' environment in which others struggle to keep up. The team will not be creative.

- **Playing to avoid**

  Low Caring + Low Daring

  Inner Voice: I want to be left alone

  Theme: Closet

Here, the highest levels of defensiveness, risk avoidance, fear of making mistakes operate. You are just 'clocking in and clocking out'. You will have disengaged and 'checked out'. You show up and do the minimum. As there is neither a relationship nor a challenge, your people will be extremely demotivated.

Bonding is the heart of leadership. The caring part humanises the organisation. These leaders achieve organisational goals in a way that allows for human flourishing.

E: Emotional Intelligence (EI) *(Daniel Goleman- 1995)*

EI is the ability to perceive emotions, integrate emotions to facilitate thought, understand emotions and to regulate emotions to promote personal growth (Salovey & Meyer).

According to Daniel Goleman, *'EI refers to the capacity for recognising our own feelings and those of others for motivating ourselves and for managing emotions well in ourselves and on our relationships. It describes abilities distinct from, but complementary to academic intelligence, the purely cognitive capacities measured by IQ (Intelligence Quotient).'*

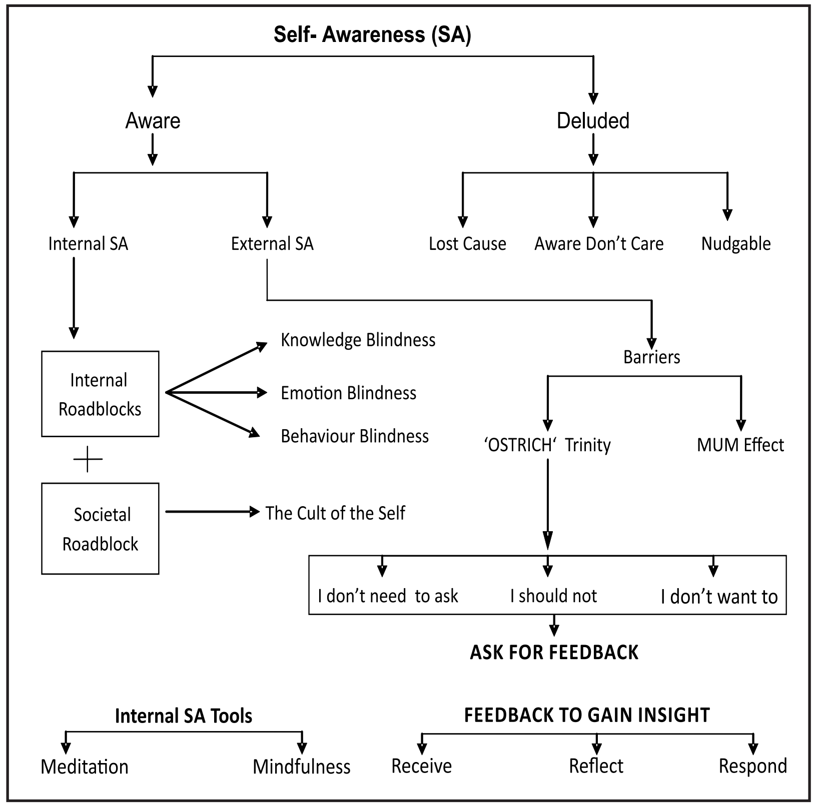
Another definition of EI is the ability to identify emotions in yourself and others, to recognise the powerful effects of those emotions and to use that information to inform and guide behaviour. Goleman's four EI domains are mentioned in Figure 4.

Figure 4

The EI competencies under the four EI domains are listed in Table 1.

EI is a more critical factor than IQ for leadership positions. EI is the ability to make emotions work for you instead of against you. *(Elucidation of the competencies of EI can be found in the Author's article on 'Conflict Management using EI' published in the March 2019 issue of The Indian Banker).*

Figure 5



F: Awareness

(Book: INSIGHT by Tasha Eurich-2017)

Self-Awareness (SA) is the ability to see ourselves clearly – to understand who we are, how others see us and how we fit into the world around us. It is necessary for our survival and success – at work, in our relationships and in life. Lack of it can be risky at best and disastrous at the worst. Self-delusion is the antithesis of SA.

Internal SA is an inward understanding of your values, passions, aspirations, ideal environment, patterns, reactions and impact on others. People who are high on Internal SA lead happier lives.

External SA is about understanding yourself from the outside in- knowing how other people see you.

Externally self-aware people build stronger and trusting relationships.

If SA is a journey, insights are the 'aha' moments along the way. Ultimately, there are two types of people: those who think they are self-aware and those who actually are.

People who lack SA bring down team performance, reduce decision quality, hurt coordination and increase conflict.

Table 1

Self Awareness	Self Management	Social Awareness	Relationship Management
			Influence
	Emotional Self Control	Empathy	Change Catalyst
Emotional Self Awareness	Adaptability		Coach & Mentor
	Transparency	Organisational Awareness	Conflict Management
Accurate Self Assessment	Achievement Orientation		Building Bonds
	Initiative	Service Orientation	Teamwork
Self Confidence	Positive Outlook		Inspirational Leadership

Roadblocks to Insight

- *Knowledge blindness*

  The opinions we have about our abilities in specific situations are based less on how we perform and more on general beliefs we have about ourselves and our underlying skills. The more expertise we think we have, the more harmful knowledge blindness can be.

- *Emotion blindness*

  Our inner roadblocks distort our perspectives about what we think we feel.

- *Behaviour blindness*

  We cannot see ourselves from the vantage point that others can.

  A delusional person is actually a combination of these three blind spots. When people are steeped in delusion, they are usually the last to find out.

The cult of the self

'I love me' boosts self-esteem but is a gateway to mediocrity. It is easier to feel wonderful and special than to become one. The more delusional we are about our skills and abilities, the less likely we are to succeed.

Any intense self-focus not only obscures our vision of those around us; it also distorts our ability to see ourselves for what we really are. When self-presentation increases, empathy decreases.

Internal SA tools

Meditation is one old path to internal SA. But it is not the only path. Mindfulness is simply noticing what we are thinking, feeling and doing without judgement or reaction.

Mindfulness and meditation are not the same. 'Mindfulness is the process of actively noticing new things, relinquishing preconceived mindsets and then acting on....new observations' (Ellen Langer). Meditation is one way to practice mindfulness.

Mindfulness gives us greater insight. It reduces stress, anxiety and depression. It is a strategy to disconnect from where our thoughts, emotions and pain can take us. It helps us to be more aware of our thoughts and feelings we can better control our behaviour and make smarter decisions in real-time. It has also benefits for external SA, by quieting our egos, more open to feedback from others.

External SA

External SA is how others see you. Even close people are reluctant to share the truth about us. And, our uneasy reluctance to ask for feedback leads to blissful ignorance.

There are two barriers to external SA.

- **MUM Effect** *(Keeping mum about undesirable Messages)*

  When we have information that might make someone uncomfortable (failings or weaknesses), we simply decide to say nothing, even if correct feedback would have been ultimately useful.

  But, they share those opinions with others. And, people are perfectly willing to tell white lies when they are easier than the cold, hard truth. We are 'practitioners of politeness'.

- **The Ostrich Trinity**

  After MUM effect, it is the reluctance to ask for the truth. Asking for feedback makes us uncomfortable, and we find ways to justify our willful ignorance. Three excuses we make to keep our heads in the sand (Ostrich mentality) in order to feel better:

- *I don't need to ask for feedback*

  I am right, and others are wrong. My ego comes in the way.

- *I should not ask for feedback*

  We are worried that if we ask for feedback, it may convey our weakness or come at a cost.

- *I don't want to ask for feedback*

  We fear feedback can be painful.

Also, we can proactively choose to obtain feedback from loving critics than unloving critics and uncritical lovers. Receive, Reflect and Respond are the formulas to gain insight. Teams and organisations also have to remain self-aware. Organisational SA means confronting market realities by actively seeking feedback from all stakeholders. Pretending not to know is to delude oneself that leads to disaster.

Delusional people come in three categories. Those who think they are perfect and unwilling to see the reality, belong to the Lost Cause. Some people are aware but don't care. They feel that intimidation will produce results. To deal with these delusional people, one has to control one's own emotions / set boundaries / walk away whatever the sacrifice. The Nudgables, if their unawareness of a character is brought to their notice, readily change their behaviour.

G: Mindset *(Book by Carol S Dweck - 2006)*

Fixed mindset **(FMS)** believes that your qualities of intelligence, talent etc are carved in stone. A fixed ability. So, you are out to prove it right every time (without effort) and seek validation. Failure is unimaginable, and to avoid failure, you avoid challenging situations.

Growth mindset **(GMS)** believes that you can cultivate intelligence, talent etc by hard work, efforts and thus grow to full potential. Ability can be changed. You welcome challenges and learn and grow from failures. You thrive.

Failure

FMS. Failure gets transferred to an identity. Label themselves as losers, worthless. Do not believe in efforts.

GMS. Failure does not define them. Need to try harder as there is time left. Confront challenges. There are many paths to success.

Estimating performance

FMS. Inaccurate in estimating their performance and ability.

GMS. Accurate. Accept current limitations. Work harder, learn, grow and develop.

If they don't know

FMS. Non-learners.

GMS. They will ask: Will you help me? Learners.

Feeling smart

FMS. Feel smart when flawless right away.

GMS. Confront a challenge, figure it out with effort, learn and feeling that we can do something we have not done before.

Being and becoming

FMS. Does not allow the luxury of becoming. They already are.

GMS. It takes time for potential to flower.

Entitlement

FMS. Feel superior. Abuse others. Feel entitled.

GMS. Feel embarrassed when people start worshipping them. Feel they are human beings as anybody else.

Humility is their nature.

Cheating

FMS. To repair their self-esteem, they resort to cheating, misrepresentation. Assign blame to others or make excuses.

GMS. Repair their failures.

Outcome

FMS. Everything is about the outcome.

GMS. Value what they are doing regardless of the outcome.

(Cure for cancer is not yet found, but the search is meaningful).

Corporate leadership

FMS. Enron where talent was worshipped, people got pushed into FMS. The company collapsed with cheating and fraudulent reporting.

GMS. Jim Collins research *(Book: Good to Great)* shows that companies who confronted realities, admitted their mistakes, grow and thrive.

CEO's ego

FMS. Larger than life leaders. Superhero labels. Committed to themselves (fame and lavish living) than to the company. Lack of empathy.

GMS. Self-effacing leaders. Concern for people's development. Interested in long term health of the company.

CEO's disease

FMS. Live in a dream world that caters to all-day validation by 'uncritical lovers' who surround them, no matter what the warning signs are. The Top is where FMS people hunger to be.

GMS. Believe in teamwork. Good communicators and listeners. Great leaders do not set out to be leaders. They just did what they loved – with tremendous drive and enthusiasm – and it led where it led.

Praise should be on the efforts put, the passion shown and perseverance; not the one that judges anybody's intelligence or talent. Belief in GMS should be implanted / inculcated in children when parenting, in students by their teachers and in staff and executives in training programmes, leaders while grooming / promoting people to responsible positions in organisations.

H: Time management *(Book: The 7 Habits Of Highly Effective People by Stephen R Covey- 1989)*

Time Management (TM)

Organise and execute around priorities.

We cannot manage time; we have to manage ourselves. Two factors define an activity: Urgency and Importance. Urgency is 'Now'. Urgent things act on us – a ringing phone. Often they are unimportant.

Importance has to do with 'Results'. It contributes to your values, your goals.

Figure 6

- **Quadrant (Q1):** *Urgent and important*

  Ninety percent of your time can be consumed in this activity. Remaining 10 percent will go to Q 4.

  Result: Stress, burnout, crisis management.

- **Quadrant (Q3):** *Urgent and not important*

  People react to things that are urgent, assuming they are also important. But the reality is that the urgency is based on priorities and expectations of others.

  For instance, an important customer calls at 11 AM to extend an invitation to a function being arranged to facilitate him on his becoming President of the local industries federation.

  Result: Short term focus, crisis management, feel out of control, broken relationships.

- **Quadrant (Q4)**
  Not urgent and not important

  These activities are required to some extent, but those who spend time almost exclusively in Q3 and Q4 lead irresponsible lives. Effective people stay out of them. They also shrink Q1 by spending more time in Q2.

  Result: Total irresponsibility, fired from jobs, dependent on others.

- **Quadrant (Q2)**: *Important and not urgent*

  Q2 is the heart of managing oneself. Planning, preventive maintenance, preparation – all those things we need to do but seldom got around to doing. Planning in advance reduces crises. Q1 is shrunk. You lead a healthy life. Reduce Q3 and Q4 to increase Q2.

  Result: Vision, balance, discipline, control, healthy life.

I: Conflict management

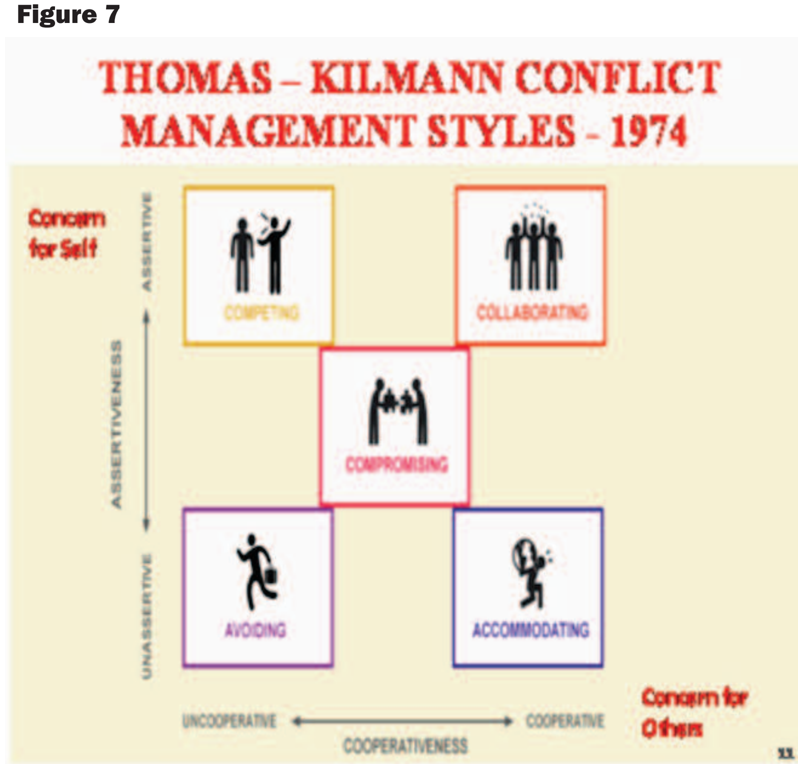
- **Avoidance:** *Unassertive and uncooperative*

  I Lose - You Lose: Neither you nor I get satisfied of your / my needs.

  You do not deal with the conflict. You ignore it. Or, you withdraw from a threatening situation – due to fear or lack of confidence.

  Resorted to: when issues are of low importance; to buy time; when you are in a position of lower power; to reduce tension; to maintain neutrality or reputation.

Figure 7



Effect: Problem is not solved. It may become worse over time.

- **Competing:** *Assertive and uncooperative*

  I Win – You Lose: I satisfy my needs at your expense.

  You stand up for your rights; or, when you take charge of a messy situation, you simply direct to bring order. When somebody takes advantage of another, by being in a position of power.

  Resorted to: in situations that involve quick action; where there is no compromise; when making hard decisions; when you are sure you are right.

  Effect: Hard feelings may come back in other forms in future.

- **Accommodating:** *Unassertive and cooperative*

  I Lose - You Win: I satisfy your needs at my cost.

  Resorted to: to keep peace and goodwill; to show reasonableness; to create an obligation for a trade-off at a later date.

  Effect: Provides only a short term solution.

- **Compromise:** *Moderate assertiveness and cooperation*

  I gain some and lose some; you gain some and lose some:

  I give up / you give up some of my / your needs.

  Resorted to: when resolving issues of moderate importance; when you have equal power status; when you have a strong commitment for resolution; where a temporary fix is needed; due to time constraints.

  Effect: Provides a definitive solution.

- **Collaboration:** *Assertive and cooperative*

  I Win – You Win: We discover new ways to satisfy our important needs.

  Resorted to: to gain support; in improving relationships; when there is mutual trust, respect and confidence.

  Effect: Provides long term solution.

  Conflicts can also be resolved through bonding, dialogue and negotiation *(Refer to Book: Hostage at the Table by George Kohlrieser & Others).*

  Conflicts can be resolved using Emotional Intelligence *(see the footnote under E: Emotional Intelligence above).*

J: Other management (matrix) mantras

(For Reference)

Older management concepts

1. The Managerial Grid (Blake and Mouton - 1964)

2. Theory of Hierarchical Needs (Abraham Maslow - 1943)

3. Situational Leadership (Ken Blanchard & Others - 1985)

4. Johari Window (Joseph Luft & Harry Ingham - 1955)

5. Life Positions (I 'm OK-You 're OK – Thomas Harris - 1967)

The top executives would have learnt these mantras early in their career.

Understanding human psychology is a sine qua non for managerial competence, managerial success and great leadership.

About the Author

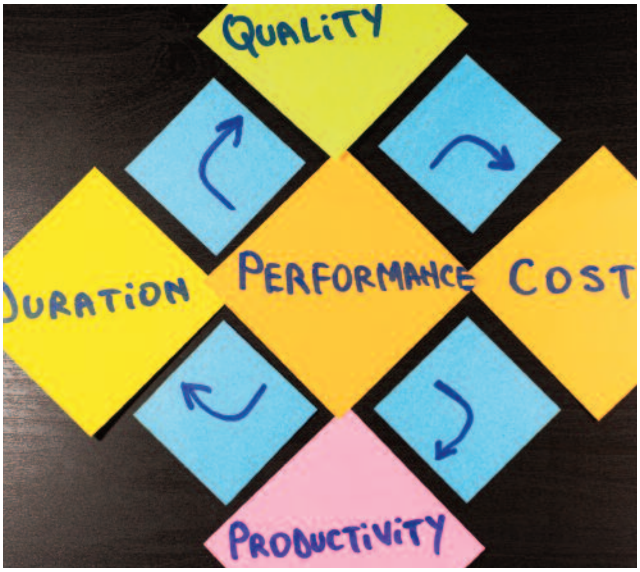
A K Jagannathan had joined State Bank of Mysore as a PO in Dec 1974 where he rose to become DGM (Credit). He went on deputation to State Bank of Hyderabad where he became GM (C&IB) before moving over to State Bank of Patiala as GM (Credit).

He was also GM (Operations) at SBP. Then, he was CGM at State Bank of Saurashtra and was elevated as MD of State Bank of Travancore wherefrom he retired in April 2010. Then, he was MD & CEO of Tamilnad Mercantile Bank from Sep 2010 to May 2012.

His academic and professional qualifications include: MSc (Physics), CAIIB and PGDBM.

He has written articles in The Economic Times, The Financial Express, IBA Bulletin (now renamed as The Indian Banker) on Credit and Management. He was Local Honorary Secretary of the Indian Institute of Bankers (now IIBF), Bangalore chapter 1992-93. He is the author of 3 books. He was a Guest Faculty at Southern India Banks' Staff Training College, Bengaluru till last year. His seven articles have been published in The Indian Banker in the last five years.

He can be contacted at akjagan12@gmail.com



Outsourcing Risks in Banks

RBI Guidelines

Anuradha Narayanan

We are living in a constantly changing business environment. Intense competition, coupled with the technological revolution, has created opportunities for business firms to outsource certain activities. Businesses gain a competitive advantage as a reward of new technology adoption, economies of scale (and scope), wide coverage of global markets, frequent product changes and quality and timely resolution of customer needs.

Organisations outsource either to reduce cost or to overcome a limitation of not having the requisite expertise to perform a task. Thus, outsourcing equips firms to slash costs and hone their core competencies. Clearly, by its very nature and benefits, outsourcing is not only restricted to industry. Even the financial world is much into outsourcing activities like investment management, marketing and research, data processing, security, and housekeeping, to name a few.

However, outsourcing a task is far more complex than it is considered when it is done by financial institutions, especially banks. The exposure of banks to outsource activities is not free from hazards. Disbursement of loans on the names of fake employees, misuse of IT infrastructure to steal customers' details, lesser amounts disbursed by ATMs or frauds happening because of involvement of call centres are classic examples of frauds related to outsourcing activities by banks.

RBI has expressed its concerns over such frauds and is much concerned about the risks to which banks are exposed to due to outsourcing, and hence has formulated important guidelines for the same. This article provides a comprehensive overview of the different types of risks that banks face in their outsourcing decisions. It also aims to bring forth the major RBI guidelines in this regard.

Outsourcing in banks

Despite heightened competition and alliances, ever-changing regulatory settings, and rapid technological progressions, the Indian banking sector has witnessed robust growth. This shifting landscape in the banking industry is resulting in banks to discover outsourcing possibilities to reach efficiencies. A commonly understood reason for outsourcing is that banks have significantly reduced their exposures to non-core activities and focus on relative 'core' activities to gain competitive advantage.

RBI defines outsourcing as, *'Use of a third party by banks to accomplish the activities on an ongoing basis that would normally be assumed by the bank itself, now or in the future'*. While outsourcing has become a typical practice in banks, it has also resulted in more severe challenges like ensuring service quality, monitoring of outsourced processes, and compliance with the regulatory requirements. This is the reason; opinions diverge on the risk-return trade-off related to outsourcing by banks.

Risk of outsourcing is a matter of concern and needs a careful examination. Risks that banks are exposed to due to outsourcing are many, with operational risk, reputational risk, strategy risk, compliance risk, and country risk, to name a few. The inability of a service provider in delivering a specified service, a breach in safety / privacy, or non-compliance with legal and regulatory requirements by either the outsourcing bank or the service provider does not only result in financial losses / reputational risk for the bank; but could also result into systemic risks for the entire banking system in the country.

Thus, outsourcing banks should gear up and ensure controls to be in place to mitigate the above-mentioned risks. Therefore, banks at all time should be proactive and in preparedness to avoid losses due to these risks.

Why do banks outsource?

Business organisations have a pressure of achieving higher returns for financial stakeholders. Due to this, the phenomenon of outsourcing has also not left banks apart its preview. A commonly held belief is that banks impart efficiency by way of outsourcing.

The following have been identified as the most common reasons for outsourcing by banks:

1. More fund allocation to core activities.

2. To hone competitive advantage rather than investing in supporting activities.

3. Reduce huge investments.

4. Achieving efficiency in non-specialised activities.

5. Access to updated technology and advanced capabilities with little or no investment.

Risk related to outsourcing

Though outsourcing brings efficiency, it also imports certain risks. There are numerous clear signs of unsuccessful outsourced projects. This section of the article examines various risks associated with outsourcing and highlights a few examples where outsourcing has done more harm than good to banks. As in several other arrangements of regulation, RBI has laid down certain procedural aspects related to outsourcing by banks.

In its Circular dated 6th December 2005, RBI has mentioned aspects of outsourcing risks like strategy, counterparty, reputation, compliance, operations, exit strategy, country, contract, access, concentration and systemic risk.

Understanding these risks and their impact is important for effective risk management in banks. A broader categorisation of different risks faced by banks because of outsourcing has been highlighted in Table 1.

Table 1

Strategic Risk Occurs because of unclear outsourcing objectives or unclear articulation of outsourcing objectives to the service provider.	**Operational Risk** Occurs due to inadequate tools to assess service quality.
Regulatory and Compliance Risk Result of the unfamiliarity of the service provider with respect to legal requirements applicable to products or services.	**Reputational Risk** Result of oversight of the establishment of appropriate protocols to successfully achieve results from an outsourced process.

Source: https://www2.deloitte.com/us/en/pages/advisory/articles/outsourcing-banking-processes.html

Transgression by service providers

Banks have faced huge financial as well as reputational losses over many years because of poor management of the risk of outsourcing. Lapses on the part of the service provider to fulfil its role have also been frequent.

On specific instances, banks have lost reputation due to financial frauds or those involving leakage of crucial client information. A few such instances are given below.

1. Sixty-two personal loans and 38 credit cards were availed from a private bank (the identity of the bank not disclosed here) against savings accounts opened in the name of some fake employees of claiming to be associated with Municipal Corporation of Delhi (MCD). An amount of INR 4.62 crore was reported to be lost as fraudsters duped the bank with the help of outsourced staff to whom the bank had outsourced work.

2. A recently committed fraud in one of Bangladesh's reputed bank involved outsourced staff of the IT department at a bank which managed access to the list of dormant accounts and those account holders residing outside country. Money was transferred from such accounts to fictitious ones during a software update and ultimately withdrawn and siphoned off Bangladesh.

3. There have been reported incidents of lesser amounts being dispensed by ATMs, either because of human negligence or a willful activity / fraud. The case pertains to a complaint of one of the customers of a reputed Indian private bank, where the customer had visited an off-site ATM to withdraw cash. The machine dispensed a lesser amount against what it was instructed. INR 100

denomination notes mixed in a series of INR 500 denomination notes could be noticed by the customer. Clearly, INR 100 notes had been loaded in INR 500 designated tray of the ATM. The client was reported to have suffered a loss of INR 400. The impact may look small in size but is not small in significance.

4. Funds of customers of a foreign bank were allegedly stolen by employees of an outsourced call centre firm. This fraud involved an amount of $350,000 (over 15 million Rupees) belonging to four customers. The outsourced staff gained the confidence of customers and obtained PIN numbers and other important account-related information, using which the money was transferred into the accounts of members of the gang.

'A breach of RBI guidelines can be clearly observed in frauds related to outsourcing by banks'.

The following cases make the above statement valid. There have been a rising number of frauds by representatives of Customer Service Points (henceforth CSP). Whether it is cloning of cheques or ATM cards, fraudulent withdrawals from clients' accounts, lesser amounts being deposited in the clients' accounts and providing fake deposit receipts to them, each of these cases has witnessed some degree of negligence on the part of bankers, as the 'due diligence' seems missing in the majority of such instances.

IN NO CASE DOES THE BANK OR ITS MANAGEMENT CAN ABSOLVE ITS OBLIGATIONS IN CASE OF OUTSOURCING. IT IS THE BANK WHICH IS ANSWERABLE TO THE CLIENT AND NOT THE OUTSOURCING AGENCY.

So much so, even fake fixed deposit receipts have been handed over to the clients and the money so deposited to CSP has been misappropriated by the concerned representative. CSPs also take clients into confidence to extract confidential information related to their internet banking logins, thus transferring huge amounts from clients' accounts.

RBI has mandated banks to sensitise the staff in branches to which CSPs have been attached. However, bank staff, at times fails to play their desired role and keep appropriate checks on the functioning of CSPs. The staff has failed multiple times in raising suspicion and report it to the concerned authorities. This leads to enhanced levels of operational risk and reputational risk for banks. RBI has been stringent on any 'material outsourcing', which means banks should avoid outsourcing activities which relate to their core services and are critical to their brand image.

However, RBI has given no such list of activities which have been barred from outsourcing. While it is ensured by banks that no CSP or subsidiary of the bank is owned / controlled by banks' employees or their relatives, however, CSPs still defy the RBI guidelines and results as potential risks for banks.

Yet another recurrent avenue of outsourcing related frauds is ATMs. Since many of the ATMs are outsourced for maintenance and cash replenishment, differences between admin balances and physical cash present in ATM are not uncommon. It has been observed many a time that ATMs reflect only admin balances while there was a shortage of cash found upon physical verification. In many of the instances, the outsourcing staff has been found to be absconding. The amounts involved in such frauds are huge, at times amounting in crores of rupees. Many such cases are under scanner, and the accountability has not yet been established.

Role of the RBI

The regulator has given clear instructions about outsourcing activities by banks.

Following are the important instructions of the RBI:

- Outsourcing should neither diminish the ability of banks to fulfil their obligations towards clients nor should it hinder RBI from maintaining effective supervision.
- Banks must put in place effective control mechanisms to monitor transgression by outsourcing agencies.
- Crucial activities like KYC, internal audit or compliance must never be outsourced. However, branches at times rely on the details provided by CSPs.
- In no case does the bank or its management can absolve its obligations in case of outsourcing. It is the bank which is answerable to the client and not the outsourcing agency.
- The role of outsourcing staff must be clearly defined.
- Robust grievance redressal mechanisms need to be in place.
- The board of banks must consider every aspect of the various risks involved in outsourcing.

- The board of the bank must be apprised on a timely basis regarding important information related to outsourcing risk.
- Senior management to ensure timely independent review and compliance with the defined policy.
- Outsourcing agreements to be made strictly based on the capability of service provider / agency.
- Outsourcing agreement to clearly mention the termination clause and payment of damages (if any) arise out of misconduct of service provider.
- Banks to put in place mechanism for ensuring the confidentiality of clients' data.
- Appropriate exit strategies, especially in the case of offshore outsourcing.

Some more incidents are reported hereunder to give insights on how disastrous the consequences would turn to be.

a. The Facebook episode – As per a newspaper report dated 5th April 2018, Facebook said that 5.62 lac people in India were potentially affected by global data leak episode involving the UK based Cambridge Analytica.

b. Enormous frauds committed by business correspondents / CSPs.

c. Frauds committed by advocates / valuation agents giving false certification and inflated value for the property.

Conclusion

Intense competition is leading organisations towards severe stress. In such a scenario, it is in the earnest right organisations should focus on core activities and outsource the non-core ones. Banks are no exception to this. Over the years, there has been a wholesome change in banking structure and functionality in India. And much of it has become possible due to outsourcing. It is because of outsourcing that banks have been able to provide cutting edge service quality which encompasses multiple dimensions of client satisfaction.

However, outsourcing doesn't only bring benefits. There are multiple risks attached to it. This article is an attempt to highlight the most significant risks associated with outsourcing with the help of live incidents that have taken place with clients of various banks. The bigger question is that is outsourcing fraud preventable? While experts are of the view that such frauds happen with the involvement of banks' internal staff, risks can be reduced with putting in place fool-proof contracts and follow up mechanisms.

Banks must ensure a transparent selection process and comply with the RBI guidelines when it comes to identifying service providers which can add value to the service delivery process, thus resulting in client satisfaction.

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About the Author

Ms Anuradha Narayanan is a DGM and is currently heading the Credit Department in SBICRM, Gurugram, Haryana.

Her academic qualifications include MBA, CAIIB. She has exposure in International Banking and General Banking areas. She headed BPR outfits-RACPC, RASMECC & SARC, TFCPC and worked as Regional Manager, Ludhiana. She also worked in Internal Audit Department.

Statutory Audit

Need and Importance

Ravi Mishra

Statutory audit is a legally required review of the accuracy of a company's or government financial statements and records. The term statutory denotes that the audit is required by the statute. A statute is a law or regulation enacted by the legislative branch of the organisation's associated government. It is conducted to ensure that all the financial details of the company are perfect without any scam. Hence, the objective is to determine if funds were handled properly and that all the required records and filings are accurate ensuring that the accounts of the company represent the accurate and true picture of the company's current financial position on the date of the balance sheet. It helps the stakeholders to rely on financial statements. Stakeholders other than shareholders also get benefitted from this audit as they can take their call based on the accounts as they are audited and authenticated.

Statutory audit is another name for financial audit; audit of the final statements of the company that is the profit and loss and the balance sheet. It is one of the types of external audit. Firms that are subject to audits include public companies, banks, brokerage and investment firms, and insurance companies.

Every entity which is registered under the Companies Act, as a Private Limited or a Public Limited Company has to get its books of accounts audited every year. The provisions relating to statutory audit and auditors are in Sections 139 to 147 of the Companies Act, 2013. It states the method of appointing an auditor, the eligibility of statutory audit and his duties and responsibilities..

There are many advantages of statutory audit which are enumerated below:

1. Statutory audit improves the reliability of the published financial statements.

2. It confirms that the management has taken due care while delivering their responsibilities.

3. It also throws light regarding the non-compliance with non-statutory requirements like corporate governance.

4. In the statutory audit, the auditor also comments upon the strength of the internal control within the organisation along with checks among the departments or segments. He also suggests the area where internal control is weak and prone to risk. This helps in the mitigation of risks and result in improvement of the performance of the organisation.

5. The financial statement of small organisation for whom audit might not be applicable get more values if it is audited one because with the help of the audited financial statements it becomes easier for the organisation to get a loan from the bank and other types of facilities on the production of financial statements which are audited by an independent auditor as the audited statements are more reliable and accurate.

For conducting the statutory audit, statutory auditors are appointed by the RBI in association with The Institute of Chartered Accountants of India (ICAI). To be eligible as a statutory auditor, the person must be a chartered accountant that is a member of the ICAI. In the case of a firm, the majority of its members must be chartered accountants in their own rights. Then the firm becomes eligible to undertake a statutory audit.

A statutory auditor can ask for the organisation's any financial books, records or information in relation to that. It is his right, and he cannot be denied by the management for the same. After doing the entire verification and gathering information, the auditor is supposed to conclude by writing that an audit report is based on the various evidence and information on the true and fair view of the financial statements provided to him. Under Section 44AB of the Income Tax Act, every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceeds one crore rupees in any previous year. In case of a person carrying on the profession, he is required to get his accounts audited, if his gross receipt in profession exceeds, fifty lac rupees in any previous year. In the recent Budget 2020-21, the government in order to reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector and also for promoting the cashless economy, has raised the threshold for audit from existing rupees one crore to five crores in cases where:

(a) the aggregate of all receipts in cash during the previous year does not exceed five percent of such receipt; and

(b) the aggregate of all payments in cash during the previous year does not exceed five percent of such payment.

Statutory audit is one of the main types of audit that is required legally in order to review the accuracy of a company or of government's financial accounts. It is conducted to gather different information so that the auditor can give his opinion on the true and fair view of the company's financial position as on the date of the balance sheet.

Statutory audit of banks

The statutory audit of banks is mandatory, and for this, the RBI in association with the ICAI appoints statutory auditors for the same. At the end of the financial year, the audit is conducted in selected branches of the bank. While issuing the reports, the auditors ensure that these reports follow the essential requirements and standards that include:

- **Standard of Auditing 700:** Forming an opinion and reporting on financial statements

- **Standard of Auditing 705:** on the report provided by the auditor, various opinions regarding the modification are offered.

- **Standard of Auditing 706:** Emphasis on Matter Paragraphs and other in the independent Auditor's Report.

All statutory auditors are given a time frame in which they have to undertake the audit of the branches that are allotted to them.

The auditors intimate the bank in prior for the same along with sending the details of the information that they would require during the audit. The auditor will have to ensure that their report should include the quantification of advances, deposits, interest income and expenses. The important elements to check in the statutory audit of Banks are as follows:

- **Cash verification procedure** – In this the auditors have to check the cash balance mandatorily and during verification the following points to be checked

  a) Whether the cash department is opening according to the timings as specified in the guidelines.

  b) Whether the joint custodian is opening the cash vault.

  c) No unrecorded documents present in the cash safe.

  d) Proper checking of the currency is done for originality and mutilation.

  e) Whether the burglar alarm system is functioning and whether the entrance gate and all other doors are closed during the opening of the cash room.

- **Tax-related items -** For this, the auditors have to check whether the bank follows all the procedures related to tax and its compliance thereon which includes

  a. On-time filing of all taxes and submission of tax returns on time.

  b. Collection and timely submission of TDS certificate along with Form 15G/15H.

  c. Checking whether the branch has a valid insurance policy.

  d. During all transactions and collection of charges applicable tax have been applied.

- **Verification of loan accounts** - The verification of loan accounts needs special attention of auditors, and they have to be checked on three parameters

1. **Preliminary check:** Whether the branch has obtained the prescribed application form along with all necessary documents like KYC documents, latest audited financial statements, project report, all the necessary registrations, technical report if applicable etc and reviewed the documents.

2. **Disbursement:** It is the responsibility of the statutory auditor to check the disbursement, and it happens only after the fulfilment of all terms and conditions of sanction letter. It is also to be ensured that the acceptance of the same has been held on record.

3. **Post disbursement inspection:** In this, the auditors have to check the following essential elements

   i. Proper execution of the loan documents as per sanction terms and conditions

   ii. All original documents are held in safe custody which is fire resistant

   iii. External and internal credit rating

   iv. Due diligence certificates

   v. Valuation of securities and legal report thereon

   vi. To verify that the drawing power of the accounts are calculated correctly as per margin mentioned in the sanctioned letter

   vii. Verification of any adverse comment on the audited balance sheet and on stock Audit Report

   viii. Proper maintenance of confidential credit reports and NOC from the existing bank

   ix. Checking the schedule of payments according to the sanction letter.

The statutory auditors also verify the non-performing assets (NPA) of the branch. Their classification and check whether any account is left out of the purview of NPA classification.

After conducting a thorough audit of the bank's branch, an auditor has to give an audit report for the same. An auditor is required to make a report as mentioned in the engagement letter in which he has to state the following:

I. Whether the balance sheet is exhibiting true and fair view containing all the necessary particulars to exhibit a true and fair view of the affairs of the bank.

II. Whether the profit and loss account displays the correct balance for the period covered by such account.

III. Whether any transaction has been carried by the branch which was not within the powers of the branch.

IV. Any other issue that the statutory auditor considers that has to be brought to the notice of the statutory central auditor.

Along with the standard audit report that is required as per regulatory requirement, the auditor has to submit the Long Form Audit Report (LFAR). It is a detailed questionnaire prepared by the RBI has been in use since 1992-93. This report mainly focuses on systemic issues in banks, tries to address them through the insight of the bank branch auditors and act as an early whistleblower for the irregularities persisting in the bank / branch. It should be sufficiently detailed and quantified in order to expeditiously consolidate the same for the bank as a whole.

The questions in LFAR in respect of bank branches are divided into four major categories viz Assets, Liabilities, Profit and Loss account and General. The time limit for submission of LFAR is 30th June.

Due to the outbreak of coronavirus (Covid-19) this year, the RBI has recently given public sector banks (PSBs) some flexibility to reduce the number of branches covered under branch audit. Under the modified guidelines pertaining to statutory branch audit, the RBI conveyed that the same may be carried out so as to cover 90 percent of all funded and 90 percent of all non-funded exposures of the bank. The banks may try to ensure that the selection of branches and centralised hubs for statutory audit include a representative cross-section of all category of branches which are not subjected to concurrent audit. As per the earlier guidelines, the statutory branch audit is carried out for all branches with advances of INR 20 crore and above, and one-fifth of the remaining branches which are not subjected to a concurrent audit, so as to cover 90 percent of advances of the bank. The modified guidelines on statutory branch audit will exclude about 15 percent of the branches from the audit purview. RBI also advised that depending on the impact of coronavirus and lockdown in specific areas, PSBs may take precautionary measures such as providing information required by auditors through

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About the Author

Ravi Mishra is currently working as Faculty, Credit (Senior Manager) at Union Bank of India, Staff Training Centre, Gurgaon. He had joined the bank as a Probationary Officer in 2009.
He is a Post Graduate in Political science and also CAIIB.

He can be reached at mshmsr@yahoo.co.in

Turmoil in IL&FS

A Threat to NBFCs in the Country

Ashutosh Pande

We have been hearing a lot about the slowdown in the auto sector nowadays followed by a period of extreme liquidity crunch. Economists cite various reasons for such financial turmoil. The most talked-about of these is non-payment of financial dues by subsidiaries of Infrastructure Leasing & Financial Services Limited (IL&FS) of loans taken from banks in 2018. The collapse of IL&FS is one of the key reasons behind the lack of liquidity in Indian markets. The windfall effect of which was clearly visible in the functioning of other NBFCs, which usually lend credit to smaller businesses and individuals had dramatically slashed lending to a bulk of companies, leaving them with pending dues but no cash to acquire new assets.

NBFC environment in India

As per the Financial Stability Report (FSR) 2019 by the RBI there were 9,642 NBFCs registered with the Reserve Bank as on September 30, 2019, of which 82 were deposit-accepting (NBFCs-D) and 274 were systemically important non-deposit accepting NBFCs (NBFCs-ND-SI). NBFCs operate through a network of 28,878 branches spread across the country. NBFCs-D and NBFCs-ND-SI are subject to stricter prudential regulations such as capital adequacy requirements and provisioning norms along with reporting requirements.

NBFCs witnessed stress in their asset quality during the FY 19-20. The gross NPA ratio of the NBFC sector increased from 6.1 percent as at end-March 2019 to 6.3 percent as at end-September 2019. The net NPA ratio, however, remained steady at 3.4 percent between end-March 2019 and end-September 2019. Although NBFCs play a vital role in credit outreach, the IL&FS episode brought the focus on the asset-liability mismatches of NBFCs, which poses risks to the NBFC sector as well as the financial system as a whole. The report had earlier conducted a thematic survey of consumer credit, and it was seen that the default rate in the consumer credit portfolio of NBFCs was comparatively high as compared to PSBs. The main reason was attributed to the IL&FS crisis, which resulted in the NBFCs' poor performance. The delinquency rates in the auto and mortgage portfolio were also clearly evident as pointed out by the FSR.

Looking at the Tables 2.8, 2.11, 2.12 and 2.13 and the NBFC stressed portfolio, it is imperative to know the root cause of what caused the IL&FS crisis and the liquidity crunch in the money market.

IL&FS was formed in 1987 by three financial institutions (FIs), Central Bank of India (CBI), Housing Development Finance Corporation (HDFC) and Unit Trust of India (UTI), to provide loans for major infrastructure projects. After a few years, two big international institutions, namely Mitsubishi (through Orix Corporation Japan) and the Abu Dhabi Investment Authority (ADIA) bought the shares of IL&FS. Subsequently, Life Insurance Corporation India (25.34 percent), Orix (23.54 percent) and ADIA (12.56 percent) became its largest shareholders followed by HDFC, CBI and State Bank Of India (SBI).

IL&FS is a subsidiary of IL&FS Group which deals in infrastructure financing, social and environmental services. The company was the brainchild of late MJ Pherwani, and it has more than 250 subsidiaries. It has financed major government road and infrastructure projects which in general were not being financed by the banks, thus forming it one of the performing NBFCs in India.

The IL&FS crisis

It being the pioneer in infrastructure lending, the company defaulting on its payment of dues came as a shock to all

Table 2.8: Relative share of exposures[36] of various financial intermediaries
(For the sample of 310 real estate companies)

(per cent)

	HFCs	NBFCs	PSBs	PVBs	FBs	Others	Total (₹ crore)
Jun-16	12.17	6.42	48.57	23.62	8.46	0.76	1,04,932
Jun-17	18.14	9.58	40.66	26.01	5.20	0.41	1,21,640
Jun-18	20.56	10.77	29.77	27.98	10.50	0.43	1,66,286
Jun-19	23.81	9.52	24.34	30.41	11.62	0.30	2,01,171

Source: TransUnion CIBIL.

Table 2.13: Relative delinquency in loans against property

(per cent)

	Mar-17	Mar-18	Mar-19	Jun-19
PSBs	4.50	5.10	5.70	6.50
PVBs	1.00	1.10	1.50	1.60
NBFCs	3.40	4.10	4.80	5.20
HFCs	1.20	1.70	2.10	2.60
Industry	**2.30**	**2.60**	**3.10**	**3.50**

Source: TransUnion CIBIL.

Table 2.11: Relative delinquency in auto loans

(per cent)

	Mar-17	Mar-18	Mar-19	Jun-19
PSBs	3.50	2.80	2.60	2.60
PVBs	1.70	1.60	0.90	0.90
NBFCs	5.80	4.40	4.30	4.70
Industry	**3.70**	**2.80**	**2.50**	**2.70**

Source: TransUnion CIBIL.

Table 2.12: Relative delinquency in home loans

(per cent)

	Mar-17	Mar-18	Mar-19	Jun-19
PSBs	2.10	1.90	2.00	1.80
PVBs	0.60	0.70	0.70	0.70
NBFCs	3.80	2.90	3.10	3.20
HFCs	1.00	1.30	1.50	1.80
Industry	**1.50**	**1.50**	**1.60**	**1.70**

Source: TransUnion CIBIL.

investors and FIs, as two of its subsidiaries failed to make repayment of borrowings from FIs (SIDBI being one of the major lenders in which default of INR 3000 crore was observed). It had also failed in earlier five occasions due to which notices were served to the company. It also defaulted in commercial paper redemption of DSP mutual fund amounting to the tune of INR 200-400 crore due in September 2018 which immediately led to the downgrading of rating by Information and Credit Rating Agency (ICRA) from A (Most Stable) to D (Default).

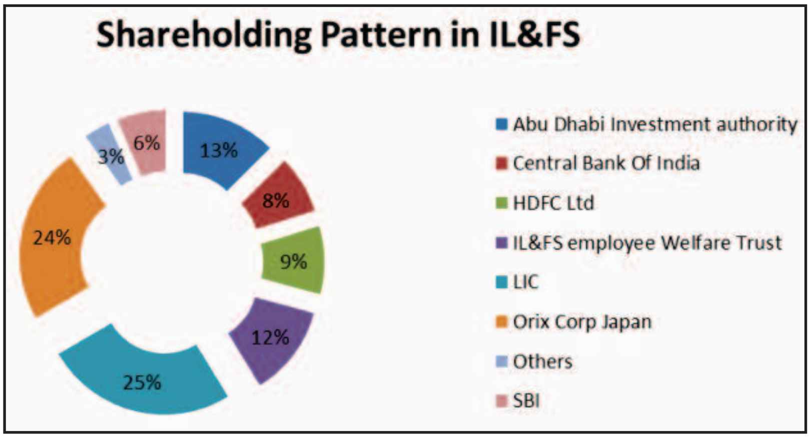
Subsequently, other rating agencies in due course of time downgraded the ratings of IL&FS subsidiaries. This resulted in the conduct of a special audit by the RBI of the subsidiary companies account. Major irregularities were pointed out in the Serious Fraud Investigation Office (SFIO) report stating that the company had defaulted on procedural lapses, and the role of audit firms was brought to questioning. It was found that the audit firm did not bring out the actual picture of one of the subsidiaries of IL&FS (IFIN) despite knowing its financial health beforehand. This was simply the case of evergreening of company's accounts. A charge sheet was later filed by ED against the company accusing it of siphoning off funds in money laundering activities.

Why did it fail?

A debt-ridden company

The company was indebted to the tune of around INR 90,000 crores, and it simply was unable to find

Figure 1



resources to pay its debt, which resulted in an asset-liability mismatch. Since the realisation of funds in the form of Return on Investment (ROI) was not seen to happen in due course of time, the company found itself in extreme stress.

Mounting losses in the infrastructure sector

Longer the gestation period of the project, higher are the chances of risk. Normally, NBFC raise funds in two ways: one through short term debts (borrowing from mutual fund companies in the form of commercial papers) and secondly through long term debts (borrowing from banking institutes in the form of term loans). There is a chain involved in financing an entity to final realisation of funds for repayment to FIs by NBFC.

In the case of IL&FS, the company was traditionally investing in power, road and water projects which have long gestation periods of 8 years and 15 years. As a result, the ROI on infrastructure projects was negative due to complications in land acquisitions, perpetual disputes between contractors and the government leading to litigation and arbitration proceedings, long project delays, huge escalation costs, shortage of availability of labour and raw materials etc.

Since realisation was not happening on time, and banks were reluctant in refinancing the projects due to increasing NPA, the company was not able to arrange for alternative sources of funds and sat on the huge liability of over INR 90000 crores by March 2018.

Manipulation in credit ratings

The fact that despite facing financial challenges and irregularities in the financial statements of the company, most credit rating agencies gave an AAA rating to the company was a huge surprise. Forensic audit investigations reveal that email exchanges between credit rating agencies (such as Crisil and Care) revealed the poor financial health of the company, but the final certifications revealed no downgrading, which was only done in 2018.

Other reasons

Lack of regulators

- *Role of rating agencies* – The rating agencies gave IL&FS an AAA rating, and this encouraged investment in the company but later they have changed the rating of IL&FS as junk (D – Default).

- *Failure to monitor the company activity by shareholders* – Major shareholders failed to monitor the company that they invested in.

- *Key resignation of Board of Directors* – All the senior officers have resigned from their posts.

- *Failure of RBI* – RBI being a regulatory body could have monitored the situation before the crises unfolded.

- *Failure of Government* – It never properly assigned any regulator.

Source and use of funds

- Increase in interest rates of short term borrowings.

- *Loans granted for the long term* – Most debts that IL&FS had to pay off were short term while the loans it had granted were majorly long term.

- Lacking transparency in financial position and too many loans to own subsidiaries.

- No clear distinctions between public and private projects.

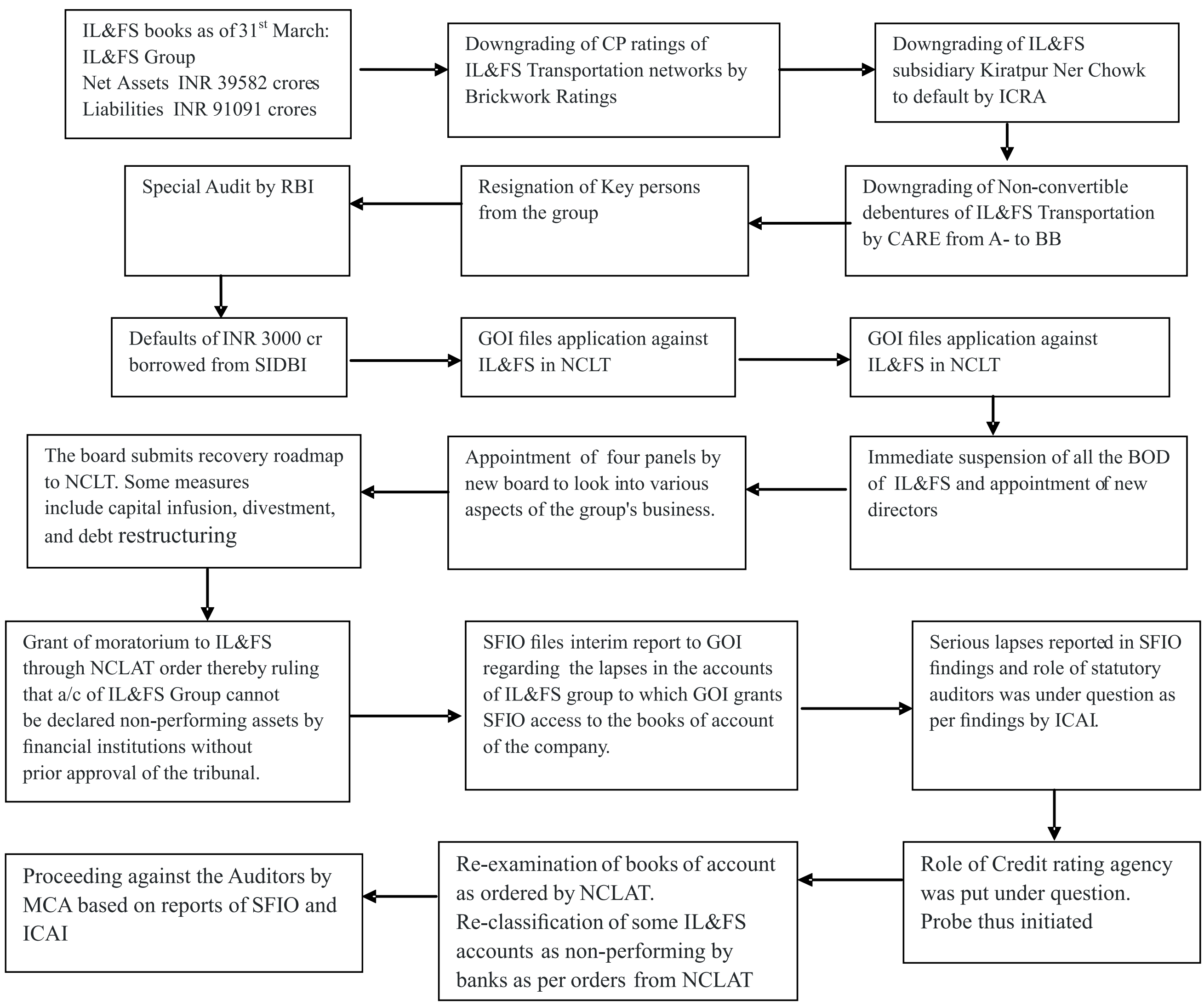
Complex company Structure

- *Too many subsidiaries* – With more than 250 subsidiaries, the auditing and monitoring of the company becomes difficult for any auditing firm or regulator.

Ethical issue

- *Crony capitalism* – There have been known cases where things were hidden deliberately, and unviable projects were sanctioned to please the ruling parties.

The sequence of events: Unfolding of IL&FS crisis



Impact of IL& FS crisis on the Indian economy

On individual investors

Since IL&FS had begun raising funds from the market by way of a commercial paper (short term debt), the worst affected were investors such as mutual funds houses, individuals, banks and other companies, which offered a loan by way of inter-corporate deposits.

On infrastructure projects

The IL&FS crisis had a major effect on current infrastructure projects which were under pipeline in certain states. Due to the sudden crisis, the further refinancing of the projects was curtailed to a minimum by banks who were extremely wary of releasing funds for the road project. IL&FS' existing projects also faced a critical blow; some of these were in the form of a PPP model (Public-Private Partnership) for developing national highways and connecting roads.

On credit rating agencies

The lack of transparency, accountability and subversion of credit rating agencies which are supposed to exercise principles of prudence, caution and utmost integrity, have been highlighted by the crisis. As a result, the government started tightening its grip over credit rating agencies and prescribed stringent punishments for frauds.

Effect of turmoil on NBFCs

IL&FS being an NBFC, the RBI did not exercise as much control over operations as in the case of traditional banks. The default in payment of loans of INR 60,000 crores added to the current financial distress as faced by the banking sector as a direct result of rising NPAs. This had an effect in other segments of the economy, which can be explained through Figure 3.

From Figure 3, it can be understood that any stress in NBFC will result in reluctance by the banks to refinance the projects in totem. As a result, NBFCs will not be able to finance further to other borrowers who approach them for funding. This will create a situation of non-availability of liquid funds, thus affecting the money market. To improve the situation, additional funding will be required from the government to stabilise the market situation. Since the funding will be made from taxpayer's money, the situation of fiscal deficit may arise. The pertaining liquidity crunch would ultimately result in an economic slowdown as was seen due to IL&FS crisis.

The way forward

Looking at the IL&FS crisis, there is a lot of takeaway for investors, financers, individuals and government. There is a need for a stronger regulatory regime for NBFCs, which should, instead of investing in high risk and return projects be encouraged to invest in moderate growth and profitability projects.

The recent introduction of the liquidity coverage ratio (LCR) by the RBI as the requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of INR 5,000 crore and above mandates NBFCs to maintain a minimum level of high-quality liquid assets to cover expected net cash outflows in a stressed scenario. As per the directives of the RBI, NBFCs are required to reach an LCR of 100 percent over a period of 4 years commencing from December 2020. The central government also needs to find innovative and alternative models of financing large infrastructure projects, while also improving corporate governance standards for credit rating agencies.

The turmoil in the NBFC sector has been a learning lesson for the financial sector on the whole. Some of the solutions that can be implemented for the future are as follows:

Figure 2

- Simplifying the concept of Holding and Subsidiary company.
- Stringent laws to deal with a lack of transparency in both companies' structure and finances as well as rating agencies.
- Changes in the accounting policies and accounting standards for NBFCs.
- Minimising red-tapism, reducing paperwork to avoid stalling of projects.
- Board of directors should be held accountable for such major defaults and should be brought under regular audit mechanism.
- Independent third-party auditors should be appointed by the government in consultation with the RBI and major shareholders. This will ensure greater transparency in the auditing of financial records.
- Bringing companies properly under the ambit of SEBI or RBI.

Figure 3: Effect of the crisis on NBFCs

- Fast-tracking land acquisition and environment clearance.
- Disinvestment of deteriorating assets rather than bailing them out from the taxpayers' money.

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Big Platform for Small Investors

Mutual Funds

Aparna Mishra

When human being learnt to settle at a place relinquishing vagabond life, they started storing their belongings for future use. As they did not have all the things required, they invented a barter system (exchange system) for exchanging required items. Later, many things were used as a medium of exchange over a period of time, and finally, it was coin - gold or other metal coins. With the expansion of trade and finance, paper money or currency notes came into existence.

Later banking system evolved with the primary function of accepting deposit and lending money. Like all spheres of life, banking too gathered accelerating momentum, and many functions got added in the list of functions of banking; right from locker to bancassurance to mutual fund. The list is still growing.

Initially, people were having only one option for investing their money, and the option was the bank. There were two types of deposit schemes time deposit and demand deposit. Later many avenues became available for investors. But for common people, for small investors, it was not possible to invest in equity for capital appreciation as he did not have sufficient fund. At the same time, his risk-taking ability was also not that strong. It would have been possible only when many investors would invest jointly. A mutual fund is a platform that brings many investors together and invests on behalf of them.

When a new batsman comes to the crease after a wicket falls, his focus is to remain at the crease for some time. To save his wicket, he plays defensively in the beginning. He intends to play safe and avoid risk. But after playing a few balls defensively, he becomes comfortable, and in order to make a big score, he opens his arms and strikes aggressively as time passes. In fact, to score higher, he has to expose himself to risk. Likewise, in order to achieve any financial goal and to beat inflation, an investor has to take some risk. Before investing, there are many facts that are and should be considered. A few of them are the safety of fund, income receivable and liquidity of the fund. If we want more safety, income or return will be very low. If we tend to get more and more return, safety is at risk. Equilibrium is required for the sake of safety and returns both. Every person wants to invest in a scheme in which he / she gets the maximum profit. But here works – Law of Risk & Return. The return earned is directly proportional to risk taken. So, if one is ready to take higher risk, one may get a higher return.

There are many avenues of investment like gold, fixed deposit by banks / post offices, government deposits like Public Provident Fund, National Savings Certificate, Kisan Vikas Patra, real estate, stocks etc. With changing time and revolution in the IT industry, both ways and methods of investment have undergone a drastic change. Now one can invest in any product without even visiting the respective branch / office. Many financial planning and brokerage firms have come up with the aim of helping / guiding one in one's investment decisions. Banks are also not far behind in grabbing this opportunity. They have launched their exclusive wealth products to retain their existing valuable customers as well as to lure potential High Networth Individual (HNI) customers. They offer their customers whole bouquet of products ranging from mutual funds, insurance, share trading etc and help them in maintaining a portfolio which suits their clients' needs best.

Investment avenues can be classified into mainly two categories:

1. Investment in capital market instruments

2. Investment in debt instruments

The capital market investment includes investment in shares, mutual funds, insurance product like ULIPs (Unit Linked Investment Plan), derivatives etc whereas debt instruments include bonds (government / corporate), debentures, fixed deposits etc. A person with a low-risk appetite will like to invest in debt instruments because in the debt instrument return is low but fixed. A person with a high-risk appetite will go for capital market instruments because here return may fluctuate. As per market movement, it may surge, or it may nosedive.

Capital market instruments provide a higher rate of interest, but there is no surety on return, whereas debt instruments offer a low rate of return, but the return is fixed.

Investment in shares can be beneficial if one has a good working knowledge about them, and it is for the long term. But even that does not guarantee returns. Based on past performance and current market scenario, one can predict a range of return that is likely to be earned on the instrument. For example, Covid-19 has impacted markets of every country adversely irrespective of previous trends. No one has predicted for any such scenario and its impact on everyone's life. There may be many unforeseen factors that may foil any prediction even if it is based on meticulous analytics.

Most of us don't have knowledge about the share market and even don't have interest and time to spend on it. For such investors, there is one lucrative product called 'Mutual Fund'. It offers as high returns as may be derived from investing in shares, at the same, it reduces risk by diversification of investment in different sectors. In a mutual fund, a pool of funds is created by a large number of investors, who have individually invested a small amount. This pool of large fund is invested in securities like stocks, bonds, money market instruments, and other assets of various companies / FIs. It is a collective investment vehicle and is done on behalf of investors by fund house through a fund manager. The fund manager is a person with expertise in that area and manages the fund to maximise return. This may be understood by an illustration as under:

Suppose INR 1,000 is invested by 1,000 people who are from different locations, from different occupation. A pool of INR 10, 00,000 has been created. Now fund manager will invest INR 10,00,00 into shares of ten different companies. So even if the shares of 3-4 companies make a loss and remaining ones earn a profit, the overall return will be handsome. If as an individual, the investor intends to invest INR 1000, he will not have the option of investing in 10 different companies, and thus his risk will be concentrated to one or two companies exposing him to a greater probability of loss. This is how mutual fund provides the investor with a broad avenue to invest. Small fund of a small investor is being invested in different funds in a big way by the help of mutual fund, and a great return may be expected from this investment.

By investing in a mutual fund, diversification is ensured, which would not have been possible if the investor would have invested individually. This is because an individual investor may not have that expertise which fund manager of a mutual fund may possess. At the same time, the investor may not have sufficient time to analyse the investment pattern.

What is a mutual fund?

A mutual fund is a collective fund provided by different investors which is managed by a professional fund manager. It is a trust which collects money from a large number of investors. Investors' objective of the investment is common. This collective fund may be invested in shares, debentures, money market instruments or other securities. Income that is generated from this investment is being divided among the investors in proportion to their investment after adjusting applicable expenses.

Mutual funds are of two types: *Closed-ended and open-ended.*

Closed-ended fund

In a closed-ended mutual fund, fund size is fixed. It means it is open for subscription only during the initial offer period and has a specified tenor and fixed maturity date. It may be compared to the bank's term deposit. After the investment, it will be locked for a certain period. Listing of units of the closed-ended fund on the stock exchange is compulsory after the new fund offer. These units are traded on the stock exchange just like other stocks. If an investor wants to exit the scheme before maturity, he may dispose of his units on the exchange. No buying or selling otherwise is allowed in a closed-ended mutual fund. The amount is paid on the maturity date.

Open-ended fund

Open-ended funds can be traded and redeemed freely in the market. It may be compared to the savings bank account as one is free to deposit and withdraw money anytime, he wants. Although in open-ended funds, units available for sale and repurchase at all times, it is advisable to have long term investment for better returns.

Apart from the broad classification of open and closed-ended funds, mutual funds are also categorised based on the type of securities, type of investment, objective of investment or return from the investment. A few of them are discussed below:

Equity funds

As the name suggests, funds are invested predominantly in shares with the objective of capital appreciation. As per SEBI Mutual Fund Regulations, it is a must for any equity mutual fund scheme to invest not less than sixty-five percent of the assets of the scheme in equity-related instruments.

It can be further bifurcated into a large-cap, medium-cap, small-cap, multi-cap fund depending on market cap size of companies in which they invest. Equity funds may invest in a sector or with a particular opportunity *(across several sectors)* and are called sector and thematic funds, respectively.

Debt funds

There are investors who do not want them to be exposed to market fluctuation of equity stock. In simple term, they are not risk-averse. Debt funds invest in fixed income instruments like government debt instruments, corporate bonds, and corporate debt securities. They are a relatively safer and good option for income generation. They are also christened as income funds or bond funds.

Hybrid / balanced funds

As the name suggests, it is an investment in both equities as well as debt securities. Sometimes it included money market component also with equity stock and bond component. Thus, it provides the benefit of growth as well as income generation. It is suitable for those investors who value safety as well as income and capital appreciation.

Index funds

Invest in shares that constitute a specific index. Investment in shares is in the same proportion as in the index. Thus, this fund takes only market risk.

Money market funds

Here funds are invested in money market instruments; mainly in treasury bills. Although it does not provide a substantial return, it does not carry the risk of depleting the principal.

Equity Linked Savings Scheme (ELSS)

In ELSS, the investor can claim the income tax rebate. So, it is appropriate for those investors who want to save tax. There is a lock-in period of 3 years in this scheme.

After the new fund offer, mutual funds are purchased or sold at Net Asset Value (NAV). NAV is derived by proportionately distributing income generated from the collective investment. NAV of a mutual fund fluctuates with market price movements and is settled at the end of each trading day. Investment in a mutual fund does not give the investor voting right like shares.

Investment in a mutual fund can be lumpsum ie amount invested at one time like bank fixed depositor or regular investment in the form of SIP (Systematic Investment Plan). In SIP small amount is invested over time. This periodicity may be fixed or variable. The amount is deposited at a regular frequency which may be weekly, monthly or quarterly to build a corpus. It is similar to the bank recurring deposit. SIP gives the benefit of averaging and compounding simultaneously. Also, it develops a habit of investing without putting much pressure on one's wallet. Now SIP can be started with a minimum amount of INR 100 called chhotu SIP.

If one has a dream / goal, one can start a SIP depending on time available and the amount required to fulfil it. For example, if one has to save for one's son's or daughter's marriage and has planned to invest right from the birth of the child, then SIP can be started in equity funds for a small amount for 15 years. On the other hand, if one is about to retire in 3-4 years and planning for his retirement, then one should invest in balanced / debt funds.

Table 1

Nature of profit	Equity Funds	Non-Equity Funds
Short Term Capital Gains (STCG)	15%+ cess	As per the tax rate of the investor
Long Term Capital Gains (LTCG)	Ten %+cess	20 percent with indexation (takes into consideration inflation & reduces tax obligation)
The minimum holding period for LTCG	One year	Three years

So, depending on risk appetite, a fund can be selected to get maximum return.

After the initial investment, one can opt for SWP (Systematic Withdrawal Plan) and STP (Systematic Transfer Plan). SWP allows an investor to withdraw a certain amount regularly from a fund. It is mainly used by retirees to create pension from retirement corpus. STP allows investors to invest a lumpsum amount in one scheme (debt fund) and then regularly transfer to another scheme (equity fund). STP allows one to invest in the equity market at different times so as to lessen the risk of entering into market at its peak. Also, investment in debt mutual fund gives one better return than a savings account.

As an investor, we should take into consideration the cost related to any investment before making any decision. Two types of expenses are related to mutual fund: expense ratio and load. Expense ratio is the summation of administrative and management cost, whereas sales charges, commissions, and redemption fees are known as the load. The load can be front-end or back-end depending on when this is charged from the investor.

Apart from expenses, tax consequence also needs to be taken into account before deciding about any investment avenue. Mutual funds are the most tax-friendly avenue as tax liability arises only on the sale of the mutual fund units. An investment attracts short-term and long-term capital gain tax. Table 1 explains the percentage of tax charged on equity and debt funds.

All resident individuals and NRIs, FIs, companies, banks, can invest in a mutual fund. KYC is an integral part of an investment in a mutual fund. One has to submit identity proof, address proof, photo and Foreign Account Tax Compliance Act (FATCA) declaration to comply with KYC guidelines. One can invest through mutual fund distributors or banks or directly through the fund internet site. Direct investment saves on brokerage charge but is beneficial only when the investor has knowledge about the mutual fund. For a new investor, it would be preferable to invest through a fund house or any other channel to get information and advice as per his need.

Just like banks are regulated by the RBI, insurance companies by the IRDA, the mutual fund is regulated by the SEBI. Accounting policies of all funds should be in accordance with the SEBI regulations.

Apart from the SEBI, Association of Mutual Funds in India (AMFI) is a self-regulatory organisation which regulates its own members in a limited way. But mutual funds owned by banks are supervised by SEBI and RBI.

About the Author

Aparna Mishra is working as Chief Manager and Faculty at (SBILD), Noida.

She joined State Bank of India as a Management Executive in 2010. She has served as Credit Support Officer in SME branch, Branch manager in personal banking branch & Key Accounts Manager in marketing division.

She is an MBA in Marketing & Finance, BSc (Mathematics and Statistics) and CAIIB. She has completed a few certificate courses of IIBF.

She has experience of 10 years in banking and is delivering lecturer in SBILD since June 2019. Her article has been published in Customer Awaaz and has prepared many Case Studies and Booklets for SBI training system. She has been selected for Behavioural Science Faculty in the Bank.

She may be contacted at aparna.mishra@sbi.co.in

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electronic medium and minimising physical movement by a judicious allocation of branches, to ensure the safety of auditors and branch officials. In case banks face problems due to refusal of branch auditors to take up the assignment of audit, they can approach the RBI for approval to appoint additional audit firms.

Thus it can be said that the applicability of audit to any organisation doesn't state that it is an inherent sign of doing wrong acts, but it is the way which helps in preventing such activities such as misappropriation of funds by ensuring that the data is being continuously examined which may be in the scope of other types of audits.

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'Liquidator' Under Companies Act 2013 and IBC 2016

K S Hareesh Kumar

Earlier, it was only High Courts which were empowered to deal with the issues of winding up of companies in all modes of winding up, and it was only 'Official Liquidators' who were authorised by the Companies Act to act as Liquidators. With the enactment of Insolvency and Bankruptcy Code (IBC), 2016, new systems have been introduced, and now there are three authorities who are empowered to wind up / liquidate the companies and two kinds of 'Liquidators' who shall act as Liquidators for winding up / liquidation of the Companies.

A brief analysis of 'Winding up' or 'Liquidation' of the companies under the Companies Act, 1956; Companies Act, 2013 and IBC, 2016 is made hereunder before discussing the new system of 'Liquidators' that came into vogue.

Till the advent of IBC, 2016, winding up or liquidation of companies was completely under the purview of the erstwhile Companies Act, 1956 and later Companies Act, 2013. However, with the enactment of IBC, 2016, a company can be now wound up either under the Companies Act, 2013 or under IBC, 2016. Sections 230-231 and 270-365 of the Companies Act, 2013; and Sections 33 to 54 and Section 59 of IBC, 2016 deal with the issue of winding up of the companies, though the term 'Liquidation' has been used under the IBC, 2016 for winding up of the company.

Earlier, it was the Companies Act which alone dealt with the issues from incorporation to dissolution of the companies. The Companies Act, 1956, provided for three modes of winding up of companies, namely:

1. Winding up by the Court or Compulsory winding up

2. Voluntary winding up

3. Winding up subject to the supervision of the Court.

The issue of 'inability to pay debts' was one of the modes of winding up by the Court. In this mode, if after receipt of the 21 days statutory notice, if the company failed and neglected to pay its debts, the company was deemed to be insolvent and the winding-up proceedings would commence.

The revised Companies Act, 2013 had the same provisions as of the Companies Act, 1956 with regard to the winding up of companies till the enactment of IBC, 2016.

Section 271 of the Companies Act, 2013 has been amended by Section 245 of the IBC, 2016 and new grounds for winding up of the company have been introduced while completely taking away the provisions of winding up for 'inability to pay debts' by shifting them to the IBC, 2016. Presently, Section 271 of the Companies Act, 2013 provides for the following circumstances under which a company could be wound up:

1) If the company has, by special resolution, resolved that the company be wound up by the Tribunal.

2) If the company has acted against the interest of the sovereignty and integrity of India, the security of the State, friendly relations with foreign states, public order, decency or morality.

3) If on an application made by the Registrar or any other person authorised by the Central Government by notification under this Act, the Tribunal is of the opinion that the affairs of the company have been conducted in a fraudulent manner or the company was formed for a fraudulent and unlawful purpose or the persons concerned in the formation or management of

its affairs have been guilty of fraud, misfeasance or misconduct in connection therewith and that it is proper that the company be wound up.

4) If the company has made a default in filing with the Registrar its financial statements or annual returns for immediately preceding five consecutive financial years;

5) If the Tribunal is of the opinion that it is just and equitable that the company should be wound up.

Under the Companies Act, 2013, in a case of a situation arising under Section 271(b), Central and State Governments have also been empowered to file the petition for winding up of the company. The elaborate discussion contained in Sections 304-323 under Part II, ie, 'Voluntary winding up' has been omitted, apparently, since the Section 271 and Section 10 of the IBC themselves enabled the companies to apply for winding up and / or resolution respectively.

Jurisdiction of the courts for winding up of the companies

Under the Companies Act, 1956, it was the High Court which had been vested with the jurisdiction to deal with winding up matters. The repealed Sick Industrial Companies (Special Provisions) Act, 1985 had provided that the Board for Industrial Construction and Rehabilitation (BIFR) could recommend winding up of a Company though it was not binding on the Company Court (High Court).

Presently, jurisdiction to pass orders for winding up under Section 271 of the Companies Act, 2013 and winding up under the provisions of IBC, 2016 has been vested in the National Company Law Tribunals (NCLTs) established across the country which are constituted under Section 408 of the Companies Act, 2013. The Central Government also has been empowered to wind up the companies under Section 359-365, which is discussed hereunder.

Section 231 of the Companies Act provides that if the Compromise or Arrangement sanctioned under Section 230 of the Act cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the Scheme, the Tribunal may make an order for winding up the company which is also similar to Section 33 of the IBC, 2016.

Winding up by Central Government

Interestingly, the Companies Act, 2013 empowered Central Government also to exercise the powers of Court / NCLT to wind up the Companies. Sections 359-365 of the Companies Act, 2013 empowered the Central Government to appoint Official Liquidator as Liquidator of the companies whose assets of book value do not exceed rupees one crore and belong to such class or classes of companies as may be prescribed.

These provisions empowered the Central Government to supervise, instead of High Court or NCLT, the winding-up proceedings of a Company by appointing Official Liquidators. The Central Government may order the companies under this category to be wound in summary mode, and all the powers of the Court / NCLT are exercisable by the Central Government.

However, Section 364(4) provides that the Central Government may, at any stage during the settlement of claims, if considers necessary, refer the matter to the Tribunal for necessary orders. These are new provisions which were not there in the repealed Companies Act, 1956.

Liquidator

Under the earlier regime, an officer called as 'Official Liquidator', appointed by the Central Government, used to be attached to each High Court. Under the scheme of the Companies Act, 1956 (Part VII), in case of a company wound up by the High Court; the Official Liquidator would become its liquidator (Section 449). The Court was not empowered to appoint any person other than the Official Liquidator who was attached to each High Court. All matters relating to winding up of companies were being administered by Official Liquidators under the supervision, control and directions of the High Courts. Official Liquidator, Deputy Official Liquidators and Assistant Official Liquidators belonging to Indian Company Law Service (Legal and Accounts branches) were being appointed by the Department of Company Affairs, Ministry of Law, Justice & Company Affairs depending upon the workload in each office.

On the passing of winding up order by the High Court, the Official Liquidator shall, by virtue of his office, become the liquidator of the company.

The general functions of the Official Liquidator were to administer the assets of the company and distribute thereof among the creditors and discharge his duties as per the directions of the High Court.

However, the system of Official Liquidator did not rise to the occasion. A committee under the chairmanship of Justice Balakrishna Eradi was appointed by the Government of India (GoI) to study the functioning of the system of Official Liquidator which submitted its report on 31st July 2000 which noted the state of affairs. Some of the excerpts of the report are as follows:

'The winding-up process is a long drawn affair, and before a company is finally dissolved with the sanction of the Court, it takes years in obtaining the Statement of Affairs, books of account and records and assets, the realisation of debts and sale of assets, settlement of list of creditors and contributors, distribution of assets to creditors, members etc.

In the process, substantial corporate assets remained under the control of Official Liquidators unrealised and undistributed. Over the years with the growth of the corporate sector in India, corporate mortality has also grown and OLs have been over-burdened with a large number of companies, in liquidation, under their charge.'

The Advisory Committee on Financial Sector Assessment, appointed by the GoI in the year 2009 reviewed the structure and functions of official liquidators and also noted various critical remarks of the functioning of the institution by Justice Eradi Committee. The Advisory Group was of the same opinion with that of the Justice Eradi Committee in so far as recommending that knowledge-based specialised professional institutions were required to handle bankruptcy cases.

It also noted that while there was no professional institution developed for handling bankruptcy cases, it was quite possible to develop institutions with the experts taken from Chartered Accountant firms, financial institutions, corporate law firms, company secretaries, financial analysts and other professionals. It had further noted that in the present system of liquidation, it was found that official liquidators not only suffered from the absence of specialised knowledge but also they do suffer from the absence of infrastructure.

As per Section 449, on a winding-up order being made in respect of a company, the OL shall, by virtue of his office, become the liquidator of the company. The Court had no power to appoint any person as liquidator other than the OL. A suggestion was, therefore, made by the Committee as to whether the present system of appointing OLs should continue or should the Court in the alternative appoint private liquidators; if so, what should be the qualifications, terms and conditions of such appointment.

A majority of the responses to the said Committee had supported the suggestion to empower the Court to appoint private liquidators who are professionals like Advocates, Chartered Accountants, Company Secretaries etc having adequate practising experience with suitable infrastructure. Such professionals may also be required to pass a qualifying examination. It was also suggested that the private liquidator might be a partnership firm or even a body corporate with professionals, and this would require an amendment to Section 513 (of the Companies Act, 1956). Such appointments should be made, taking into account the value of assets involved, guarantee provided by a private liquidator and his expertise. Such private liquidators are to be drawn from a panel approved by the Central Government and / or the High Courts.

On the other hand, the idea of appointment of private liquidators was opposed on the ground that this concept was fraught with danger in the absence of their accountability, continuity and responsibility and will not take off without proper infrastructure with them.

It appears that in line with the recommendations of the Committee, Section 275 (2) of the Companies Act, 2013 had originally provided that the provisional liquidator or the Company Liquidator, as the case may be, shall be appointed from a panel maintained by the Central Government consisting of the names of Chartered Accountants, Advocates, Company Secretaries, Cost Accountants, or firms or bodies corporate of persons having such chartered accountants, advocates, company secretaries, cost Accountants and such other professionals as may be notified by the Central Government or from a firm or a body corporate of persons having a combination matters of such professionals as may be prescribed and having at least ten years' experience in company matters.

However, the said provision was substituted, wef 15th November 2016, by the IBC, 2016, with the following provisions:

1) For the purposes of winding up of a Company by the Tribunal, the Tribunal shall, at the time of passing of the order of winding up, appoint an Official Liquidator or a liquidator from the panel maintained under Sub-section (2) as the Company Liquidator.

2) The provisional liquidator or the Company Liquidator, as the case may, shall be appointed by the Tribunal from amongst the Insolvency Professionals registered under the IBC, 2016.

Therefore, the system of Official Liquidators of the earlier regime has not been completely done away with under the Companies Act, 2013. However, there is no such provision under the IBC, 2016 for the appointment of Official Liquidators as Liquidators of the companies.

The expression 'Insolvency Professional' is defined under Section 3(19) of the IBC, 2016 as under:

'Insolvency Professional means a person enrolled under Section 206 with an insolvency professional agency as its member and registered with the Board (IBBI, established under the IBC, 2016) as an insolvency professional under Section 207'.

Regulation 5 of Insolvency and Bankruptcy Board of India (IBBI) (Insolvency Professionals) Regulations, 2016, provides that a person is eligible to register himself as an Insolvency Professional if he –

(a) has passed the Limited Insolvency Examination within twelve months before the date of his application for enrollment with the insolvency professional agency;

(b) has completed a pre-registration educational course, as may be required by the Board, from an insolvency professional agency after his enrollment as a professional member; and

(c) has- (i) successfully completed the National Insolvency Programme, as may be approved by the Board; (ii) successfully completed the Graduate Insolvency Programme, as may approved by the Board; (iii) fifteen years of experience in management, after receiving a Bachelor's degree from a university established or recognised by law; or (iv) ten years of experience as – (a) chartered accountant registered as a member of the Institute of Chartered Accountants of India, (b) company secretary registered as a member of the Institute of Company Secretaries of India, (c) cost accountant registered as a member of the Institute of Cost Accountants of India, or (d) advocate enrolled with the Bar Council of India.

Section 2(94A) of the Companies Act, 2013 defined the expression 'Winding up' as under:

'Winding up means winding up under this Act or liquidation under the Insolvency and Bankruptcy Code, 2016 as applicable.'

However, IBC, 2016 did not define either the expression 'Winding up' or 'Liquidation'. Section 5(18) of the IBC, 2016, however, defines the expression 'Liquidator' as under:

'Liquidator' means an insolvency professional appointed as a liquidator in accordance with the provisions of Chapter III or Chapter V of this part, as the case may be'.

Regulation 3(1) of the Insolvency and Bankruptcy Board of India (IBBI) (Liquidation Process) Regulations, 2016 further describes the eligibility to be appointed as Liquidator for the purpose of liquidation of companies under the IBC, 2016 as under:

Eligibility for appointment as liquidator

An insolvency professional shall be eligible to be appointed as a liquidator if he, and every partner or director of the insolvency professional entity of which he is a partner or director, is independent of the corporate debtor.

Explanation – A person shall be considered independent of the corporate debtor, if he-

(a) is eligible to be appointed as an independent director on the board of the corporate debtor under Section 149 of the Companies Act, 2013 (18 of 2013), where the corporate debtor is a company;

(b) is not a related party of the corporate debtor; or

(c) has not been an employee or proprietor or a partner: (i) of a firm of auditors or secretarial auditors or cost auditors of the corporate debtor; or (ii) of a legal or a consulting firm, that has or had any transaction with the corporate debtor contributing ten percent or more of the gross turnover of such firm, in the last three financial years.

The Companies Act, 2013 still has two definitions for 'Liquidator', namely, 'Company Liquidator' and 'Official Liquidator'. Section 2(23) defined the expression 'Company Liquidator' as under:

'Company Liquidator' means a person appointed by the Tribunal as the Company Liquidator in accordance with the provisions of Section 275 for the winding up of a Company under this Act.

The expression 'Company Liquidator' was not there in the repealed Companies Act, 1956 and was newly introduced by the Companies Act, 2013 for the first time.

Section 2(61) defines 'Official Liquidator' as under:

'Official Liquidator' means an Official Liquidator appointed under Sub-section (1) of Section 359'.

Liquidators under Sections 275 & 359 of the Companies Act, 2013

As we discussed hereinabove, now there are two authorities for winding up of the companies under Companies Act, 2013, one by the NCLT for winding up of Companies under the provisions of Sections 272-358, and another by the Central Government under the provisions of Sections 359-365. It is the 'Company Liquidator' who acts Liquidator for winding up of the companies by the NCLT whereas it is the Official Liquidator who acts as Liquidator for winding up of companies by the Central Government.

Sections 359-365 have been newly introduced in Companies Act, 2013, which were notified by notification No. 3677(E), dated 7th December 2016, and came into force from 15th December 2016.

Under the IBC, 2016, it is only the Insolvency Professionals who can be appointed as Liquidators. The IBC, 2016 provides for the appointment of Insolvency Professionals both as Interim Resolution Professional / Resolution Professional and Liquidator.

The Insolvency Professional who was appointed as Resolution Professional shall be generally appointed as Liquidator whereas, under the Companies Act, 2013, it is either the Company Liquidator, who is an Insolvency Professional or Official Liquidator, who is an Officer of the Central Government, acts as Liquidator.

The fee of the Liquidator

In the earlier system, the OLs were being appointed by the Central Government who were in the service of the government. It was the Central Government which was being paid a fee out of the assets of the company for the services of Official Liquidator. Section 34 (8) of the IBC, 2016, an Insolvency Professional proposed to be appointed as a liquidator shall charge such fee for the conduct of the liquidation proceedings in such proportion to the value of the liquidation estate assets as may be specified by the IBBI which is established under the IBC, 2016. As per Section 34(9) of the Code, the fee for the conduct of the liquidation proceedings shall be paid to the liquidator from the proceeds of the liquidation estate.

As per Regulation 4(1) of the IBBI (Liquidation Process) Regulations, 2016, the fee payable to the liquidator shall be in accordance with the decision taken by the Committee of Creditors. As per Regulation 4(2), in all other cases, the liquidator shall be entitled to a fee at the same rate as the Resolution Professional was entitled during Corporate Insolvency Resolution Process (CIRP) and as a percentage of the amount realised net of other liquidation costs and of the amount distributed, for the balance period of liquidation.

In respect of the liquidation under Companies Act, 2013, Section 275 (5) of the Act provides that the terms and conditions of appointment of a provisional liquidator or Company Liquidator and the fee payable to him or it shall be specified by the Tribunal on the basis of the task required to be performed, experience, qualification of such liquidator and size of the company.

Conclusion

Therefore, the system of liquidation / liquidators has completely been overhauled, and it is hoped that the liquidation proceedings are completed within one year as envisaged both under the Companies Act, 2013 and IBC, 2016. The curtailing of the time limit will benefit the banks to expedite the recovery of banks' dues.

About the Author

K S Hareesh Kumar is Chief Manager (Law) in Union Bank of India, Kolkata.

His several articles have been published in various professional journals of the Institute of Company Secretaries of India, Institute of Cost Accountants of India, All India Reporter, a reputed law journal and The Indian Banker.

He can be reached at kshk.hareesh@gmail.com

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These suggestions are just indicative and not exhaustive, and there is a lot of learning from the epic crisis which also reminded us of similar crisis (Sub-Prime Crisis) of 2007-2009 where few FIs have declared insolvent, and as a result, the US economy crashed. There was a failure on the part of regulators who could have taken stringent steps in the initial stages to mitigate the loss. Nevertheless, the IL&FS crisis has opened a path for future control in the financial discipline which can be possible with proper coordination amongst the regulatory agencies and government agencies so that such situations do not arise in the near future.

About the Author

Ashutosh Pande is presently working as Faculty, Staff Training College, Union Bank of India, Bhubhaneshwar. He is teaching Credit, Risk Management and Monitoring and has seven years of banking experience.

His educational qualifications include PGP (Finance and marketing), JAIIB, SME finance.

He can be reached at ashutosh.pande@unionbankofindia.com

हिन्दी खंड

बैंकिंग के नए दौर में मानव संसाधन रणनीतियां

विजय प्रकाश श्रीवास्तव

परिवर्तन प्रकृति का नियम है, यह बात बार-बार दोहरायी जाती है. परन्तु परिवर्तन समाज, उद्योग एवं व्यापार का भी नियम है. सिर्फ एक दशक पीछे मुड़कर देखें तो हमें पता चलेगा कि इस बीच हमारे आस-पास कितना कुछ बदल गया है. बैंकिंग का क्षेत्र भी इस दौर में व्यापक परिवर्तनों से गुजरा है. भारत में बैंकिंग के एक नए युग की शुरुआत बैंकों के राष्ट्रीयकरण के बाद हुई थी जिसके फलस्वरूप बैंकों की पहुँच समाज के आर्थिक रूप से कमजोर एवं गरीब वर्ग तक हुई तथा बैंकों का देश के सामाजिक-आर्थिक विकास के एक साधन के रूप में उपयोग किया जाने लगा. इसे सभी स्वीकार करते हैं कि बुनियादी रूप से भारत को मजबूत बनाने में बैंकों की महत्वपूर्ण भूमिका रही है.

देश में उदारीकरण के बाद बैंकों को भी अपेक्षाकृत अधिक स्वतन्त्रता मिली है. शाखा लाइसेंसीकरण नीति को उदार बनाया गया है, ऋणों की वसूली के लिए बैंकों के अधिकारों में वृद्धि की गई है, तथा परिचालन के मामले में भी अधिक स्वतन्त्रता दी गई है. निजी क्षेत्र में बैंकों के विस्तार ने प्रतियोगिता का स्वरूप बदल दिया है. उत्पादों में विविधता आई है तथा बैंक के ग्राहक भी अब ज्यादा जागरूक हो गए हैं.

बाहरी परिवर्तनों ने जहां बैंकों की कार्यपद्धति एवं उनके कारोबार को प्रभावित किया है, वहीं मानव संसाधन के मोर्चे पर भी बैंकों के सामने विभिन्न प्रकार की चुनौतियाँ उभरकर सामने आई है. सत्तर और अस्सी के दशक में बैंकों में बड़े पैमाने पर भर्तियाँ हुई थी. उस समय सेवाग्रहण करने वाले प्राय: सभी कार्मिक या तो सेवानिवृत्त हो गए हैं या सेवानिवृत्त होने वाले हैं. बैंकों के मानव संसाधन का एक बड़ा हिस्सा अब ऐसी पीढ़ी से प्रतिस्थापित हो चुका है जो पहले की पीढ़ी से बहुत से मायनों में भिन्न है. अपने लक्षणों के कारण इस नयी पीढ़ी की अलग पहचान है.

यदि बैंकों में जनशक्ति या मानव संसाधन का स्वरूप बदला है तो बैंकों को अपनी मानव संसाधन नीतियों की भी समीक्षा करनी चाहिए और इन्हें बदले हुए हालात के अनुरूप बनाना चाहिए.

बैंकों में भर्ती के तरीके में कोई विशेष बदलाव नहीं आया है. आजकल नयी भर्तियाँ सामूहिक परीक्षा आयोजित करके की जाती हैं. पिछले दशक में सार्वजनिक क्षेत्र के बैंकों ने कैंपस प्लेसमेंट के जरिए भी अधिकारियों को नियोजित करना शुरू किया था लेकिन न्यायालय के आदेश के कारण अब इस पर रोक लग चुकी है.

किसी भी संगठन के लिए उपयुक्त कार्मिकों का चयन बहुत जरूरी है. इससे हमारा आशय कार्मिकों का संगठन में उन्हें आबंटित भूमिकाओं के साथ मेल खाने से है. चूंकि देश में रोजगार के अवसर सिमट रहे हैं और बेरोजगारी बढ़ रही है इसलिए बैंकों में रोजगार के लिए अधिक लोग आवेदन कर रहे हैं और इनमें से सही व्यक्ति का कुनाव करने में अधिक चुनौतियाँ हैं. अब बैंक में सामान्य पदों के लिए भी इंजीनियरिंग और प्रबंधन जैसे विषयों में योग्यता प्राप्त व्यक्ति आवेदन करने लगे हैं. शायद ऐसे आवेदकों ने जब इन पाठ्यक्रमों का चुनाव किया होगा तो करियर को लेकर उनकी सोच कुछ और रही होगी. बहरहाल बैंकिंग करियर के लिए उम्मीदवारों का आकलन करते समय साक्षात्कारकर्ताओं की कोशिश ऐसे उम्मीदवारों को पहचानने की होनी चाहिए जो सेवा क्षेत्र में कार्य करने के लिए आवश्यक गुण रखते हों. इन गुणों में विशेष रूप से शामिल है - सम्प्रेषण कौशल, ग्राहक-उन्मुखता, सीखने की इच्छा, ईमानदारी एवं नैतिकता.

मानव संसाधन रणनीतियों में ध्यान देने योग्य कुछ अन्य विषयों की चर्चा नीचे की गई है.

ऑनबोर्डिंग

प्रतिभा प्रबंधन के नजरिए से देखा जाए तो किसी भी संगठन द्वारा चुने गए उम्मीदवारों की ऑनबोर्डिंग एक महत्वपूर्ण विषय है. अधिकांश सार्वजनिक क्षेत्र के बैंकों में ऑनबोर्डिंग को लेकर कोई स्पष्ट, परिभाषित या स्थापित पद्धति नहीं है. कार्मिक को चयन के निर्णय की सूचना मिलने तथा उसके सेवाग्रहण करने के बीच कई बार महीनों का अंतराल होता है. कभी-कभी तो सेवाग्रहण की तारीख को लेकर अनिश्चितता भी रहती है. यदि किसी उम्मीदवार को चुन लिया गया है तो उसे नियुक्ति-पत्र कब जारी किया जाएगा तथा अन्य औपचारिकताओं को पूरा करने के पश्चात सेवाग्रहण की संभावना कब तक होगी, इसका संकेत अवश्य दिया जाना चाहिए. इस अंतराल में संबन्धित बैंक द्वारा कार्मिक से संपर्क बनाए रखना चाहिए. सेवाग्रहण के समय कई बार नए कार्मिकों के साथ उदासीनता से तथा

मशीनी ढंग से पेश आया जाता है जो शायद किसी को न पसंद आए. नए कार्मिकों को संगठन की कार्य-संस्कृति के बारे में ज्यादा पता नहीं होता, अतः उनके साथ सहयोग करना, उनकी शंकाओं का समुचित निराकरण करना तथा उनका मार्गदर्शन करना मूलभूत आवश्यकताएँ हैं. इन सबसे संगठन की संस्कृति की भी पहचान होती है. बेहतर होगा बैंकों में ऑनबोर्डिंग की पूरी एवं स्पष्ट नीति बनाकर उसे लिपिबद्ध किया जाए.

कार्यनिष्पादन मूल्यांकन

बैंकों में कार्यनिष्पादन मूल्यांकन के तरीके को और वैज्ञानिक एवं पारदर्शी बनाने की जरूरत है. बैंकों में अधिकारियों को विभिन्न प्रकार के कार्य करने होते हैं. आकलन के समय किस कार्य के लिए कितना वेटेज दिया जाए, यह एक कठिन प्रश्न है. फिर कार्य की गुणवत्ता के निर्धारण में भी जटिलताएँ हो सकती हैं. उदाहरण के लिए - हो सकता है एक शाखा प्रबन्धक ने बहुत से ऋण खाते खोल कर लक्ष्य प्राप्त कर लिया हो, उसे कार्यनिष्पादन मूल्यांकन में अच्छे अंक मिल गए हों और बाद में पता चले कि ऋण को देने में समुचित सावधानी नहीं बरती गई है- कहीं दस्तावेज़ अधूरे लिए गए हैं तो कहीं निधियों का अंतिम उपयोग सुनिश्चित नहीं किया गया है. कार्यनिष्पादन मूल्यांकन के बेंचमार्क, मुख्य परिणाम क्षेत्र (की रिजल्ट एरिया) निश्चित हों, मेट्रिक्स निर्धारित हो. हॅलो प्रभाव से बचा जाए जिसमें मूल्यांकनकर्ता उन गुणों के लिए ज्यादा अंक देता है, जो खुद उसमें होते हैं या जो उसे ज्यादा पसंद होते हैं.

पदोन्नति

प्रायः सार्वजनिक क्षेत्र के सभी बैंकों में पदोन्नति प्रक्रिया वार्षिक आधार पर नियमित रूप से संचालित होती है. पदोन्नति की राह भी परिभाषित है. पिछले 7-8 वर्षों में बैंकों को पदोन्नति के नियमों में छूट देनी पड़ी है. जहां वेतनमान I से II में पदोन्नति के लिए पहले 7 वर्षों की न्यूनतम सेवा जरूरी होती थी वहीं अब दो वर्ष जितनी कम सेवा के साथ भी पदोन्नति पाना संभव हो गया है. नए कार्मिकों के लिए यह सुखद स्थिति होगी पर बैंकों के लिए चुनौती यह है कि उन्हें उपयुक्त कुशलताओं वाले व्यक्ति मिलें जो पदोन्नति उपरांत उच्चतर दायित्वों को संभालने में सक्षम हों.

प्रश्नोत्तर आधारित परीक्षा जो पिछले कुछ वर्षों से ऑनलाइन आयोजित की जाने लगी है, से उम्मीदवार के सिर्फ ज्ञान का पता चलता है. यहाँ साक्षात्कार का महत्व काफी बढ़ जाता है जिसमें कार्मिक में रुझान, पहल करने की प्रवृत्ति, प्रबंधन व नेतृत्व कौशल, संप्रेषणीयता का आकलन किया जाना चाहिए. अभी भी बैंकों में बिहेविरल इवेंट साक्षात्कार तथा कंपटेंसी आधारित साक्षात्कार का प्रयोग कम ही होता है जो बैंकों के लिए चयन प्रक्रिया में काफी सहायक हो सकते हैं. जिस तरह से बैंकों के लिए कार्य करना चुनौतीपूर्ण होता जा रहा है, वरिष्ठ तथा उच्चतर प्रबंधन के लिए कार्मिकों के चयन मानदंड को और कड़ा बनाने की जरूरत है.

उत्तराधिकार आयोजना

विगत वर्षों में अपने अनुभवों के आधार पर बैंक अपनी उत्तराधिकार आयोजना की खूबियों तथा कमियों से परिचित हो चुके होंगे. कुछ स्थितियों में अलग-अलग बैंकों ने पाया कि समय के साथ तथा आकस्मिक कारणों से रिक्त होने वाले पदों को भरने के लिए उनकी तैयारी पर्याप्त नहीं थी. ऐसी स्थितियाँ भी आईं जिनमें बैंकों को वरिष्ठ तथा विशेषज्ञता वाले पदों पर ऐसे व्यक्तियों को नियुक्त करना पड़ा जिनके ज्ञान, अनुभव, कौशल व परिपक्वता का स्तर अपेक्षाकृत कम था. संगठन की निरंतरता के लिए समुचित उत्तराधिकार आयोजना जरूरी है. इनमें जिन बातों को शामिल करना होगा, वे हैं - भविष्य के लिए आवश्यक योग्यताओं तथा कुशलताओं से युक्त मानव संसाधन की आपूर्ति सुनिश्चित करना तथा कार्मिकों को आगे चलकर उन्हें दी जाने वाली भूमिकाओं के लिए तैयार करना. अगर शीर्ष प्रबंधन के लिए उत्तराधिकार आयोजना की बात करें तो यह तैयारी कई स्तरों पर करनी होगी. जैसे - नेतृत्व की संभावनाओं से युक्त कार्मिकों की पहचान, उनमें नेतृत्व कौशल के विकास की योजना तथा विभिन्न कार्य-क्षेत्रों यथा जोखिम प्रबंधन, विदेशी मुद्रा कारोबार, कॉरपोरेट ऋण, अनुपालन, सूचना प्रौद्योगिकी, प्राथमिकता प्राप्त क्षेत्र / लघु व मध्यम उद्योग हेतु वित्तपोषण आदि में कुशल लोगों के पूल का निर्माण जिसमें से समय आने पर चुनकर उन्हें उपयुक्त भूमिकाएँ सौंपी जा सकें.

कई बैंकों में इस तरह की चर्चाएँ सुनने को मिलती हैं कि हमारे पास क्रेडिट में अच्छे लोगों की कमी है, आदि. सार्वजनिक क्षेत्र के बैंकों में कंपटेंसी मैपिंग प्रयोग बढ़ाने की जरूरत है जिसके जरिए विभिन्न भूमिकाओं के लिए उपयुक्त कार्मिकों का चयन किया जाना चाहिए. बैंकों को बनाने चाहिए जो कंपटेंसी मैपिंग का कार्य करें. ताकि बाहरी कंसल्टेंसी को किए जाने वाले भुगतान से बचा जा सके. कंपटेंसी मैपिंग में प्रत्येक भूमिका को प्रभावी ढंग से निभाने के लिए वांछित गुणों / प्रवृत्तियों की सूची बनाई जाती है और फिर व्यक्तियों से इनका मिलान किया जाता है. जो लोग पहले से किसी भूमिका में हैं उनमें कमियों अर्थात गैप्स का पता लगाया जाता है और फिर विभिन्न तरीकों से इस अंतर को पाटने की कोशिश की जाती है. इन उपायों में प्रशिक्षण सबसे अधिक महत्वपूर्ण है.

प्रशिक्षण

प्रशिक्षण मानव संसाधन विकास का सबसे अधिक प्रयोग किया जाने वाला माध्यम है. प्राय: सार्वजनिक क्षेत्र के सभी बैंकों में प्रशिक्षण का बुनियादी ढांचा मौजूद है. उनके पास देश में विभिन्न स्थानों पर स्थित प्रशिक्षण केंद्र हैं, कार्पोरेट स्तर पर प्रशिक्षण विभाग स्थापित है एवं प्रशिक्षण नीतियाँ भी हैं. परंतु असली प्रश्न इस तंत्र के कारगर उपयोग का है. कुछेक बैंकों के कार्यपालकों के साथ हाल की चर्चा में ज़्यादातर राय ऐसी थी कि प्रशिक्षण की उपयोगिता तथा इसमें निहित संभावनाओं का लाभ उठाने के लिए कुछ ज्यादा करने की जरूरत है. प्रशिक्षण कार्यकलाप को यदि एक औपचारिकता के रूप में संचालित किया जा रहा है तो एक तरह से हम संसाधनों की बरबादी कर रहे हैं.

प्रशिक्षण को मानव संसाधन में एक निवेश समझा जाना चाहिए तथा इस निवेश के लाभ का मापन प्रतिफल से किया जाना चाहिए. कुछ सामान्य बाते हैं जो प्रशिक्षण की प्रभावशीलता के लिए आवश्यक हैं. प्रशिक्षण आवश्यकता के आकलन की एक व्यवस्थित पद्धति होनी चाहिए जिससे यह पता चल सके कि किस कर्मचारी को किस प्रकार के प्रशिक्षण की जरूरत है. नामांकन संख्यापूर्ति के लिए न हो, बल्कि वे ही लोग प्रशिक्षण में शामिल हों जिन्हें संबन्धित प्रशिक्षण की वास्तव में जरूरत है. प्रशिक्षण कार्य से जुड़ा हो तथा इसमें व्यावहारिकता का समावेश हो.

इंटरनेट के इस दौर में ज्ञान व जानकारी सभी को समान रूप से उपलब्ध है. सिर्फ उन्हीं बातों को बताने के लिए क्लासरूम प्रशिक्षण आयोजित करने की जरूरत नहीं होनी चाहिए. ज़ोर इस बात पर होना चाहिए कि ज्ञान विशेष का संगठन के उद्देश्यों की प्राप्ति में किस प्रकार से उपयोग करना है. यदि विपणन पर कोई कार्यक्रम है तो ध्यान विपणन के आम सिद्धांतों को बताने के साथ-साथ यह बताने पर होना चाहिए कि इन सिद्धांतों को बैंक के उत्पादों के विपणन पर कैसे लागू किया जाए. सभी कार्मिकों के लिए प्रशिक्षण के उपयुक्त अवसर उपलब्ध हों. प्रशिक्षण कार्यक्रमों से वांछित परिणाम मिल रहे हैं या नहीं, इसका पता लगाया जाना चाहिए तथा आवश्यकतानुसार सुधारात्मक कदम उठाने चाहिए. प्रशिक्षण की दुनिया में अब अनुभवात्मक सीख अर्थात एक्सपीरियनशियल लर्निंग और गेमिफिकेशन का आगमन हो चुका है. बैंकिंग प्रशिक्षण में भी इनका भरपूर उपयोग किया जाना चाहिए. प्रशिक्षकों का चयन करते समय उनकी कुशलता की बारीकी से परख की जाए ताकि ऐसे लोग चुने जाएँ जो प्रशिक्षण का कार्य करने के लिए हर प्रकार से योग्य हों. प्रशिक्षकों के भी प्रशिक्षण की समुचित व्यवस्था होनी चाहिए. ई-लर्निंग प्रौद्योगिकी भी अब काफी उन्नत हो चुकी है. इसके उपयोग में कार्मिकों को स्वतन्त्रता रहती है. ई-लर्निंग मॉड्यूल मोबाइल फोन पर भी पढ़े जा सकते हैं. बैंकों की सूचना प्रौद्योगिकी के प्लेटफॉर्म का उपयोग ई-लर्निंग के विस्तार में किया जाना चाहिए.

कोचिंग व मेंटरिंग

बैंकों में अनौपचारिक कोचिंग व मेंटरिंग सामान्य बात है. कुछेक बैंकों ने अपने कार्मिकों के लिए व्यवस्थित कोचिंग व मेंटरिंग का प्रावधान किया है. जिन बैंकों ने इस दिशा में पहल नहीं की है उन्हें भी ध्यान देना चाहिए कि अपने कार्मिकों के लिए वे कोचिंग व मेंटरिंग का अधिक लाभ किस प्रकार उठा सकते हैं. पीटर सेंगे ने अपनी पुस्तक 'द फ़िफ़्थ डिसिप्लिन' में 'लर्निंग ऑर्गनाइजेशन' की अवधारणा प्रतिपादित की थी. आज के परिदृश्य में बैंकों को भी 'लर्निंग ऑर्गनाइजेशन' बनाने की जरूरत है.

कार्मिक जुड़ाव

कॉरपोरेट जगत में आज कार्मिक जुड़ाव अर्थात एम्प्लॉई इंगेजमेंट की काफी चर्चा है. कार्मिक जुड़ाव से आशय कार्मिकों को संगठन के उद्देश्यों तथा संगठन में उनकी भूमिका के लिए प्रतिबद्ध बनाने से है. दरअसल यह एक सांस्कृतिक पहल है जिससे उच्चतर उत्पादकता, उत्तम ग्राहक सेवा तथा सौहार्दपूर्ण औद्योगिक संबंध जैसे परिणाम हासिल करने की आशा की जाती है. कार्मिक जुड़ाव तब बढ़ता है जब कार्मिक अपने कार्य में ज्यादा रुचि लें, टीम भावना के साथ कार्य करें तथा संगठन के नेतृत्व एवं नीतियों पर भरोसा करें. यदि सम्प्रेषण के चैनल खुले रखे जाएँ, कार्मिकों के विचारों तथा सुझावों को सुना जाए एवं उन्हें सीख व विकास के पर्याप्त अवसर उपलब्ध कराए जाएँ तो इनसे कार्मिक जुड़ाव को प्रोत्साहन मिलेगा. अन्य साधनों के साथ प्रशिक्षण भी कार्मिक जुड़ाव बढ़ाने का एक साधन है.

विकासात्मक पहल

मानव संसाधन के क्षेत्र में एक विचारधारा मानव संसाधन प्रथाओं को संव्यवहारात्मक तथा विकासात्मक में बांटने की पक्षधर है. इस विचारधारा के मानने वालों के अनुसार बहुत से संगठनों में मानव संसाधन का ज्यादा ध्यान संव्यवहारात्मक कार्यों, जो प्रशासनिक प्रवृति के होते हैं, पर होता है तथा इस प्रक्रिया में विकासात्मक पक्षों पर ज्यादा ध्यान नहीं दिया जाता.

मानव संसाधन प्रबंधन तथा मानव संसाधन विकास परस्पर जुड़े रहकर भी अलग-अलग हैं. संगठन को सुव्यवस्थित ढंग से संचालित करना है तो प्रबंधन जरूरी है, पर अंतिम उद्देश्य कार्मिकों में निहित संभावनाओं का संगठन के लक्ष्यों की प्राप्ति में पूरा उपयोग करने का होना चाहिए तथा ऐसा प्रेरक,ऊर्जाशील वातावरण निर्मित करने का होना चाहिए जो कार्मिकों की प्रतिभाओं को निखारने-सँवारने में सहायक हो.

हाल में सार्वजनिक क्षेत्र के बैंकों में विलयन की सबसे बड़ी घटना हुई है. 10 बैंकों को मिलाकर 4 बैंक बना दिए गए हैं. इसके पहले 2019 में देना बैंक और विजया बैंक का विलय बैंक ऑफ बड़ौदा में किया गया था. विलयन के बाद बने नए निकाय के सामने नयी तरह की चुनौतियाँ आना स्वाभाविक हैं. भले ही विलय होने वाले ये बैंक सार्वजनिक क्षेत्र के बैंक हैं पर इनमें सांस्कृतिक भिन्नता हो सकती है, साथ ही, मानव संसाधन नीतियों में भी थोड़ा-बहुत अंतर हो सकता है.

विलयन में मानव संसाधन पक्ष को अत्यंत संवेदनशीलता के साथ संभालने की आवश्यकता होती है. विलयन अधिग्रहण से भिन्न है. विलय होने वाले बैंकों में कारोबार के आकार-प्रकार, शाखाओं की संख्या आदि के दृष्टिकोण से बैंक छोटे-बड़े हो सकते हैं, परंतु किसी बैंक को श्रेष्ठ व किसी बैंक को कमतर नहीं माना जाना चाहिए. विलयन के बाद कार्मिकों की पदस्थापना तथा भूमिकाओं के आबंटन में बैंक तथा कार्मिकों की सुविधाओं के बीच तालमेल स्थापित करके चलना चाहिए. नवनिर्मित संगठन की नयी सकारात्मक पहचान बनाने में मानव संसाधन नीतियों की अग्रणी भूमिका होगी. शीर्ष प्रबंधन का ध्यान इस बात पर अवश्य होना चाहिए.

सार्वजनिक क्षेत्र के विभिन्न बैंकों के उत्पादों, लक्ष्य समूहों तथा सेवा प्रभारों में काफी समानता है. अनुपालन संबंधी तथा विनियात्मक कानून भी सभी के लिए एक जैसे हैं. ऐसी स्थिति में, प्रतियोगिता में अग्रणी होने के लिए मानव संसाधन रणनीतियां विभेदक का कार्य कर सकती हैं.

लेखक परिचय

विजय प्रकाश श्रीवास्तव ने सीधे भर्ती अधिकारी के रूप में बैंक ऑफ इंडिया में 1984 में सेवा ग्रहण की थी तथा अक्तूबर 2017 में सेवानिवृत्त हुए.

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सुबह सिंह यादव

विगत सात वर्षों से जिस फिनटेक शब्दावली का प्रयोग हो रहा है, वह तुलनात्मक रूप से कोई बहुत नवीन संकल्पना नहीं है. वास्तव में देखा जाए तो प्रौद्योगिकी और बैंकिंग के मध्य पुरातन एवं सन्निकट सहसम्बन्ध रहा है जिससे इन दोनों के बीच सहभागिता व पूरकता के कारण दोनों को ही अत्यधिक लाभ मिलता रहा है. ऐतिहासिक रूप से देखा जाए तो 1990 के दशक से ही प्रौद्योगिकीय गतिविधियाँ, वित्तीय संस्थानों, बैंकों तथा ग्राहकों को पारस्परिक रूप से प्रभावित करने के तौर तरीकों में परिवर्तन का एक प्रमुख घटक रही हैं. इसी कारण प्राय: इसे वित्तीय सेवाओं में तीव्र गति से विकसित हो रही विकास प्रक्रिया के रूप में संदर्भित किया जाता है. इन गतिविधियों ने नई संस्थाओं के लिए परम्परागत कारोबारी मॉडलों को बाधित करने और नए बाजारों में हस्तक्षेप करने के अवसर सृजित कर दिए हैं.

वास्तव में देखा जाए तो फिनटेक कंपनियों के उद्‌भव से परम्परागत सेवाओं को भिन्न तरीके से अधिक दक्षतापूर्वक उपलब्ध कराने में सहायता मिली है. इन कम्पनियों के आने में बहुत से प्रौद्योगिकीय उत्पादों ओर सेवाओं का योगदान रहा है. स्टार्टअप्स, सूचना प्रौद्योगिकी, ई कॉमर्स इत्यादि नव प्रवेशकों के प्रचार, प्रसार एवं प्रभाव से विकास के एक नए युग की शुरुआत में फिनटेक ने सार्थकता से प्रवेश किया है. सूचना और संचार प्रौद्योगिकी के क्षेत्र में प्रभावशाली रुझानों ने बैंकों और बैंकिंग को पुन: परिभाषित कर दिया है. वास्तव में फिनटेक के वित्तीय क्षेत्र में कदम रखने से अब यह बैंकों एवं बैंकिंग की नई परिभाषा बन चुकी है. अब बैंकों के कार्य परम्परागत बैंकिंग तक सीमित नहीं रह गये हैं, बल्कि इसके अन्तर्गत गैर-बैंकिंग कार्य भी आने लगे हैं और अब गैर बैंकिंग संस्थाएं भी बैंकिंग कार्य करने लगी हैं. उधार लेने व उधार देने का कार्य आधुनिक बैंकों के प्रतिमानों की स्थापना होने के साथ ही लगभग सात शताब्दी पूर्व विकसित हुआ. लेकिन कालांतर में बैंकों द्वारा आरम्भ की गई विप्रेषण सेवा ने तकनीकी अपनाने को प्रोत्साहित किया. वर्ष 2008-09 के वैश्विक वित्तीय संकट ने फिनटेक के साथ साथ रेगटेक व सुपटेक जैसी अभिनव अवधारणाओं के विकास को भी नई दशा व दिशा प्रदान करके विश्वभर में बैंकिंग को बहुआयामी प्रतिमान प्रदान किए.

फिनटेक का अर्थ एवं स्वरूप

फिनटेक का अर्थ उस वित्तीय प्रौद्योगिकी से है जो तकनीकी पर आधारित वित्तीय नवोन्मेषों के बारे में बतलाता है. स्टार्टअप्स से लेकर बिग-टेक्स (Big Techs) और वित्तीय संस्थाओं तक सभी प्रमुख खिलाड़ी, वित्तीय सेवाओं की मूल्य श्रृंखला में इस प्रौद्योगिकी के प्रयोग से अन्तिम उपभोक्ता को चुस्ती, कुशलता और भिन्नता के अनुभव प्रदान कर रहे हैं.

जब ये विशेषीकृत संस्थाएं अपने कारोबारी मॉडल के रूप में सूचना एवं संचार प्रौद्योगिकी का नवोन्मेषी प्रयोग करती हैं, तब उन्हें फिनटेक कहा जाता है. दूसरे शब्दों में प्रौद्योगिकीए स्टार्ट अप्स (नए छोटे उद्यमों) के इस दौर में फिनटेक सामान्य: उस संभाग (खण्ड) को कहा जाता है जो मोबाइल भुगतानों, मुद्रा अन्तरणों, ऋणों, निधि उगाही एवं यहां तक की आस्ति प्रबंध जैसे क्षेत्रों को भी बाधित करती हैं. इस परिभाषा के अनुसार कोई भी नवोन्मेष असामान्य तरीके से प्रौद्योगिकी का लाभ उठाने का माध्यम होता है.

इन नवोन्मेषों में प्रणालियों के परिचालन के मानक तौर तरीकों में व्यवधान पैदा करने की अपार क्षमता होती है. इस तरह के नवोन्मेषों को अपनाए जाने से पहले इनके गुणावगुणों का सावधानीपूर्वक विश्लेषण करने, जोखिमों से सुविचारित ढंग से बचाव करने की व्यवस्था करने, दायरा विस्तृत करने से पहले प्रायोगिक आधार पर बारीकी से अध्ययन करने, प्राप्त होने वाले फीडबैक के आधार पर उनका उचित समायोजन करना इत्यादि की आवश्यकता होती है.

फिनटेक की प्रकृति स्वरूप एवं उद्देश्य

विगत 7 वर्षों के दौरान फिनटेक की अवधारणा एक प्रचलित शब्दावली बन गई. इसके कारण निधि की उगाही, प्रयोग, उधार लेने तथा विप्रेषण के तरीके बदल रहे हैं. इससे न केवल उद्यमी एवं कारोबार प्रभावित हो रहे हैं, बल्कि साधारण बैंक या वित्तीय उपभोक्ता भी प्रभावित हो रहे हैं. पिछले कुछ समय से कम नगदी समाज के लक्ष्य की दिशा में इलेक्ट्रॉनिक भुगतान को अधिक बढ़ावा मिला है. इसका एक ही उद्देश्य रहा है कि एक ऐसी भुगतान प्रणाली विकसित की जाए जिसमें पहले से तेज प्रोसेसिंग की तकनीकी का प्रयोग हो.

हाल ही के वर्षों में अत्याधुनिक भुगतान आधार संरचना और तकनीकी प्लेटफार्म विकसित करने की भरपूर कोशिश की गई. इन प्रयासों से मूलत: निम्नलिखित प्लेटफार्मों के माध्यम से देश में रिटेल भुगतान परिदृश्य ही बदल गया है-

(1) तुरन्त भुगतान सेवा (IMPS) (2) समानीकृत भुगतान इन्टरफेस (UPI) (3) भारत इंटरफेस फॉर मनी (BHIM) (4) भारत बिल भुगतान प्रणाली (BBPS) (5) आधार आधारित भुगतान सेवा (AEPS)

फिनटेक का दूसरा उद्देश्य एक ऐसी भुगतान प्रणाली भी विकसित करना था जो एक साथ संरक्षा, सुरक्षा, अधिक सुविधा व दक्षता की विशेषताओं से युक्त हो. इस उद्देश्य में भी हम सफल हुए हैं क्योंकि 2019 मार्च को समाप्त हुए पांच वर्षों में रिटेल (खुदरा) इलेक्ट्रॉनिक भुगतान की कुल मात्रा 9 गुनी बढ़ गई. इसके साथ ही वहनीयता, अन्तर परिचालनीयता, ग्राहक जागरूकता एवं संरक्षण पर भी ध्यान दिया गया. तथापि तकनीकी परिवर्तन की तीव्र गति के साथ इस क्षेत्र में बैंकों का एकाधिकार नहीं रहा. बैंक इतर इकाइयां इसमें बैंकों का सहयोग कर रही हैं. ऐसा दो तरीकों से किया जा रहा है- या तो बैंकों को तकनीकी सेवाएं देकर या प्रत्यक्षत: इलेक्ट्रॉनिक भुगतान सेवा देकर. भुगतान के क्षेत्र में भी बैंक इतर इकाइयों की सहभागिता को विनियामक ढांचे ने भी प्रोत्साहित किया है. दूसरी ओर ये बैंक इतर इकाइयां बैंकों से प्रतिस्पर्द्धा भी कर रही हैं. बैंकिंग को खण्डित करना आज का एक नया प्रतिमान है और इनमें से प्रत्येक खण्ड को अपनाने के लिए कुछ विशेषज्ञ संस्थाएं हैं, जो केवल उस खण्ड से संबंधित कार्य करती है. इन संस्थाओं में प्रमुख हैं:-

1) भुगतान सेवा प्रदाता	2) पीयर टू पीयर सेवाएं
3) एम.एस.एम.ई. वित्तपोषण	4) खुदरा उपभोक्ता वित्त पोषण
5) मध्यस्थता की समाप्ति	6) क्राउड फंडिंग
7) ओपन एंडेड म्यूचुअल फंड	8) मनी मार्केट म्यूचुअल फंड
9) राशि जमा कराने के वैकल्पिक साधन	10) ट्रेड फाइनेंसिंग
11) इंनवाइस फाइनेंसिंग	12) बिल डिसकॉउन्टर
13) बिल कलेक्टर	14) क्रेडिट रेफरल
15) एकॉउन्ट एग्रीगेटर	16) इन्वेस्टमेंट बैंकर
17) एम.एफ.आई.	18) क्रेडिट रेटिंग एजेंसियां

बैंकों से बैंकिंग को खण्डित करने से इन गैर बैंकिंग संस्थाओं के कारोबार में बहुत अधिक वृद्धि हुई है. अपनी मूलभूत विशेषता और प्रदान की जाने वाली संकेन्द्रित सेवाओं के साथ वे उस चुनिंदा सेवा को बेहत्तर दक्षता गति और ग्राहकों के लिए वहनीयता बहुत कम लागत पर उपलब्ध कराने की स्थिति में होते हैं. फिनटेक कंपनियों के प्रयोग हेतु नवोन्मेषी प्रणालियां, उत्पाद और सुविधाएं विकसित करती हैं. ये कम्पनियां वित्तीय सेवाएं उपलब्ध कराने के कारोबार में शामिल नहीं होती. ये कंपनियां प्राथमिक रूप से फिनटेक कंपनियों की अनुसंधान एवं विकास संबंधी सहायक कंपनियां होती हैं. उपरोक्त स्थिति को ध्यान में रखते हुए एक उपयुक्त प्रश्न यह उठाया जा सकता है कि क्या बैंकिंग में ऐसा कोई तत्व बचा हुआ है, जो केवल बैंकों के लिए ही बचा हो.

विश्व भर में विनियामक सामूहिक रूप से गहरी रुचि सहित इन परिवर्तित वित्तीय गतिविधियों की निगरानी कर रहे हैं. इन गतिविधियों की जांच करने के लिए वित्तीय स्थिरता बोर्ड, बैंकिंग पर्यवेक्षण से संबंधित बासेल समिति एवं अन्य मानक तय करने वाली संस्थाओं ने विशेष दलों, कार्यदलों का गठन किया है. पूरे विश्व में पी2पी ऋण देने वाले मंच आरंभ में किसी भी सुस्थापित नियामक अवसंरचना की तुलना में शक्तिशाली बनकर उभरे हैं. 2007 में अफ्रीका में शुरू किया गया एम पैसा वहां की सफलता की सर्वाधिक प्रसिद्ध कहानी है. 2015 में किए गए एक सर्वेक्षण से पता चलता है कि अमेरिका के नागरिकों ने अपनी निधि की संरक्षा सुनिश्चित करने के उद्देश्य से प्रौद्योगिक कम्पनियों पर अधिक विश्वास जताया, बजाय बैंकों के. इससे बैंकों की ब्रांड छवि प्रतिकूल रूप से प्रभावित हुई है. इसके मूल में यह तथ्य निहित था कि विकसित देशों में सन् 2001-08 के बीच फिनटेक की अत्यधिक प्रगति हुई थी जिसने बैंकों की लाभप्रदता को बहुत हानि पहुंचायी. इसी काल में विनियामक तथा तकनीकी वित्तीय बाजारों, सेवाओं और संस्थानों की प्रकृति में अत्यधिक बदलाव आया है.

फिनटेक के विकास के प्रमुख कारण

फिनटेक के विकास को प्रभावित करने वाले प्रमुख कारकों में प्रौद्योगिकी विकास की तेज गति और वित्तीय प्रदाताओं की परिवर्तित पहचान है. उपभोक्ताओं द्वारा तुरन्त सेवा प्राप्ति की इच्छा ने भी फिनटेक को बढ़ावा दिया है. दूसरी ओर भारत सहित विश्वभर में मध्यमवर्ग का उदय इसके विकास का एक प्रमुख घटक माना जा सकता है. आज भारत, चीन, जापान तथा अन्य उभरती हुई अर्थव्यवस्थाओं में युवाशक्ति और प्रौद्योगिकी रूप से साक्षर जनशक्ति ने मोबाइल फोनों के मध्य गहरी पैठ बनाली है जिसे इस फिनटेक के सहायक कारक के रूप में देखा जा रहा है. दूसरी ओर प्रतिस्पर्द्धा के निम्न स्तर के साथ साथ अप्रयुक्त बाजार में भौतिक आधारिक संरचना की कमी ने भी इसके विकास को प्रेरित किया है. आज भारत सहित एशिया के अन्य देशों में (जिनमें चीन भी शामिल है) इंजिनियरिंग एवं प्रौद्योगिकी डिग्री धारकों की संख्या में इज़ाफ़ा हो रहा है, इसलिए फिनटेक की ओर भी आकर्षण बढ़ रहा है. स्टार्ट अप्स और प्रौद्योगिकी फर्मों ने उपभोक्ताओं, व्यवसायों और वित्तीय संस्थाओं को विशेष सेवाओं की पहल करके स्थापित बैंकिंग अवयवों के समक्ष विकट चुनौती पैदा कर दी है.

भारत में फिनटेक का सफर

भारत फिनटेक क्रान्ति में दुनिया के देशों में अग्रणी पंक्ति में रहा है. फिनटेक अपनाने पर कुछ समय पूर्व हुए एक वैश्विक सर्वेक्षण से पता चलता है कि फिनटेक अपनाने में भारत का दूसरा स्थान है और वह भी 52 प्रतिशत की दर के साथ. इस रिपोर्ट के अनुसार भारत में 1218 फर्मे हैं तथा इन फर्मों के द्वारा बड़ी मात्रा में रोजगार उत्पन्न किया गया है. इसी सर्वेक्षण रिपोर्ट में यह भी बताया गया है कि फिनटेक फर्मे निवेश की एक स्वस्थ प्रवृत्ति भी तैयार कर रही है. बैंकिंग प्रौद्योगिकी और व्यापार वित्तपोषण के क्षेत्रों में हुआ विकास भी प्रशंसनीय रहा है. उधार देने व पूंजी उगाहने के वैकल्पिक स्वरूप सामने आ रहे हैं तथा पारम्परिक उधारदाताओं के बाजार समीकरण और पारस्परिक माध्यमों की भूमिका को बदलने की संभावना इन फिनटेक फर्मों में निहित है.

फिनटेक फर्मों के विकास का एक दूसरा कारण भी है. ग्राउड फंडिंग की अवधारणा, जिसके अन्तर्गत निवेशकों के एक बड़े समूह से बाह्य वित्त उगाहा जाता है, भारत में अभी शैशवास्था में है. इसलिए फिनटेक फर्मों की ओर ध्यान दिया जा रहा है. समकक्षी (पीयर-टू-पीयर) उधार में लघु व मध्यम उद्यमों के लिए वित्त की उपलब्धता को बेहत्तर बनाने की सामर्थ्य है. इस संबंध में ग्याराह इकाइयों को समकक्षी उधार प्लेटफार्म परिचालित करने का लाइसेंस दिया गया है. इसकी पूरकता के रूप में भारतीय रिज़र्व बैंक ने सात विशुद्ध डिजिटल ऋण कम्पनियों को

भी लाइसेंस देकर इस दिशा में कार्य आरंभ करने की अनुमति भी दे दी है. ये सभी पक्ष विशुद्ध रूप से डिजिटल हैं और मोबाइल अप्लीकेशन के माध्यम से ही कार्य कर रहे हैं. फिर भी भारतीय रिज़र्व बैंक ने यह भी सुनिश्चित किया है कि कम से कम उनकी एक भौतिक उपस्थिति तो अवश्य रहे ताकि आवश्यकता पड़ने पर ग्राहक उन तक पहुंच पाए. इसी क्रम में सात भुगतान बैंक भी काम आरंभ कर चुके हैं. ये भुगतान बैंक तकनीकी रूप से परिचालित हैं तथा ग्राहकों को अपने साथ जोड़ने और अपने काम काज से परिचालित होने के साथ इन दोनों स्थितियों में फिनटेक का प्रयोग करते हैं.

इनवॉइस ट्रेडिंग भारत में फिनटेक अप्लीकेशन का दूसरा ऐसा क्षेत्र है जो अभी शैशवास्था में ही है. यह एम.एस.एम.ई. की सहायता करता है जिन्हें भुगतान में विलम्ब के कारण प्राय: कार्यकारी पूंजी एवं नकदी के प्रवाह की समस्या बनी रहती है. भारतीय रिज़र्व बैंक ने ट्रेड रिसीवेबल्स डिस्कॉउटिंग सिस्टम (TReDS) स्थापित किया है जो इन उद्यमों के लिए फाइनेनसिंग की एक नवोन्मेषी व्यवस्था है, जहां बिलों व इनवॉइस की पुर्नकटौती के लिए तकनीकी का प्रयोग किया जाता है. इस कार्य के लिए तीन इकाइयां भी प्राधिकृत कर दी गई हैं- (अ) रिसीवेबल एक्सचेंज ऑफ इण्डिया लिमिटेड (ब) एम.आई. एक्सचेंज तथा (स) एक्सिस बैंक और एम जंक्शन.

इस दिशा में दूसरा प्रयास अकांउट एग्रीगेटर्स (AA) के लिए एक विनियामक ढांचे की स्थापना का है. कुल 5 इकाइयों का एन.बी.एफ.सी. - ए.ए. के रूप में सैद्धान्तिक अनुमोदन किया है और इनके द्वारा शीघ्र कार्य करने की प्रत्याशा की गई है. फिनटेक के माध्यम से डिजिटल भुगतान की पैठ एवं वित्तीय समावेशन के विस्तार को और बढ़ाने के लिए भारतीय रिज़र्व बैंक ने नंदन निलेकनी की अध्यक्षता में एक पांच सदस्यीय समिति नियुक्त की है.

फिनटेक के अवसर, जोखिम एवं चुनौतियां

फिनटेक की क्रान्ति जहां अवसरों का एक नये विश्व का द्वार खोलती है वहीं विनियामकों व पर्यवेक्षकों के लिए विभिन्न जोखिम एवं चुनौतियां भी प्रस्तुत करती है. इस परिप्रेक्ष्य में स्वोट (SWOT) विश्लेषण के द्वारा इस विकासक्रम की संभावनाओं के पूर्ण दोहन के लिए आवश्यक है कि इन जोखिमों को शीघ्र ही चिन्हित किया जाए और उससे संबंधित विनियामकों व पर्यवेक्षी चुनौतियों को कम करने के लिए कदम उठाए जाएं. यहां भारतीय संदर्भ में फिनटेक की चुनौतियों, तथा जोखिमों पर एक विहंगम दृष्टि डालना उचित होगा ताकि नीतिगत उपाय भी सुझाए जा सकें.

डिजिटल ऑनबोर्डिंग और वित्तीय समावेशन

इस परिप्रेक्ष्य के अन्तर्गत भारतीय संदर्भ में दो क्षेत्रों पर ध्यान दिया जाना चाहिए- (1) फिनटेक प्रतियोगकर्ताओं के लिए वित्तीय प्लेटफार्म तक पहुंच, और (2) ऐसे संभावित जोखिमों का विश्लेषण करना जो फिनटेक अपनाने के कारण उत्पन्न हो सकते हैं.

डिजिटल ऑनबोर्डिंग का उद्देश्य पूरा करने के लिए वित्तीय रूप से वंचित जनसंख्या की विशेष आवश्यकताओं को पूरा करने हेतु समुचित वित्तीय उत्पादों को तैयार करना होगा. आधार इकोसिस्टम का प्रभावी उपयोग डिजिटल प्लेटफार्म को अपनाने के लिए प्रोत्साहित कर सकता है जैसा कि प्रत्यक्ष लाभ अन्तरण के मामले में हो रहा है.

इस संबंध में केन्द्रीय के.वाई.सी. रजिस्ट्री एक महत्वपूर्ण कदम है. इस प्लेटफार्म पर अब तक लगभग एक मिलियन के.वाई.सी. रिकॉर्ड को अपलोड किया जा चुका है. हमें प्रभावी तरीके से अन्तरक्षेत्रीय असमानताओं को दूर करने के लिए और विवादों का ऑनलाइन समाधान प्रस्तुत करने के लिए बहुभाषी वित्तीय साक्षरता और एक मजबूत शिकायत निवारण मशीनरी सुनिश्चित करने की आवश्यकता है.

संभावित जोखिमों पर काबू पाना

जहां तक संभावित जोखिम और उसको कम करने का प्रश्न है, इसमें रेगटेक और सुपटेक की महत्वपूर्ण भूमिका है. रेगटेक एक ऐसा अप्लीकेशन प्लेटफार्म है जो विनिमयी अनुपालन को स्वचालित प्रक्रियाओं के माध्यम से और अधिक प्रभावी बना देता है तथा अनुपालन की लागत को भी कम करता है. रेगटेक ऐसी प्रौद्योगिकी पर फोकस करता है जो विनिमयी अपेक्षाओं की प्रदानगी और अधिक दक्ष और प्रभावी बनाती है.

सुपटेक एक ऐसी प्रौद्योगिकी है तो विनिमयाकों और पर्यवेक्षकों द्वारा पर्यवेक्षण का समर्थन करने करने के लिए प्रयोग की जाती है. सुपटेक का उद्देश्य अबाध और सीधा आंकड़ा संग्रहण, रिपोर्टिंग, आंकड़ा विश्लेषण और निर्णय लेना, सुप्रवाही लाइसेंसिंग, बाजार निगरानी और सतर्कता, के.वाई.सी./ए.एम.एल./सी.एफ.टी., साइबर सुरक्षा या साक्ष्य आधारित नीति निर्माण है.

विनियामकों और पर्यवेक्षकों को ऑफसाइट सतर्कता में वृद्धि करनी होगी. एक पारदर्शी प्रौद्योगिकी युक्त और डेटा प्रधान दृष्टिकोण अपनाने की आवश्यकता होगी. इस जरूरत की पूर्ति हेतु रेगटेक और सुपटेक की शुरूआत हो गई है. दोनों प्रौद्योगिकी का उद्देश्य स्वचालन (Automation) के प्रयोग के माध्यम से कार्यक्षमता में सुधार लाना, नई क्षमताओं को शुरू करना और कार्य को आसान बनाना है. भारतीय रिज़र्व बैंक आंकड़ों के संग्रहण और विश्लेषण के लिए सुपटेक का प्रयोग कर रहा है. इसके लिए कतिपय नाम हैं- इम्पोर्ट डाटा प्रोसेसिंग एण्ड मॉनीटरिंग सिस्टम (IDPMS)और सेन्ट्रेल रिपोजिटरी ऑफ इन्फोर्मेशन ऑन लार्ज क्रेडिट्स (CRILC). बैंकों का जोखिम-आधारित पर्यवेक्षण भी व्यापक रूप से आंकड़ा प्रधान है और इसे आसानी से सुपटेक का उदाहरण माना जा सकता है, रेगटेक और सुपटेक का भविष्य बिग डाटा अनॉलिटिक्स, आर्टिफिशियल इंटेलीजेन्स, मशीनी ज्ञान, क्लाउड कम्प्यूटिंग, भौगोलिक सूचना प्रणाली (GIS) मैपिंग, डाटा ट्रांसफर प्रोटोकाल, बायोमेट्रिक्स आदि पर टिका हुआ है.

एक सुदृढ़ जोखिम संस्कृति जिसमें जोखिमों का पता लगाना, उनका मूल्यांकन करना और उसमें कमी करना, बैंक के स्टॉफ सदस्यों के दैनिक कार्य का अंग है. यह उभरते जोखिमों की सफलता का केन्द्र बिंदु भी होगी. इसी प्रकार अव्यवहारिक ऋण वृद्धि पहले की तुलना में अधिक अंतर सम्बद्धता, प्रतिचक्रीयता, पर्यवेक्षी ढांचे से बाहर नई गति विधियों के विकास और निम्न लाभ के कारण हुए वित्तीय जोखिमों ने प्रणालीगत जोखिम में वृद्धि की है. फिनटेक उत्पादों के लिए जोखिम, दूसरे देशों के कानूनी और विनिमायी मामलों से भी उत्पन्न हो सकते हैं. आंकड़ों

की गोपनीयता और ग्राहक सुरक्षा ऐसे बड़े क्षेत्र हैं, जिस पर अविलम्ब ध्यान देने की महती आवश्यकता है.

फिटनेस के सकारात्मक एवं नकारात्मक पक्ष

निसन्देह फिनटेक ने सस्ती बैंकिंग एवं प्रौद्योगिकीय सुविधा प्रदान की है. इसका एक उदाहरण मोबाइल मनी है जिसके द्वारा ग्राहकों को सुरक्षित रूप से बचत करने एवं धन को हस्तान्तरित करने, बिलों का भुगतान करने और सरकारी भुगतान प्राप्त करने का साधन प्राप्त करके आर्थिक विकास में काफी योगदान दिया है. आज पेटीएम, गूगल पे, अमेजन, अली बाबा जैसी प्रौद्योगिकीय फर्मों ने वित्त की दशा एवं दिशा को बदलकर रख दिया है, विशेषकर एशिया एवं अफ्रीका जैसे उभरते बाजारों में.

फिनटेक भी अन्य किसी भी नवोन्मेष की भांति अपने साथ अन्य बातों के अतिरिक्त क्षमता, उत्पादकता, गुणवत्ता, प्रतिस्पर्द्धात्मकता और बाजार में हिस्सेदारी लेकर आया है. तथापि आमतौर पर नवोन्मेष आमूलचूल परिवर्तन के रूप में परिणत होने के कारण वे विशेष रूप से बाधाकारी होते हैं. उनको समझने के लिए प्रयासों और समय की आवश्यकता होती है. इससे जुड़े खतरों में बिना परीक्षण के प्रभाव, दीर्घावधि प्रभावों पर स्पष्टता का अभाव शामिल है और नवोन्मेष के चलते गलत फहमी उत्पन्न होना तथा गलत प्रयोग भी संभव है.

वास्तव में कभी-कभी नवोन्मेष बुरे हो सकते हैं और कभी कभी अच्छे नवोन्मेषों का गलत प्रयोग भी किया जा सकता है. फिनटेक संबंधी नवोन्मेषों की क्षमताओं को बढ़ा चढ़ाकर बताने से भी इस क्षेत्र के विकास पर बुरा असर पड़ सकता है. इसकी सहगामी सोच के साथ बैंकों तथा वित्तीय संस्थाओं को भी यह ज्ञात हो रहा है कि फिनटेक संबंधी नवोन्मेषों को अंगीकार करने या उनके अनुकूल बनाना, उनके परस्पर और ग्राहक के हित में होगा. विश्वभर में अनेक केन्द्रीय बैंकों ने आभासी मुद्रा के लिए ब्लॉकचेन प्रौद्योगिकी के प्रयोग के बारे में एक श्वेत पत्र जारी किया है. समस्त विश्व में इस तरह के बहुत से प्रयास किए जा रहे हैं. आशा है कि ये प्रयास प्रयोग योग्य समाधान के रूप में परिणत होंगे.

सकारात्मकता व नकारात्मकता की इस मिश्रित स्थिति में रिज़र्व बैंक ने बैंकों को प्रोत्साहित किया है कि वे फिनटेक फर्मों के साथ नए-नए संपर्क स्थापित करने की संभावनाएं खोजें क्योंकि नवोन्मेष के माध्यम से वित्तीय समावेशन के एजेंडे को आगे बढ़ाने में ऐसे प्रयासों से काफी सहायता मिलेगी. यह आवश्यक है कि इस क्षेत्र में निवेश का प्रवाह निर्बाध बना रहे ताकि इसका संपूर्ण रूप से दोहन किया जा सके. इसके लिए एक ऐसी पद्धति प्रणाली बनाना जरूरी है जो आपसी सहयोग को प्रोत्साहित करे. साथ ही समष्टि अर्थव्यवस्था पर पड़ने वाले इसके निहितार्थों पर भी सावधानीपूर्वक ध्यान देना होगा.

फिनटेक के सुव्यवस्थित विकास को सुनिश्चित करने के लिए ग्राहकों के संरक्षण और सभी हितधारकों के हितों की सुरक्षा के लिए हमें समुचित विनिमयी व पर्यवेक्षी ढांचे की आवश्यकता होगी. ऐसे ढांचे को इस क्षेत्र की संवृद्धि अपेक्षाओं को ध्यान में रखते हुए सम्बद्ध जोखिमों को दूर करना चाहिए. फिनटेक और डिजिटल बैंकिंग पर बने रिज़र्व बैंक के कार्य समूह (फिनटेक और डिजिटल बैंकिंग पर बने रिज़र्व बैंक के कार्य समूह की रिपोर्ट 2017) ने फिनटेक समाधानों को

अनुभव करने के लिए सुपरिभाषित जगह और एक निश्चित अवधि के अन्तर्गत एक विनिमायी सैण्डबाक्स / नवोन्मेषी हब की शुरुआत करने का सुझाव दिया है, जहां पर असफलता के परिणामों को रोका जा सके तथा असफलता के कारणों का विश्लेषण किया जा सके. एक विनिमायी सैंडबाक्स कम लागत पर नवोन्मेषी उत्पाद आरंभ करके समय घटाकर फिनटेक कंपनियों की सहायता करेगा. इन संस्तुतियों के आधार पर भविष्य में भारतीय रिज़र्व बैंक द्वारा एक विनिमायी सैण्ड बॉक्स स्थापित करने की प्रबल संभावना है.

फिनटेक कंपनियों में रूचि क्यों बढ़ी है ?

यहां एक प्रासंगिक प्रश्न यह है कि आखिर हमारे संस्थानों की फिनटेक कंपनियों में रुचि क्यों बढ़ी है. इसके दो प्रमुख कारण है: (1) मार्केट प्लेस फाइनेंसिंग तथा ब्लॉकचेन. इन दो नवोन्मेषों ने जो मूलत: फिनटेक कंपनियों के उत्पाद हैं, विभिन्न संस्थानों को इन कम्पनियों में रुचि लेने को आकर्षित किया है. मार्केट प्लेस फाइनेसिंग जिसे प्राय: क्राउड फंडिंग के रूप में भी जाना जाता है, का तात्पर्य किसी परियोजना या वेंचर का बड़ी संख्या में लोगों से थोड़ी-थोड़ी मात्रा में जुटाई गई राशियों के माध्यम से निधियन से होता है, जो विशेष रूप से किसी पोर्टल के मध्यस्थ के रूप में कार्य के अधीन होता है. लोगों से सीधे उधार लेना (P2P) क्राउड फंडिंग का एक स्वरूप है जिसकी वापसी ब्याज सहित की जाती है. इस नवोन्मेषी मार्केट प्लेस फाइनेंशिंग के कारण दुनियाभर के लोग बैंकिंग और वित्तीय मध्यस्था की समाप्ति का अंदेशा जता रहे हैं. कुछ लोग परम्परागत बैंकों और वित्तीय संस्थानों के शीघ्र समाप्त किए जाने लगे हैं. इस बाधाकारी नवोन्मेष ने सचमुच बहुत से विश्लेषकों विचारों को प्रभावित करने वालों और प्रभावशाली विचारकों का ध्यान आकर्षित किया है. वे बैंक-रहित अर्थव्यवस्था या बैंक-मुक्त अर्थव्यवस्था की बात करते हैं.

ठीक इसी प्रकार से ब्लॉकचेन प्रौद्योगिकी भी अन्य बाधाकारी नवोन्मेष है. इसे इस तरह प्रोग्राम किया जाता है कि इसमें न केवल वित्तीय लेनदेन दर्ज हो, बल्कि लेनदेन के अतिरिक्त महत्व की सभी बातें दर्ज हों. ब्लॉकचेन खुले एवं वर्गीकृत लेजर होते हैं जो दो पार्टियों के बीच लेनदेन को दक्षता पूर्वक इस प्रकार दर्जकर सकते हैं कि स्थाई रूप से उनका सत्यापन किया जा सके. इस प्रौद्योगिकी का प्रयोग करते हुए जो विशिष्ट नवोन्मेषी उत्पाद परिलक्षित हुए है, उन्होंने दुनियाभर के लोगों के बड़े वर्गों में उत्तेजना भर दी है. यहां हमारा इशारा बिटकॉइन्स की अद्‌भुत घटना की ओर है.

मार्केट प्लेस फाइनेंसिंग एवं ब्लॉकचेन प्रौद्योगिकीयों से जुड़े अधोगामी जोखिम

मार्केट प्लेस फाइनेसिंग निधि जुटाने वालों एवं निधि उपलब्ध कराने वालों को आपस में जोड़ती है. हम यह मान लेते हैं कि इसके कारण वित्तीय मध्यस्थता की

जरूरत समाप्त हो जाती है. तथापि निधि जुटाने वालों और निधि उपलब्ध कराने वालों के अच्छे कार्य निष्पादन की गारन्टी कौन लेता है? जब इनमें प्रत्येक व्यक्ति एक दूसरे को जानते भी नहीं, एक दूसरे से बहुत दूरी पर स्थित हों, जो दूसरी सीमा से परे भी हो सकती है, तब मामला जटिल हो जाता है. इसलिए विशाल राशि जुटाने के लिए मार्केट प्लेस फंडिंग उपयुक्त नहीं हो सकती है. वित्त के संबंध में यह बुद्धिमता की बात है कि शुरुआती दौर में स्वीकृत होने और असफलता के बाद के समय और दौर में आकर्षित होने वाले लोगों की संख्या में गुणोत्तर वृद्धि होती है, फिर वह श्रृखंला टूट जाती है और विफलता हाथ लगती है. निर्दोष और कमजोर पार्टियों के संरक्षण हेतु संगठित और विनियमित संस्था की आवश्यकता होती है, किसी भी लोकतांत्रिक प्रणाली के अन्तर्गत इस अवस्था को 'प्रौढ़ स्वीकृति' के रूप में खारिज नहीं किया जा सकता. बड़े पैमाने की विफलता सामने आने पर 'प्रौढ़ स्वीकृति' के तर्क से काम नहीं चल सकता. 1994 में कुर्टजमैन ने 'डेथ ऑफ मनी' शीर्षक वाली पुस्तक में कहा था कि 'कुछ लोगों का एहसास है कि अपने पारंपरिक अर्थ में मुद्रा समाप्त हो गई हैं. कुछ लोगों ने तो इसके तथ्य के प्रभावों पर विमर्श भी बंद कर दिया है.'

उपसंहार

फिनटेक कंपनियां परिवर्तन को तीव्र बना रही हैं और वित्तीय सेवा उद्योग में मौलिक परिवर्तन ला रही हैं. फिनटेक में संभावना यह है कि यह भारत में वित्तीय सेवाओं और वित्तीय समावेशन के परिदृश्य को मौलिक रूप से नया स्वरूप प्रदान कर सकता है. इससे लागत में भी कमी आ सकती है और वित्तीय सेवाओं की गुणवत्ता में भी सुधार आ सकता है. लेकिन इन फिनटेक संस्थानों के लिए सबसे बड़ी चुनौती विनियामकों के बढ़ते हुए अनुपालन कार्य का भार है, जिसके परिप्रेक्ष्य में फिनटेक और विनियामकों के साथ काम करने की आवश्यकता होगी. विगत पांच दशकों में जिस तरह से फिनटेक ने प्रौद्योगिकी का दोहन किया है, वह बहुत कुछ सीमा तक परिवर्तित हो गया है, क्योंकि विनियामक तीव्र गति से बढ़ते हुए उद्योग को संरक्षित और नियंत्रित करने और उसे समझने का प्रयास कर रहे हैं.

दूसरी ओर बाजार आंकड़ों पर अधिक विश्वास करने के लिए विकसित हो रहे हैं. उधारकर्ताओं द्वारा सब से अधिक आंकड़ों वाली संस्था को उनके ऋण जोखिम का आंकलन करने और उन्हें ऋण देने के लिए सबसे अच्छा स्थान दिया जा रहा है. ग्राहक पारम्पारिक वित्तीय संस्थानों की अपेक्षा फिनटेक के इस नए प्रारूप का विकास और अधिकतम विकास की मांग कर रहा है, बैंक जैसे वित्तीय सेवा प्रदाता भी फिनटेक की क्षमताओं को मान्यता प्रदान कर रहे हैं. यह ध्यान में रखना होगा कि फिनटेक के बाधाकारी नवोन्मेष पारपंरिक बैंकिंग या वित्त जगत को पूर्ण रूप से समाप्त अथवा बर्बाद नहीं कर सकते हैं, तथापि ऐसे बहुत से उपाय हैं जिनके माध्यम से बैंक और फिनटेक आपस में सहयोग करके वित्तीय सेवा के ग्राहकों की काफी अच्छी सेवाओं का सूत्रपात कर सकते हैं. हमें प्रणालीगत प्रभावों को कम करते हुए फिनटेक का प्रभावशाली तरीके से उपयोग करके एक संतुलन स्थापित करना है.

लेखक परिचय

सुबहसिंह यादव ने एम ए (अर्थशास्त्र) एवं एम फिल की उपाधि ग्रहण की तथा अपना व्यावसायिक जीवन व्याख्याता (अर्थशास्त्र) दिल्ली विश्वविद्यालय से आरंभ किया. तत्पश्चात राजस्थान उच्च शिक्षा सेवा में अध्यापन किया.

आप बैंक आफ बड़ौदा में सहायक महाप्रबन्धक के पद से सेवा निवृत्त हुए हैं. वर्ष 1983 में आप आयोजना अधिकारी के रूप में बैंक ऑफ बड़ौदा में आए और विगत 32 वर्षों से अनेक पदों पर रहते हुए प्रशिक्षण एवं एसएलबीसी सहित जिम्मेदारियों का निर्वहन किया.

इन्हें राष्ट्रपति, उपराष्ट्रपति, योजना आयोग, गवर्नर भारतीय रिज़र्व बैंक, वित्त मंत्रालय आदि द्वारा 21 बार पुरस्कृत किया जा चुका है. आपकी 26 पुस्तकें तथा विभिन्न पत्र-पत्रिकाओं में 405 आलेख प्रकाशित हो चुके हैं. आप अनेक विश्वविद्यालयों, प्रशिक्षण संस्थानों तथा प्रशासनिक संस्थानों में अतिथि वक्ता हैं. यादव इंडियन इंस्टीटयूट ऑफ बैंकिंग एंड फाइनेन्स एवं कुछ विश्वविद्यालयों के परीक्षक भी रहे हैं.

ईमेल: ssyadav1008@yahoo.co.in

हिन्दी लेखक कृपया ध्यान दें

- प्रत्येक लेख के साथ 100-150 शब्दों का लेखक परिचय तथा लेखक की फोटो (300 dpi) भेजना अनिवार्य है.
- बुलेट बिन्दुओं के लिए (i) (ii) इत्यादि का प्रयोग बिलकुल न करें.
- केवल कृतिदेव फॉन्ट का ही प्रयोग करें.

Kind Attention: Contributors

We are initiating steps to further improve the quality of content in The Indian Banker. Contributed articles will be subjected to an **enhanced quality filtering process** before getting selected for publication.

We appreciate the efforts that go into producing a good quality article. Therefore, we have decided to **increase the honorarium** for articles selected for publication to **INR 5000** from the existing INR 2000. This **increase will be effective** for the articles published in our **September 2020 issue onwards**.

Please send all your contributions and related mails to:

ibaindianbanker@gmail.com
with a copy to
mgr2.corpcomm@iba.org.in
hari@finsight-media.com