QUICKLY

Back to business People wait outside a bank branch in the Lebanese capital of Beirut on Tuesday after the Federation of Syndicates of Banks Employees announced the end of a week-long strike, saying security measures will be implemented to protect banks AFP

BoI net loss widens to ₹6,993 crore

Mumbai, November 19

Bank of India's net loss widened by ₹1,446 crore to ₹6,993 crore for FY19 following disclosure of divergence in asset classification and provisioning for non-performing assets as per the Reserve Bank of India's Risk Assessment Report (RAR) for the year 2018-19. The RAR had assessed the divergence in provisions for NPAs at ₹1,446 crore. While the bank reported NPA provisions of ₹39,392 crore as on March-end 2019, the central bank assessed the same to be ₹40,838 crore. The divergence in gross and net NPAs was ₹1,117 crore each. OUR BUREAU

RBI union wants govt to raise bank deposit insurance cover to ₹10 lakh

Urban co-operative banks must be brought exclusively under RBI's jurisdiction: AIRBEA

OUR BUREAU
Mumbai, November 19

The current bank deposit insurance coverage is woefully low and the government should increase it 10 times to ₹10 lakh, covering all types of deposits of an individual, according to the All-India Reserve Bank of India Employees Association (AIRBEA).

This suggestion comes in the context of the Reserve Bank of India (RBI) coming across major financial irregularities at Punjab and Maharashtra Co-operative (PMC) Bank, leading to deposit withdrawals being capped at ₹50,000 of the total balance in depositors' accounts.

The need to increase the deposit insurance cover should also be seen in the backdrop of fears in various quarters of the government bringing back the Financial Resolution and Deposit Insurance Bill with the 'bail-in' clause, whereby depositors' funds could be used to bail out troubled banks.

The deposit insurance cover was last upped in 1993 from ₹30,000 to ₹1 lakh. Though the bank deposits have grown by leaps and bounds, the deposit insurance cover has remained static for the last 26 years.

"It has been argued that while bank failures are few and far between and the government takes steps to save depositors by merging the failed banks with other strong banks, the failure of co-operative banks is palpable," said Samir Ghosh, General Secretary, AIRBEA.

According to the Deposit Insurance and Credit Guarantee Corporation figures, it has paid ₹4,822 crore in claim in respect of 351 co-operative banks since inception. "While the insurance premia (10 paise per deposit of

₹100) are paid mainly by commercial banks, the money is used mostly for failed co-operative banks," said Ghosh, and added that this is disproportionate and unbalanced.

Dual regulation

Hence, the association has demanded that instead of dual regulation of urban co-operative banks by the State government and the RBI, they should be brought exclusively under the central bank's jurisdiction. Ghosh felt that this will also be welcomed by co-operative bank customers.

State Bank of India's economic research department, in a recent research report, pointed out that over the years, the level of insured deposits as a percentage of assessable deposits, has declined from 75 per cent in FY82 to 28 per cent in FY18.

"Given this backdrop, we believe, there is a dire need to revisit the insurance coverage of bank deposits. In particular, the current upper limit of ₹1 lakh per depositor, we believe, has outlived its shelf life and there is a need to revisit it," said the department's research report Ecowrap.

"Further, over the years, the composition of bank deposits has undergone massive changes in India. In this backdrop, the report suggested that the DICGC coverage should be revised and bi-furcated into two categories – desirable coverage of at least ₹1 lakh for savings bank deposits (around 90 per cent of the total SB accounts) and desirable coverage of at least ₹2 lakh for term deposits (around 70 per cent of the total TD accounts)," said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

Senior citizens

The report pitched for a separate provision for senior citizens. This revision in DICGC coverage becomes all the more desirable in the Indian context, where senior citizens / retired people have no social security in place and mostly keep fixed deposits for earning interest income.

Apart from this, Ghosh also suggested that depositors should get an incentive to spare a part of their total deposits to buy bank bonds that provide guaranteed coupon rates on a half-yearly basis and are tax-free.

This will herald a new paradigm in the Indian deposit banking sphere, since tax-free and guaranteed payments of a certain income will do much to encourage depositors to come forward with offers to provide a part of their savings in exchange for the shares in the banks.

RBI slaps ₹2.5-cr penalty on BoB

OUR BUREAU
Mumbai, November 19

The RBI has imposed a penalty aggregating ₹2.50 crore on Bank of Baroda for non-compliance with the directions issued by it in various accounts of Srijan Mahila Vikas Sahyog Samiti at the Bhagalpur Branch.

"We advise that the RBI, in exercise of powers conferred under...the Banking Regulation Act, 1949, has imposed a penalty...on the bank for non-compliance with the directions issued by the RBI in various accounts of Srijan Mahila Vikas Sahyog Samiti at the Bhagalpur Branch," the bank said in a stock exchange filing.

Rupee slips 16 paise

PRESS TRUST OF INDIA
Mumbai, November 19

The rupee opened on a cautious note and fell 16 paise to 72 per US dollar in early trade on Tuesday amid rising demand for the US dollar vis-a-vis other currencies. At the interbank forex market, the rupee opened at 71.97 and then fell to 72 against the US dollar, showing a decline of 16 paise over its previous close.

Now, borrowers can place jewellery in CSB Bank custody to get an overdraft

K RAM KUMAR
Mumbai, November 19

To disabuse the middle class of the notion of stigma attached to taking gold loans and to make productive use of their gold jewellery, Kerala-based CSB Bank plans to introduce a product whereby customers can place their jewellery in the bank's 'custody' and avail themselves of an overdraft.

Doorstep service

If these customers are reluctant to visit the bank's branches, the Thrissur-headquartered bank will also ensure that all formalities related to the custody of their jewellery, crediting of the loan amount to their account, and pick-up of the jewellery take place in one go at their premises via a tie-up with a fintech company.

By doing so, the private sector bank, formerly known as Catholic Syrian Bank, wants to expand its customer base for gold loans, which are usually taken by the lower middle class. The middle class is inclined to stash away jewellery in bank lockers.

Gold loan advances constituted 33 per cent of its total advances, and is a mainstay product for the bank on the retail advances side. CSB Bank wants to increase the proportion of such advances to 35 per cent. CVR Rajendran, MD and CEO, said: "Today, gold loan is confined to lower middle class people. Middle class people are shy of taking a gold loan even though they own gold. We have a stigma attached to pledging of gold. This is not considered a respectable activity."

However, people don't hesitate to borrow using a credit card at 28 per cent or unsecured loan at 40 per cent because it is not known to others, he added

Rajendran elaborated: "When you pledge gold it is

CVR Rajendran, CSB Bank MD and Chief Executive Officer

known to others. That seems to be the problem. That is why banks are not popular when it comes to gold loans. When you go to a bank for taking a gold loan, there are other customers. This is one of the products the bank is selling, and there are various customers coming in."

This set the bank management thinking on how to maintain secrecy for customers wanting to take gold loans. The CSB chief noted: "That is why gold loan companies are located on first floor, second floor (of a building) where visibility is low. You are not seen as taking a gold loan. You don't want to be seen as taking a gold loan.

"All of us have gold jewellery, but we hardly put them to use. It is all put away in the locker. Today, instead of doing that, you can handover the jewellery to us for safe custody. It will be a honourable activity for you. You will not be hounded for that."

Once the jewellery is handed over to CSB's branch, it gives the customer an acknowledgement stating the jewellery pieces deposited with them and their value.

"We will charge the customer 1 per cent of the jewellery value as custodial charges. We will give you limit on it also.

"So, in your savings bank account we will give you an overdraft limit or give you a pre-loaded card. If you use the limit, you pay for it. If you don't use the limit, you only need to pay the custodial charges," explained Rajendran.

Safer than locker

He said that the custody of gold with a bank is safer than in the locker. Industry players say when a bank takes a customer's jewellery in its custody, the onus of its safe-keeping is on the bank. In the case of locker, the bank does not know what the customer has kept.

If a customer wants the bank to return the jewellery placed in its custody, there will be a minimum charge of about ₹50 to ₹100.

Also read p10

YES Bank buys 20.61% stake in Tulip Star Hotels

OUR BUREAU
Mumbai, November 18

YES Bank has acquired 20.61 per cent of the post-issue paid-up share capital of Tulip Star Hotels Ltd (TSHL), pursuant to invocation of pledge of shares. The bank has acquired 9,49,930 equity shares of TSHL, having nominal value of ₹10 per share.

"Shares have been acquired pursuant to invocation of pledge of shares of TSHL subsequent to default/ breach of terms of credit facilities sanctioned by YES Bank to Ezeego One Travel and Tours Limited (borrower)," the bank said in a stock exchange notice.

NBFCs with over ₹500-cr assets brought under IBC

KR SRIVATS
New Delhi, November 19

Soon after putting in place a generic framework for insolvency proceedings of systemically important financial service providers (FSPs), the Centre has now brought NBFCs with assets more than ₹500 crore under the purview of the Insolvency and Bankruptcy Code (IBC).

The Ministry of Corporate Affairs (MCA) has taken the decision in consultation with the Reserve Bank of India. It will also cover housing finance companies with asset size of over ₹500 crore, official sources said.

Generic framework

The generic framework mandates the Centre, in consultation with appropriate regulator, to specify from time to time the category of FSP to be brought under the IBC for insolvency and liquidation proceedings.

The spate of NBFC blowouts in recent years compelled the government to invoke Section 227 of the IBC.

Corporate Affairs Secretary Injeti Srinivas had recently said that the special framework provided under Section 227 for financial service providers is essentially aimed at serving as an interim mechanism to deal with any exigency pending introduction of a full-fledged enactment to deal with financial resolution of banks and other systemically important financial service providers.

The special framework under Section 227 of IBC does not apply to banks.

NBFC view

Reacting to the MCA move to bring NBFCs with assets worth over ₹500 crore under the IBC fold, Raman Aggarwal, Co-Chairman, Finance Industry Development Council (FIDC), said it was a positive move as it would instil more confidence among investors.

However, the Centre should also give NBFCs all recovery tools currently available with other financial institutions, he added. "NBFCs do not have all the recovery tools. There are still various barriers that impede our recovery process," said Aggarwal.

Non-banking entities continue to be under the spell of credit crisis

ANALYSIS

BLOOMBERG
November 19

The health of non-banking finance companies (NBFCs) remained weak last month as the credit crisis continued to sting. Among the four indicators compiled by Bloomberg News covering areas, including liquidity and share performance, three were stuck in the same position as the previous month, with two at levels indicating weakness.

Another gauge showed that total the outstanding debt increased at 50 financial firms and other companies impacted by the crisis, as banking-system liquidity remained buoyant, given the central bank's monetary easing.

To be sure, the absolute amount of outstanding debt was not at alarming levels, and access to credit markets for healthier financiers could help get money flowing more efficiently again — just what the flagging economy needs. But if

Moody's has warned that the credit squeeze among India's financiers is likely to worsen

more troubled borrowers continue to add rather than pare borrowings, that could prolong the crisis.

Authorities have taken more steps recently to help the NBFC sector, which plays a vital role in getting money to everyone from small merchants to property tycoons. Some observers see an extended battle, as the nation's slowing economy complicates those efforts.

Risks of contagion

Moody's Investors Service recently warned that a prolonged credit squeeze among India's financiers may worsen, just as S&P Global Ratings said risks of contagion are rising in the financial sector. The premium that investors demand to hold shadow lender bonds over sovereign notes is persistently high, and a custom gauge of shares of 20 financial firms and other companies impacted by the crisis remained sluggish. To help creditors recover their money quickly from troubled shadow lenders, the government last week unveiled insolvency rules.

The more than 15-month-old credit crisis has choked economic growth to its slowest pace in six years, and company defaults on rupee bonds are at a record high.

Dewan Housing Finance Corp and Altico Capital are among lenders that defaulted this year, adding to the risk-off sentiment in local markets.

The scores attached to each of the indicators have been calculated by normalising the deviation of the latest value of the indicator from its yearly average, and have been assigned on a scale of 1 to 7, with 1 implying weakness and 7 showing strength.

Inditrade Cap aims to double agri commodity, microfinance book

SURESH P IYENGAR
Mumbai, November 19

Inditrade Capital, a digitally-driven non-banking finance company, expects its agriculture and microfinance business to double this year, given the general liquidity concern in the industry.

The company is looking to double its agri commodity and microfinance book to ₹800 crore this fiscal. In agriculture commodity, Inditrade lends only for non-essential commodities that are traded on the exchange platform and hedges its risk simultaneously.

It competes with banks in agriculture lending by providing higher loan-to-value of 16 per cent, compared to 12 per cent by banks.

Sudip Bandyopadhyay, Group Chairman, Inditrade Capital, told *BusinessLine* that farmers' realisation generally goes down as they do not have the financial power to hold their produce for longer periods of time, and most of them dump their produce in the market after harvest, leading to a price crash.

Repayment options

In a bid to enhance farmers' holding power, the company offers flexible repayment options by allowing them to close the account even by selling the pledged commodities, he said.

More than 800 farmers, who are registered as Inditrade's customers, store their produce across 400 exchange-accredited warehouses. Against this produce, Inditrade provides loans of up to ₹2 crore for three months at 16 per cent interest.

In microfinance, it has more than two lakh customers who avail loans of ₹30,000 for 50 weeks at the RBI-advised rate of 22 to 25 per cent.

The lending book in microfinance, covering eight States, is expected to touch ₹800 crore, against the ₹430 crore logged last year.

Inditrade, which ventured into micro, small and medium enterprises (MSME) lending last year, targets kirana stores in Mumbai, Pune, Hyderabad and Chennai to provide loans against their point-of-sale receivables at 18 to 22 per cent interest rate. The MSME lending book is fast growing and is set to touch ₹250 crore this year, against ₹100 crore, he said.

Digital micro loans

Inditrade is most bullish on digital micro loans of ₹5,000 to ₹25,000 for a month at interest rates of 18 to 24 per cent. Launched in January, digital lending to the salaried class has already attracted one lakh customers, and the demand is growing exponentially to touch ₹100 crore. The capital deployed is also limited as it is churned rapidly.

Inditrade recently applied for a housing finance licence with the RBI. It plans to lend ₹5 lakh to ₹25 lakh in the affordable housing sector. In April, it started giving educational loans of ₹10,000 to its microfinance customers.

Retail health share to grow to 75% by March: Aditya Birla Insurance CEO

OUR BUREAU
Kolkata, November 19

Aditya Birla Health Insurance expects the share of individual retail health to account for nearly 75 per cent of its total business by the end of March 2020. Retail health currently accounts for around 70 per cent of its total business.

As on March 2019, the company had gross written premium of around ₹315 crore, registering a growth of 78 per cent over previous year.

According to Mayank Bathwal, Chief Executive Officer, Aditya Birla Health, group insurance is not a focus area for the company, which is looking to break even by 2021-22.

"Retail health currently accounts for nearly 70 per cent of our total business, up from 67 per cent registered last year. We see this growing further to 75 per cent by March 2020,"

Mayank Bathwal, CEO, Aditya Birla Health Insurance
DEBASISH BHADURI

Bathwal told newspersons after unveiling the research findings of their latest survey – Indian Parental Care Survey 2019 – on Tuesday.

New products

The company, which has launched three products since the beginning of this fiscal, is looking to roll out few more products. It has already filed a few products with the IRDAI for approval.

Some of these products will focus on specific segments or categories such as women, rural or even disease-specific offerings, he said.

Aditya Birla Health, which completed three years of operations in October 2019, will also explore the possibility of engaging with Ayushman Bharat Yojana, which is aimed at providing help to the economically vulnerable people in need of healthcare facilities.

"Having completed three years of operations, we are now eligible for the Ayushman Bharat scheme. We will explore the possibilities," he said.

The health insurance company is expecting to clock 80 per cent growth in premium this year. The company has bancassurance tie up with as many as 10 banks. Sales through the bancassurance channel accounts for nearly 55 to 60 per cent of its retail health insurance business, he added.

How integration of payment apps with social media boosts neo-banking

AMRITA NAIR-GHASWALLA
Mumbai, November 19

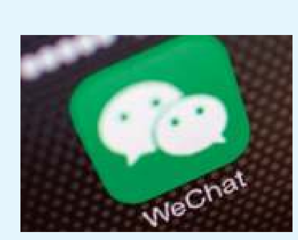
A new report has found that the early adopters of digital payments hail from China and India. The integration of financial services with social media services offered by Alibaba and WeChat has helped 93 per cent of consumers in China migrate to digital payments or neo-banking services.

Likewise, the popularity of Paytm in India has helped 50 per cent of Indians utilise next-gen services, according to the report by market research agency Kantar.

A neo-bank is a digital bank without branches, with the digital operations reaching consumers via mobile apps and personal computers. Though Alipay, Paytm, WeChat Pay, Nubank and the likes have created a revolution in the digital payments space, their impact on the traditional retail banking market is yet to be fully felt. In a survey of 3,000 bank customers around the world, Kantar found early adopters prominently hailing from China and India.

Chinese consumers are the champions of digital payments with almost everyone (93 per cent) with a bank account doing business with one or more of the local neo-banks – Alipay, WeChat and JD Finance.

Though the integration of payment apps in social media platforms tends to play a significant role in aiding the movement, the report notes it does not provide the full picture, given the significant level of penetration enjoyed by Alipay and JD. India has the second-highest market penetration at 50 per cent, according to the report, followed by Brazil at 35 per cent. Within



other more traditional banking markets, neo-bank penetration is considerably less than 5 per cent in the US at 2 per cent, and in Singapore, it is less than 1 per cent.

The report shows Chinese retail banking differs significantly from other markets: on average, customers make use of at least two of the three key digital payment banks — Alipay, WeChat or JD. This level of use is unparalleled, according to the report.

In India, the tough fight between digital payment majors Airtel and Paytm was showcased, with Airtel at 15 per cent versus Paytm at 46 per cent usage.

Reg van Steen, the lead author, points out that in China, India and Brazil, neo-banks have made the leap to the mainstream.

Elsewhere, consumers are still just "checking them out" or "cherry-picking" particular benefits.

Highlighting customer appeal and trust, the report shows neo-banks in Brazil, China and India have established an equal footing with traditional banks, and that neo-banks are liked more than they are trusted by their own customers. This could be because neo-banks tend to invest strongly in brand building and are overt in their efforts to deliver an engaging, innovative, and often responsive customer experience.

Existing banks appear to be closely following what the neo-banks are doing and are quick to imitate app features and benefits. However, neo-banks moving away from providing typical banking services are expected to hold them in good stead. Airtel Payments Bank has partnered with private sector general insurance company HDFC Ergo to launch a mosquito disease protection policy.

At just ₹99 per annum, the policy provides cover against seven common mosquito-borne diseases. The policy is currently available to 40 lakh remittance customers of Airtel Payments Bank.