

QUICKLY

Rupee marginally up against US dollar

Mumbai, December 12
The rupee pared most of its early gains and settled marginally up at 70.83 against the US currency on Thursday amid uncertainty over the delay in the deadline for imposition of higher US tariffs on Chinese goods. At the interbank foreign exchange market, the rupee had opened higher at 70.67 against the US dollar and later touched a high of 70.56 largely on the back of losses in the US dollar following the Federal Reserve's decision to keep interest rates unchanged. The rupee finally settled for the day at 70.83, higher by just 2 paise against the dollar. The local unit had closed at 70.85 against the US dollar on Wednesday. PTI

Allahabad Bank cuts MCLR by 0.05%

New Delhi, December 12
Allahabad Bank has cut its marginal cost of fund-based lending rate (MCLR) by 5 basis points across tenors, the state-run bank said on Thursday. The Asset Liability Management Committee of the bank has reviewed the existing MCLR and decided for a downward revision of MCLR by 5 basis points (0.05 percentage point) across different tenors, Allahabad Bank said. The benchmark one-year MCLR has come down to 8.30 per cent from 8.35 per cent earlier, the bank said in a regulatory filing. PTI

No recession in insurance, growth on track: IRDAI chief

G NAGA SRIDHAR

Hyderabad, December 12

Insurance industry is now facing winds of change thanks to proliferation of low-cost insurance schemes brought in by the government and digital technology which is driving change in all sectors of economy. The focus every where now is on big data and analytics. The Insurance Regulatory and Development Authority of India (IRDAI) has been a catalyst for

this change. Subhash C Khuntia, Chairman, has been responsible for bringing in a host of reforms over last one year after assumption charge. As a

veteran civil servant and the first insurance regulator with a Ph.D in Economics, Khuntia has been focussing on harnessing digital technology for benefit of all

stakeholders and making regulation all encompassing yet modern. He spoke to *BusinessLine* on industry and issues. Excerpts:

There has been talk of a slowdown and impending recession in the economy. How is insurance industry performance in this back drop?

Largely, there has been no adverse impact on insurance so far. I hope and expect it will continue. There is, however, a slight slowdown in motor insurance has been noticed due to recent

dip in new vehicle sales. Actually, people should look for more and more security by preferring insurance in times of slowdown as insurance is anti-cyclical protection.

How has been the growth rate so far?

Things are fine up to this first half ended September 2019. Total insurance industry clocked 20 per cent growth. Life insurance and general insurance grew by 21 per cent and 16 per cent, respectively. Due to increased awareness, health insurance catching up. Standalone health insurance grew 36 per cent.

We have learnt that some general insurers are finding going tough in Pradhan Mantri Fasal Bima Yojana, the flagship crop insurance scheme. One major private insurer exited it citing high reinsurance premium rates. As a regulator,

do you plan to intervene in any manner?

We would like all insurance companies to participate in crop insurance. But the rates of reinsurance and premium are market-driven. Regulator is not in picture in the whole issue.

With regard to Ayushman Bharat, there have been reports of frauds. Has it come to your notice? What is being done in this regard?

Ayushman Bharat is being implemented in three models of insurance, trust and mixed model. As far as we are concerned, there has been no frauds. However, a panel has been set up to look into and data collection is being done and we will tract on the basis of data analytics. But there is nothing much to worry in this regard.

How is the health of health insurance? There have been

complaints from policyholders on rejection of claims while industry speaks about false claims and losses...

We are trying to sort out the issues so that health insurance cover will be more beneficial to all. There are issues such as problems arising out of different sets of exclusion, for instance. I have been telling insurers to explain features of policies more clearly. The more time one takes in underwriting, more speed can be achieved in claims settlement.

Efforts are also on to introduce a standard health cover product which will be like a standard banking product. Because it will be standardised model, there should not be much need for explanation.

What about pricing of the proposed standard health insurance product?

It will be reasonable as all insurers will be mandated to offer this and competition positively impacts pricing.

Specialised monitoring agencies have opened up new avenues for CAs, says Corp Bank MD

OUR BUREAU

Mangaluru, December 12

The appointment of specialised monitoring agencies by banks for post-sanction credit monitoring has created vast opportunities for chartered accountants (CAs) in the banking industry, according to PV Bharathi, Managing Director and Chief Executive Officer, Corporation Bank.

Inaugurating the national conference of the Institute of Chartered Accountants of India (ICAI) in Mangaluru on Thursday, she said post-sanction credit monitoring starts from the moment credit is sanctioned to the borrower, and ends only when the account is closed.

Post-sanction credit monitoring is vital to maintain a healthy credit portfolio. Lack of post-sanction credit monitor-



PV Bharathi, Managing Director & CEO of Corporation Bank

ing could turn an otherwise good credit selection, into an unviable proposition.

Credit monitoring

Post-sanction credit monitoring depends upon factors such as the type of credit facilities, nature of activity, purpose of loan, geography, market dynamics and regulatory requirements, and it has to be fine-tuned on a case-to-case basis.

To make the credit monitoring process more robust, the

government has advised the banks to take the services of audit firms as specialised monitoring agencies for clean and effective post-sanction follow-up on a common engagement basis, in the case of consortium lending. This agency for specialised monitoring has professionals with domain knowledge, experience and skills in different sectors and industries. In case of large exposure or exposure of a specialised nature, such agencies provide inspection services, stock audit, cash flow monitoring, and end-use, among others.

She said the exposure of banks to borrowers ranges from plain vanilla trading to complex project execution. "Each exposure is unique in terms of the nature of exposure, purpose of credit, nature of borrower, the prevailing market scenario, geographic location, industry characteristics, etc, and entails different skill-sets and parameters for monitoring. In view of this, the scope of work for a special monitoring agency is very broad," she added.

She said banks have now started appointing external agencies to monitor loan accounts of ₹250 crore and above, and more than 80 agencies have been appointed. These agencies would monitor all the transactions of an account on a

day-to-day basis at the back-end. Bharathi said this has created vast opportunities for CAs, as the work stretches throughout the year, and call for specialisation not only of the financial system, but actual business operations and functioning of the industry and business concerned.

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Exim Bank plans \$1-b bond raising in offshore markets in January-March

KR SRIVATS

New Delhi, December 12

Exim Bank of India plans to raise at least \$1 billion in the overseas market during January-March 2020, a top official said.

"We will most likely go in for a RegS/144 A market offering," David Rasquinha, Managing Director, Exim Bank told *BusinessLine*.

He was responding to a question on whether the next overseas fund raising will be in the Samurai bond market.

A RegS status means the bonds need not be registered with the US Securities and Exchange Commission. On the other hand, Rule 144A enables bonds to still be sold to institutional investors (qualified institutional buyers) in the US.

It may be recalled that Exim Bank had in August raised 32 million yen via Samurai bonds. Basically, samurai bonds are yen-denominated bonds issued by foreign governments, agencies or companies in the Japan market.

So far this year, Exim Bank has already raised close to \$1 billion, Rasquinha said.

IRDAI sets up working group on loss prevention in general insurance

OUR BUREAU

Hyderabad, December 12

The Insurance Regulatory and Development Authority of India (IRDAI) has formed a working group on loss prevention and minimisation in general insurance.

The nine-member committee of experts headed by TL Alamelu, Member, Non-Life, IRDAI will suggest segment-wise ways and means to improve loss prevention and loss minimisation in insurance within 12 months.

It will also evaluate current

practices followed by insurance industry in the area of loss prevention and loss minimisation and suggest an approach to synergise activities of the various stakeholders involved in order to ensure better loss prevention and its minimisation.

The working group will also offer recommendations for promoting research, education and services related to tackling the losses of insurers.

"While loss prevention and loss minimisation are aspects insurers are concerned with

right from the time a risk is assessed to the time a claim occurs, there is a need to synergise activities of various stakeholders involved in this area needs to be encouraged," M Pulla Rao, Executive Director, IRDAI said.

Loss prevention and loss minimisation are important aspects of loss control in insurance.

Steps for loss prevention and loss mitigation not only help the insured but also mitigate economic losses in a larger context.

Mastercard partners Federal Bank for identity-check programme

OUR BUREAU

Mumbai, December 12

Global payments major Mastercard has launched its new security function in India for digital transactions in partnership with Federal Bank.

Called the Mastercard Identity Check, it provides a secure and user-friendly way to authenticate cardholders without the use of static passwords and also increases approval rates.

It is a global authentication programme that uses the latest authentication standards of

EMV3-D Secure and will provide an additional layer of security for digital transactions.

"It also decreases online shopping cart abandonment, reduces fraud and improves conversion rates for e-commerce merchants. Implementation in other regions has shown an increase in digital transaction approvals of nearly 13 percent," Mastercard said in a statement, adding that customers can shop at ease in-app, on a browser or an IoT-enabled device. "We believe that this

new solution will provide a seamless experience and find instant affinity among our Mastercard cardholders," said Shalini Warriar, chief operating officer, Federal Bank.

Sujay Vasudevan, Vice-President, Cyber and Intelligence Solutions, South Asia, Mastercard, said, "Mastercard is committed to creating innovative payments solutions that deliver enhanced safety and security at every touchpoint, to enable simple, frictionless consumer experiences."

US Fed keeps interest rates on hold amid 'favourable' economic outlook

REUTERS

Washington, December 12

The US Federal Reserve on Wednesday held interest rates steady and signalled borrowing costs are likely to remain unchanged indefinitely, with moderate economic growth and low unemployment expected to continue through next year's presidential election.

"Our economic outlook remains a favourable one, despite global developments and ongoing risks," Fed Chair Jerome Powell said in a news conference following the US central bank's decision to leave its benchmark overnight lending rate in its current target range between 1.50 per cent and 1.75 per cent. "We believe monetary policy is well-positioned to

serve the American people by supporting continued economic growth, a strong job market and inflation near our 2 per cent goal," Powell said.

New economic projections released by the Fed showed a solid majority of 13 of 17 policy makers foresee no change in interest rates until at least 2021. The other four saw a single rate hike next year, a view at odds with investors' expectations for a single rate cut.

Overall, policy makers see the unemployment rate, currently 3.5 per cent, staying below their estimate of a sustainable level in the long run for another three years, even as most expect inflation by then to end up at, or just a little above, the 2 per cent target, the projections showed.

IL&FS Fin Services: NFRA raps Deloitte Haskins & Sells

OUR BUREAU

New Delhi, December 12

The National Financial Reporting Authority (NFRA) has laid the blame at the door of Deloitte Haskins & Sells (DHS), stating that the audit firm had failed to comply with the prescribed Auditing Standards during its statutory audit of IL&FS Financial Services Limited (IFIN) for 2017-18.

In its first ever Audit Quality Review (AQR) report, the new independent audit regulator NFRA has concluded that failure to comply with the auditing standards are of such significance that DHS did not have adequate justification for issuing the audit report as-

serting that the audit was conducted in accordance with the Standards on Auditing.

Besides, the quality control system and processes of DHS were found to be severely inadequate and ineffective, the NFRA report said.

It may be recalled that NFRA was set up on October 1 last year as an independent audit regulator to oversee auditors of listed companies and large unlisted companies besides banks and insurers.

Separately, NFRA will examine whether disciplinary proceedings under Section 132(4) of the Companies, 2013 needs to be initiated against DHS in connection with the AQR report, an official release added.

Deposits gaining traction at small finance banks on higher rates: Ind-Ra

OUR BUREAU

Mumbai, December 12

Small finance banks (SFBs) would need to mobilise around ₹60,000 crore in deposits over FY20-21 to support an annual growth asset of 30 per cent and maintain borrowings at 25 per cent of the liabilities, according to India Ratings and Research (Ind-Ra).

SFBs will continue to see increased traction in deposits on the back of higher interest rates (1-2 per cent higher than most banks), focussed marketing strategies, and maturing branches of a fast growing branch network (40 per cent growth in branches in FY19), the credit rating agency said



Although CASA (low-cost deposits) increased 76 per cent y-o-y to ₹9,760 crore in FY19, the ratio has seen a decline to 19.2 per cent (25 per cent).

Ind-Ra opined that the building of a CASA (current account, savings account) franchise depends on factors such as developing long-term customer relationships, ensuring ease of transactions, fostering trust in the brand and having a large branch network.

deposits of ₹28,850 crore in FY19. The report assessed that although CASA (low-cost deposits) increased 76 per cent y-o-y to ₹9,760 crore in FY19, the ratio has seen a decline to 19.2 per cent (25 per cent), as traction in term deposits increased and savings deposits were converted to term deposits owing to the high rates offered by SFBs.

Ind-Ra opined that the building of a CASA (current account, savings account) franchise depends on factors such as developing long-term customer relationships, ensuring ease of transactions, fostering trust in the brand and having a large branch network.

Large commercial banks be-

nefit from vintage, resulting in deposits from large corporates, government departments (all State, local bodies, etc), trusts schools and hospitals, businessmen and customers whose incomes have grown with the banks over many decades. As a result, gathering CASA, especially CA, is a challenge for SFBs.

Capital market penetration
The report observed that the total borrowings of SFBs declined steadily over the last two years to ₹31,500 crore in FY19 (FY18: ₹34,000 crore; FY17: ₹36,000 crore), with a substantial, albeit expected, decline in bank borrowings and debenture funding (grand-

fathered loans). This decline was accompanied by a rise in refinancing by policy institutions. The share of policy institutions increased to 43 per cent in total borrowings in FY19 from 15 per cent in FY17.

"However, capital market borrowings present a different picture. Given the overall liquidity stress in short-term capital markets, elevated risk perception and risk aversion, especially for credits rated in the 'A' category and below, SFBs might face challenges in tapping the capital markets," Ind-Ra said.

On a cumulative basis, SFBs raised about ₹1,900 crore of CDs (certificate of deposits) from December 2018 to mid-

November 2019, with a weighted average tenor of 37 days.

Changing asset mix

The assets under management (AUM) of SFBs reached ₹70,000 crore in FY19, reporting a yoy growth rate of 48 per cent and a CAGR of 32 per cent over FY17-19.

For SFBs with microfinance vintage (AUM of ₹44,700 crore in FY19), the microfinance loan book grew by 28 per cent y-o-y, while the non-microfinance book grew 75 per cent. Consequently, the share of the non-microfinance book in the AUM increased to 29 per cent in FY19 (FY18: 23 per cent; FY17: 14 per cent).

PM-JAY adopts machine learning to tackle fraud

Provides State and district authorities with field app to improve fraud-control mechanisms

MAITRI PORECHA

New Delhi, December 12

To better tackle fraud, the National Health Authority (NHA), which implements the government-run cashless health insurance scheme Pradhan Mantri Jan Arogya Yojana (PM-JAY), has devised a mobile-based field application for State and district authorities, to upload evidences from the site of investigation on real-time basis.

Up to 338 hospitals are under NHA scanner for alleged frauds and 111 have been de-empanelled, which means that they have been removed from the scheme. Penalties

worth over ₹3.5 crore have been recovered. In Uttarakhanda alone, penalties worth ₹2.5 crore have been recovered from 15 hospitals. In Uttar Pradesh on the contrary, ₹2.7 lakh have yet been recovered from 20 hospitals. In Chhattisgarh, action has been taken against 76 hospitals, and recovery made is ₹4.13 lakh.

PM-JAY CEO Indu Bhushan said, "We have seen up till now that 1 per cent of all cases accepted under the scheme have been fraudulent."

Unlike its predecessor Rashtriya Swasthya Bima Yojana (RSBY), which did not

have an efficient fraud control mechanism, PM-JAY is dabbling in machine learning and artificial intelligence to identify malpractice triggers. Five companies — SAS, MFX, LexisNexis, Optum and Greenjo — were taken on board for six months, starting July earlier this year, to conduct fraud analytics. According to an official, "There was no investment on the scheme's part during this exercise. We will now float a Request for Proposal to get a company on board."

WhatsApp-like group

"In a bid to improve our fraud-control mechanisms, we are equipping the State and district authorities with the field app. We have formed a WhatsApp-like



Indu Bhushan, Chief Executive Officer, Pradhan Mantri Jan Arogya Yojana

group at district levels, in which we red-flag suspicious claims raised or pre-authorisations sought," an NHA official told *BusinessLine*.

The teams at the field level swoop in on the suspect hospital and investigate the medical documents. During

the on-going inquiry, they upload the documents onto the central server on real-time basis, and these papers are not retained after their upload at the local level," the official said.

The official further explained, "This helps reduce the time of investigation as we get only 15 days to check the claim, as it has to be paid within two weeks of pre-authorisation."

Every pre-authorisation and claim submitted will be vetted through the system in a bid to identify fraud. "For example, if a male claims money for a delivery, which is a female procedure, there will be a system-level trigger pop-up. If a patient is being shown as signing up for a cataract surgery, third time

around there will be a red-flag, as one cannot have three eyes, or for that matter, if a woman is shown to be undergoing a hysterectomy (uterus removal) twice, as a woman has only one uterus," the official further said.

NHA currently does not have the legal sanctity to prosecute hospitals for fraud. "This is left to the discretion of States. We are feeling the need for a National Health Insurance Act, like a law, to be put in place. Who will draft it, is the question. Will it be the NHA or the Insurance Regulatory and Development Authority?" said the official.

"It is too early for us to say anything about an impending Act at the moment," Bhushan said.