

RBI allows lenders, non-banks to issue new prepaid instrument

Provides a push for small-value digital payments

OUR BUREAU
Mumbai, December 25
To give impetus to small-value digital payments, the Reserve Bank of India has said that pre-paid payment instrument (PPI) issuers can launch a new type of 'semi-closed PPI', whereby the amount loaded in these instruments can be up to ₹10,000 during any month, and the total amount during the financial year can be up to ₹1.20 lakh.
These PPIs — which can be issued by bank and non-bank PPI issuers after obtaining minimum details of the PPI

holder — should be reloadable in nature, and issued in either card or electronic form. Loading/reloading can be only from a bank account.
'Not for funds transfer'
"The amount outstanding at any point of time in such PPIs shall not exceed ₹10,000. These PPIs shall be used only for purchase of goods and services, and not for funds transfer," the RBI said in a circular issued to PPI issuers.
PPIs are instruments that facilitate purchase of goods and services, including financial services, remittance facilities, and so on, against the value stored on such instruments.
Semi-closed PPIs are issued by banks and non-banks for



A maximum of ₹10,000 can be loaded on to a semi-closed wallet per month, not exceeding ₹1.20 lakh during a financial year AFP

purchase of goods and services, including financial services, remittance facilities, etc. at a group of clearly identified merchant locations/establishments which have a specific contract with the issuer (or contract through a payment aggregator/payment gateway) to accept the PPIs as payment instruments.
These instruments do not

permit cash withdrawal, irrespective of whether they are issued by banks or non-banks.
As per the circular, PPI issuers will be provided an option to close the PPI at any time and transfer the funds 'back to source' (that is, the payment source from where the PPI was loaded) at the time of closure.
The features of such PPIs will be clearly communicated to the PPI holder by SMS/e-mail/post or by any other means at the time of issuance of the PPI/before the first loading of funds, it added.
The minimum detail PPIs existing as on the date of this circular (issued on December 24) can be converted to the new type of PPI, if desired by the PPI holder.
The Reserve Bank of India has thrown in a lifeline for some pre-paid instrument (PPI) players by re-introducing the facility of small value digital payments with minimum KYC norms, albeit a stricter version.
The concept of minimum KYC — which comprised a mobile number to be verified, and a self-declaration of name and unique identity/identification number — was available until two years back, but was withdrawn.
It is now making a comeback through the introduction of a new type of semi-closed PPI up to ₹10,000 per month (not exceeding ₹1,20,000 in a financial year) with loading only from a

KYC breather for some PPI players

ANALYSIS

KRSRIVATS
New Delhi, December 25
The Reserve Bank of India has thrown in a lifeline for some pre-paid instrument (PPI) players by re-introducing the facility of small value digital payments with minimum KYC norms, albeit a stricter version.
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Andhra Bank gets best performing award for rural employment

OUR BUREAU
Hyderabad, December 25
Andhra Bank has received 'best performing bank award' for RSETIs (second rank) for 2018-19.
Kul Bhushan Jain, Executive Director, received the award from Narendra Singh Tomar, Union Minister for Agriculture and Farmers Welfare, Rural Development and Panchayati Raj, at NASC, PUSA, New Delhi, at a national awards distribution function organised by the Ministry of Rural Development.
RV Ramana Rao, General Manager, was present at the function. One of the Rural Self Employment Training Institutes (RSETIs), sponsored by Andhra Bank and situated at Rajam in Srikakulam district, Andhra Pradesh, also received the Best Performing RSETI award for 2018-19 on the same occasion.

RBI REPORT ON TREND AND PROGRESS OF BANKING IN INDIA 2018-19

More branches were opened; ATMs were shut

More than 50% were opened in tier-1, tier-2 centres

OUR BUREAU
Mumbai, December 25
The pace of opening of new bank branches, which had moderated in the previous three years, reversed in 2018-19, according to Reserve Bank of India's Report on "Trend and Progress of Banking in India". Banks collectively added 4,518 branches in 2018-19 against 3,938 the preceding year.
More than 50 per cent of the new branches were opened in tier-1 (population: one lakh and above) and tier-2 centres (50,000 to 99,999); on the other hand, the shares of tier-5 (5,000 to 9,999) and tier-6 (less than 5000) centres declined.
"This is consistent with the banks' policy of opening branches in high population density areas where they are



Despite transactions at ATMs decelerating, they still serve as a universal medium for people to access cash

likely to be more commercially viable while relying on business correspondents (BCs) to enhance their outreach in other centres.
"The revised guidelines on rationalisation of branch authorisation policy introduced in May 2017 has provided banks with the autonomy to decide their business strategy in facilitating financial inclusion," the report said.
Of the total 4,518 branches

banking outlets in rural areas remained around 91 per cent, and the number of urban locations covered through BCs recorded more than a three-fold rise.
As at March-end 2019, of the total 5,97,155 banking outlets in rural locations, the branchless mode (BCs) was at 5,44,666. The urban location covered through BCs stood at 4,47,170 (1,42,959 as at March-end 2018).
The total number of ATMs (on-site and off-site) operated by banks decreased during the year.
More white label machines
The report said this was partly compensated by growth in white label ATMs (WLAs), boosted by policy changes introduced on March 7, 2019, to enhance the financial viability of WLAs, such as allowing their operators to source cash directly from the RBI, offer non-bank services, and advertise non-financial products in their premises. As at March-end 2019, the number of ATMs declined to 2,21,579 against 2,22,247 as at March-end 2018.
While private sector banks (PVBs) recorded an increase in their ATMs (from 60,145 as at March-end 2018 to 63,340 as at March-end 2019), public sector banks' (PSBs) ATM declined (from 1,45,968 to 1,36,098).
"This (decline in PSB ATM network) is partly due to the reclassification of IDBI Bank as a private bank. Adjusted for IDBI bank, the PVBs showed a reduction in off-site ATMs and the total number of ATMs, with no change among PSBs," the RBI said. WLAs ATM network increase from 15,195 to 19,507.
Notably, scheduled small finance banks operated more ATMs (1,720) than foreign banks (914) by end-March 2019.
Despite transactions at ATMs decelerating both in volume and value terms, they

still serve as a universal medium for people to access cash. During 2018-19, the value of transactions that occurred at ATMs is 2.8 times that of point-of-sale terminals.
ATM distributional pattern
As per the report, the distributional pattern of ATMs of scheduled commercial banks (SCBs) remained broadly similar in 2018-19 to the previous year.
However, rural and semi-urban areas, which had recorded marginal growth in the number of ATMs in 2017-18, experienced a decline in 2018-19. PVBs and foreign banks (FBs) continue to have more ATMs concentrated in urban and metropolitan centres, causing the skew.
Of SCBs total ATM network of 2,02,072 as at March-end 2019, metropolitan centres accounted for 28.1 per cent; urban (27.6 per cent); semi-urban (27.7 per cent); and rural (16.5 per cent).

Payments banks' losses mount despite doubling of their deposit base

It may take time for them to break even

OUR BUREAU
Mumbai, December 25
Payments banks (PBs) continue to face challenges. They registered a combined net loss in FY19, though their deposit base more than doubled.
According to data available with the Reserve Bank of India (RBI), the combined net loss of all the seven PBs was ₹626.8 crore in FY19, against a combined net loss of ₹515.6 crore for five PBs in FY18. However, the total deposits rose to ₹883 crore in FY19 for the seven banks, against ₹438 crore for five banks in FY18.
'Yet to achieve optimal scale'
"Despite an improvement in net interest income and non-interest income, increases in operating expenses resulted in the overall negative profits for payments banks in 2018-19,"



said the RBI's 'Report on Trend and Progress in Banking in India in 2018-19'.
The limited operational space available to them, and the large initial costs involved in setting up the infrastructure, imply that it may take time for PBs to break even as they expand their customer base, the report noted.
"The evolution of PBs since their inception suggests that they are yet to achieve the optimal scale to break even or attain profitability," it said.
The report further said the PBs' net interest margin (NIM) and efficiency (cost-to-income) improved during the year, even

as they continued to see losses as reflected in RoA, RoE and profit margins.
In FY19, their net interest income grew 44.8 per cent to ₹219.4 crore, from ₹151.5 crore a year ago.
Active banks
The active PBs today include Airtel Payments Bank, India Post Payments Bank, Jio Payments Bank, Paytm Payments Bank and NSDL Payments Bank. Aditya Birla Payments Bank decided to close down operations earlier this year, raising questions about the profitability of such institutions.
Conceptualised by the RBI in 2014, the deposit collection for PBs is capped at ₹1 lakh per customer; they are not allowed to lend.
The banks have to maintain a minimum capital adequacy ratio of 15 per cent of their risk weighted assets on a continuous basis.

Lacklustre show by RRBs

Fall in operating profits, rise in wage bills among reasons for trend

AJVINAYAK
Mangaluru, December 25
Lacklustre growth in interest income, decline in operating profits, and a considerable growth in wage bills affected the performance of Regional Rural Banks (RRBs) in 2018-19.
The Reserve Bank of India's Report on 'Trend and Progress of Banking in India 2018-19' noted that the operating profits of RRBs declined in 2018-19, after two consecutive years of acceleration.
The operating profit of RRBs came down to ₹5,619 crore (provisional) in 2018-19 against ₹7,543 crore in 2017-18. Though the cumulative net profit of RRBs was ₹1,501 crore in 2017-18, the provisional figures showed a loss of ₹548 crore in 2018-19.
The report said that the increase in interest income was



The target is to consolidate RRBs into 38 from 45 to minimise overhead expenses

lacklustre in 2018-19. The provisional interest income of RRBs was at ₹38,953 crore in 2018-19 against ₹38,337 crore in 2017-18, recording a growth of 1.6 per cent.
Lending to agriculture
The operating expenses of RRBs increased to ₹13,510 crore (provisional) against ₹11,019 crore in 2017-18. Of this, expenses related to wage bills increased to ₹9,457 crore (₹7,044 crore) in 2018-19, up 34.2 per cent.
The emphasis of RRBs' lending remained on the priority sector. Within this sector, agriculture garnered a share of 77.1 per cent. Though the balance-sheet of RRBs is 3.3 per cent that of scheduled commercial banks (SCBs), their lending to agriculture constitutes 14.8 per cent of SCBs' lending to the sector.
The priority sector advances of RRBs stood at ₹2,55,156 crore (₹2,27,941 crore). Of this, agriculture advances stood at ₹1,96,632 crore (₹1,73,726 crore).
From 196 RRBs in 2005, the number of RRBs in the country has come down to 45 as at April 1. The report said that the target is to further consolidate them into 38 RRBs to minimise overhead expenses, enhance capital, and expand their area of operation.
RRBs were formed under the RRB Act 1976, with the objective of providing credit and related banking facilities to small farmers, agricultural labourers, artisans, and other rural poor.

Karnataka Bank launches tab banking service

OUR BUREAU
Mangaluru, December 25
Karnataka Bank has launched 'KBL Xpress SB Accounts' through tab banking.
The bank said in a statement that it can on-board the prospective customer and open the savings bank (SB) account by using the tab banking account-opening process.
The bank official will visit the customer's place and open the account using the tablet within 10 minutes, and issue the pre-activated debit card. Mobile and internet banking will also be activated instantly.
Early mover
Mahabaleshwara MS, Karnataka Bank's Managing

Director and Chief Executive Officer said in a statement that digital revolution is driving the banking industry, and Karnataka Bank is an early mover on this front.
It is the endeavour and commitment of the bank to enable banking facilities across the length and breadth of the country, he said. The statement said, this scheme will be launched in Bengaluru on a pilot basis and before being expanded pan-India.
With the strong presence of Karnataka Bank across India, this unique feature will give an opportunity for the bank to expand its base and connect to the prospective customers instantaneously, it said.

Read your credit score in the language of your choice

Facility being offered by Paisabazaar.com

KR SRIVATS
New Delhi, December 25
You can soon access and read, for free, your credit score reports in languages such as Tamil, Marathi, Bengali, Gujarati, Telugu and Kannada.
Paisabazaar.com, a digital marketplace, is now enabling this facility — which is expected to go live in three months — as part of its credit awareness initiative, said Naveen Kukreja, co-founder, Paisabazaar.com.
The initiative, seen as an industry first, is expected to make it easy for people from different regional backgrounds to understand their credit report, instead of relying on others to interpret the report for them.
Credit reports basically come from credit bureaus (such as CIBIL and Experian), and Paisabazaar.com will then make it available as 'Paisabazaar Consumer Insights Report' in multiple regional languages. This would not only enhance engagement but increase digital adoption

for buying financial products, the company claimed.
"By leveraging regional languages, we will not only be able to transcend the language barrier and make a stronger connect with a larger segment of our customers but also add genuine value to their financial lives, by enabling comfort, familiarity and easier decision-making," he said. Paisabazaar.com had earlier this week made the free credit report available in Hindi on its platform. Already 43,000 consumers have downloaded their report in Hindi, the company said. In India, as many as 90 per cent of new internet users are regional language speakers and the base for internet users whose preferred language of communication is Hindi will outgrow the English base in the next two years.
Survey findings
A customer survey conducted by Paisabazaar.com in October revealed that over 62 per cent customers would prefer to have an option of reading their credit report in their regional language, in addition to English.

'Greenwashing' challenges need to be addressed

Policy action needed to create enabling framework for green finance

OUR BUREAU
Mumbai, December 25
The development of green finance faces many challenges such as "greenwashing" or false claims of environmental compliance, plurality of green loan definitions, and maturity mismatches between long-term green investment and relatively short-term interests of investors, according to the Reserve Bank of India's report on 'Trend and Progress of Banking in India 2018-19'.
Policy action is needed to establish an enabling framework that promotes the green finance eco-system in India by fostering awareness through coordinated efforts,



Greenwashing is false claims of environmental compliance, plurality of green loan definitions, and maturity mismatches

both investible returns and environmentally positive outcomes. This involves internalising environmental externalities and adjusting risk perceptions to boost environmentally friendly investments and reduce environmentally harmful ones.
The green finance ecosys-

tem seeks to raise financial flows from banking, micro-credit and insurance sectors, as well as from public, private and not-for-profit sectors.
Indian issuances of green bonds compare favourably with its peers. With the green bond issuances gaining momentum — totalling about \$ 7.7 billion during 2012-2018 — SEBI set out disclosure requirements for the issuance and listing of green debt securities in India in May 2017, the RBI said.
Preliminary estimates conducted for the Paris Agreement suggest that at least \$2.5 trillion (at 2014-15 prices) will be required for meeting its climate change actions between 2015 and 2030. India's ambition of generating 175 GW of renewable energy by 2022 also entails massive funding, the RBI said.
Climate change impact
The RBI report observed that the impact of climate change on the financial system manifests through various risks, *inter alia*, loss or damage to tangible assets arising from frequent natural disasters and financial stability implications emanating from volatility in food prices due to erratic weather trends, elevated credit spreads, and greater precautionary saving.
"Enormous amounts of investments are required to combat climate change and bring about a transformation towards sustainable and low-carbon development.