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Steering Transformation in Banking

Journal of

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a **CMA**

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

असतोमा सद्गमय	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

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Lodhi Road, New Delhi - 110003

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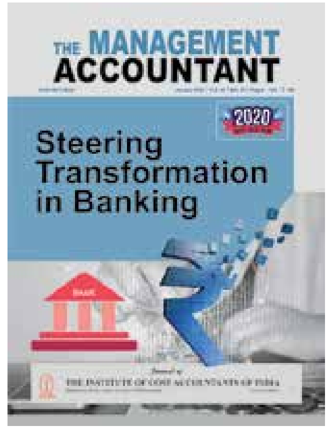

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EDITORIAL

Greetings!!!

Banks are considered as the most important pillars that support the financial architecture of a modern economy. Their successes and failures are inextricably linked to those of the entire economy. India's banking sector has undergone a paradigm shift in the past two decades—evolving from physical banking to becoming digital anchors. It has witnessed a transition from the simple automation of paperwork in bank branches to today's branchless banking paradigms that use new-age contactless technologies. The role of technology has been evolved from being a mere component in the strategic framework of organizations to driving, shaping and redefining business models and revenue streams.

As per the Reserve Bank of India (RBI), the Indian banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. The Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. Exactly three years since it was legislated, the Insolvency and Bankruptcy Code (IBC) 2016 has made material progress in addressing the logjams it was supposed to -- which is faster recovery of stressed assets and quicker resolution timelines. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

Again this year, the government unveiled Mega Bank Mergers drive where 10 public sector banks (PSBs) were merged into four, reducing the number of state-owned banks from 18 to 12, in a bid to create "next-generation" financial institutions with stronger balance sheets and bigger risk appetite and consequently moving towards achieving the target of $5-trillion economy. Punjab National Bank (PNB) took over Oriental Bank of Commerce (OBC) and United Bank of India (UBI) to become the country's largest lender after State Bank of India (SBI) in terms of business. Canara Bank subsumed Syndicate Bank; Andhra Bank and Corporation Bank merged with Union Bank of India; and Allahabad Bank became part of Indian Bank. The key factors for the mergers were: Technological platform, customer reach, cultural similarities and competitiveness.

The first and foremost challenge might be the integration of different core banking solutions, seems to be a big challenge for the merged banks. These are to be integrated into the merged entity. Data extraction and integration also pose an additional challenge. Then comes the HR issues. Creation of bigger banks will not reap the expected benefits if its management remains orthodox and employees remain disgruntled. Harmonising human resources with different cultures, working conditions and managerial hierarchies are brainstorming exercise.

Although there may be some jolt at the initial phases of the merger as we have seen above that may escalate dwindling in some essential parameters in the short run; long term benefits should outweigh this short- run predicaments. But in order to get the best dividend out of this merger and to act as a building block for achieving USD 5 trillion economy target, the merged banks must be allowed to work independently, professionally without any interference from any front whatsoever like its private peers.

The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. To help banks become more responsive, professionals like CMAs can frame or suggest a suitable strategy to manage their portfolio of technology assets; special emphasis to be given on cost-effectiveness in this regard. The Cost and Management Accountants with their specialized professional skill and expert knowledge and analytical capabilities can provide an in-depth service in Risk based audit in Banks. The CMAs can perform Forensic Audit to investigate fraudulent activities, uncover money laundering and must make sure that the banking system does not lose its robustness and more importantly the faith of millions of stakeholders.

This issue presents a good number of articles on the cover story theme **'Steering Transformation in Banking'** by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at *editor@icmai.in.* We thank all the contributors to this important issue and hope our readers enjoy the articles.

Happy New Year 2020!!!

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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Toll Free: 1800 345 0092/1800 110 910 : **Website:** www.icmai.in

Members, Students, Employees & Well Wishers of the Institute
Wishing you a Happy, Healthy & Prosperous
New Year 2020

JANUARY

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ONLY CENTRAL GOVT. GAZETTED HOLIDAYS*

JANUARY
26 Republic Day
MARCH
10 Holi
APRIL
02 Ram Navami
06 Mahavir Jayanti
10 Good Friday
MAY
07 Buddha Purnima
25 Id-ul-Fitr
AUGUST
01 Id-Uz-Zuha (Bakrid)
12 Janmashtami
15 Independence Day
30 Muharram
OCTOBER
02 Mahatma Gandhi's Birthday
25 Dussehra
30 Milad-un-Nabi or Id-e-Milad (Birthday of Prophet Mohammad)
NOVEMBER
14 Diwali (Deepavali)
30 Guru Nanak's Birthday
DECEMBER
25 Christmas Day

* https://dopt.gov.in/sites/default/files/Holiday%20list%202020.pdf

Mission
"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Motto
असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
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Vision
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The Journal started its journey in 1966

We have Expanded our Readership to 94 Countries

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Behind every successful business decision, there is always a CMA

PRESIDENT'S COMMUNIQUÉ

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

"Your success and happiness lie in you. Resolve to keep happy, and your joy and you shall form an invincible host against difficulties."
– Helen Keller

My Dear Professional Colleagues,

At the outset, I wish you and your family a wonderful and prosperous New Year 2020. The New Year is not only an occasion to celebrate but also an occasion to come together to set up new goals for the development of our profession and work with renewed zeal. To achieve great things, we not only need to have big dreams but also need to have deep beliefs in our dreams. I am sure that our profession will touch a new high this year and will play its role in helping the society, stakeholders and country effectively.

Global Summit 2020

I am happy to share that the preparations for the upcoming **Global Summit 2020** on the theme "**Mission 5 Trillion – CMA as a Cryogenic Force**" **scheduled to be held** on **9th -11th January 2020** at New Delhi are going on at full swing**.** The Global Summit will be addressed by eminent persons holding high positions in the Government, Industry leaders and management experts. Many professional Gurus from USA, UK, Australia, China, Germany, Japan, South Africa, South Korea, & Singapore have agreed to share their knowledge & experience at the Summit.

I look forward for your active participation in this Global Summit to make the event a grand success.

Pre-budget Consultation-2020 - Stakeholders' Dialogue

I wish to inform that I along with CMA Vijender Sharma, Council Member attended a pre-budget discussion on GST, IBC & Companies Act at BJP Head office, New Delhi on 19th December, 2019. The discussion was chaired by Shri Gopal Krishna Agarwal, National Spokesperson, Economic Affairs, BJP. The group considered, discussed and had detailed deliberations on various suggestions on the subjects which were finalized for submission to the Government.

MoU Signing with Indian Chamber of Commerce

I am pleased to share that the Institute has signed a MoU with Indian Chamber of Commerce (ICC), a premier body of business and industry in Eastern and North-Eastern India during India Tomorrow Business Conclave on 13th December 2019 at Kolkata. The primary objective of the MoU is to conduct joint seminars, conferences, workshops, training programs, research activities etc. CMA Biswarup Basu, Vice President on behalf of the Institute and Dr. Rajeev Singh, Director General on behalf of Indian Chamber of Commerce signed the MoU. CMA Chittaranjan Chattopadhyay, Council Member and other senior officials of the Institute attended the signing ceremony.

MoU Signing with Dwaraka Doss Goverdhan Doss Vaishnav College, Chennai

I am pleased to share that the Institute has signed a MoU with Dwaraka Doss Goverdhan Doss Vaishnav College, Chennai to conduct crash course in GST for their students. I got the privilege to sign the MoU on behalf of the Institute on 5th December, 2019. CMA P Raju Iyer, Council Member, CMA V Murali, Council Member and CMA Jyothi Satish, Chairperson Southern India Regional Council attended the signing ceremony.

Meeting with VIPs

I am happy to share that I along with CMA Vijender Sharma, Council Member and CMA D.C. Arya, Former Chairman, NIRC of the Institute extended greetings to **Shri J.P.Nadda, Hon'ble Member of Parliament (Rajya Sabha) and National Working President of BJP** on 26th December 2019.

I am happy to share that I along with CMA Biswarup Basu, Vice President, CMA Ashwinkumar G. Dalwadi, Council Member and CMA D. C. Arya, Former Chairman, NIRC of the Institute extended greetings to **Shri Gajendra Singh Shekhawat, Hon'ble Union Minister of Jal Shakti** on 24th December 2019.

On 23rd December, I had a meeting with Dr. Niraj Gupta, Head, School of Corporate Governance & Public Policy, Indian Institute of Corporate Affairs (IICA) and Shri Sanjay Kumar Gupta, Director, ICLS Academy, Ministry of Corporate Affairs, Government of India to discuss the role of Institute in relation to the recently announced rules for qualification of Independent Directors.

Silver Jubilee of Kharagpur Chapter

I am delighted to share that the Kharagpur Chapter of the Institute has celebrated the completion of its 25 years of establishment and on this occasion, the Chapter organized a program on the theme "Role of Management Accountants in the emerging economy of India" on 22nd December 2019 at Kharagpur. I congratulate the members of the Chapter on this occasion.

Annual Seminar of Durgapur Chapter

I am pleased to inform that I along with CMA Biswarup Basu, Vice President and CMA Chittaranjan Chattopadhyay, Council Member attended the Annual Seminar 2019 organised by the Durgapur Chapter on the theme "5 Trillion Economy- A Spectrum of Opportunities" on 8th December 2019 at Durgapur. The Annual Seminar was well received by the participants.

Annual Seminar of Asansol Chapter

I am happy to share that I along with CMA Biswarup Basu, Vice President, CMA Chittaranjan Chattopadhyay, Council Member and CMA Dr. PVS Jagan Mohan Rao, President South Asian Federation of Accountants (SAFA) attended the Annual Seminar organized by the Asansol Chapter on 15th December 2019 on the theme "Corporate Restructuring-Opportunities & Threat- Role of CMAs" at Asansol. I along with CMA Biswarup Basu, Vice President interacted with Media in Press Meet and the students during Students meet organized by the Asansol Chapter.

To appraise all the members of the activities / initiatives undertaken by the Departments/ Directorates of the Institute during last month, I now present a brief summary of the activities:

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

During the month, our Regional Councils and Chapters organized 80 programs, seminars and discussions on the topics of professional relevance and importance for the members such as Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019, Balance Scorecard-Translating Strategy into Action, Anti Money Laundering and Countering Terrorism Financing, Value Chain Concept-A Key to Strategic Cost Management, Company Law - Emerging Global Challenges for Professional Accountants, Recent Amendments in GST Law & Project Finance & Tax Planning, Cost Audit in Sugar Industries, Industrial Sickness and Insolvency & Bankruptcy Code, SEZ Policy and Procedures - Scope for Cost Accountants, Corporate Restructuring-Opportunities & Threat and so on.

The Institute associated with events of PHD Chamber of Commerce and Industry. Important GST Notifications, Circulars & Judgements-Key Challenges & Way Forward and Forensic Audit and Fraud Detection events were organized on 19th December 2019 and 20th December 2019 respectively at New Delhi.

I hope our members have been immensely benefited with these programmes.

- **Representation with Government, PSUs, Banks and Other Organizations:**

  PD Directorate is sending representations to various organizations for the inclusion of cost accountants for providing professional services on a continuous basis. Artificial Limbs Manufacturing Corporation of India (ALIMCO), Madhya Pradesh Power Management Company Limited, Siliguri Jalpaiguri Development Authority, Coal India Limited, NTPC Limited, South Eastern Coalfields Limited (SECL), Western Coalfields Limited, The Seamens Provident Fund Organisation, Gail India Ltd., Ferro Scrap Nigam Limited, Hindustan Steelworks Construction Limited etc., have included Cost Accountants in their Tenders/ EOIs during the month of December 2019

BANKING & INSURANCE COMMITTEE

During the previous month, CMA Chittaranjan Chattopadhyay, Council Member & Chairman of Banking & Insurance Committee connected with the various authorities for widening the scope for CMAs.

CMA Chittaranjan Chattopadhyay, Council Member & Chairman of Banking & Insurance Committee along with CMA Biswarup Basu, Vice President of the Institute met Ms. Tajinder Mukherjee, Chairman cum Managing Director, National Insurance Company Limited and discussed about the CMAs role in the Insurance Sector. They also met CMA Sukhen Kumar Bandhopadhyay, Director (Finance) of Hindustan Copper Ltd. Chairman also met CMA Sarbjit Singh Dogra, Director (Finance) Garden Reach Shipbuilders & Engineers Limited, CMA Debajit Sen, Director (Finance) Marathan Electric Motors India Ltd., CMA G. Srinivasan, Director National Insurance Academy and Ms. Nalini Ratnam, Executive Director (HR) of Life Insurance

Corporation of India.

CMA Chittaranjan Chattopadhyay, Chairman of Banking & Insurance Committee along with CMA Kaushik Banerjee, Secretary of the Institute also met CMA Nayan Mehta, CFO of Bombay Stock Exchange (BSE) for utilising services of CMAs in BSE. He also met Ms Alka Rehani Bharadwaj Director General, Regional Training Institute, Mumbai of C&AG for accelerating MOU to be entered with RTI. Chairman along with CMA Vinay Kulkarni , RCM of WIRC met CMA Kewal Handa, Chairman and Part-time Non-Official Director of Union Bank of India to discuss about the utilisation of services of CMAs in Banking Sector. They also met Shri V. Narayanamurthy, Executive Director of IDBI Bank Ltd. to discuss the issue of utilisation of services of CMAs in the bank.

MEMBERS FACILITIES COMMITTEE

Under the Chairmanship of CMA Vijender Sharma, the Members Facilities Committee has streamlined many issues to further simplify the online and other services availed by members. I feel pleasure to share that from December 2019, the process to the faster grant of Associate membership and Fellowship has been implemented. Further, members can also pay their fees and dues online directly from the homepage of the Institute's website without having to go through the login procedure. I am sure such initiatives will continue to ease the online experience for existing and soon to be members.

I am happy to share that during the months of November and December 2019, 368 new Associate members have been enrolled and 56 Associate members have been upgraded to Fellowship. I take this opportunity to heartily welcome and congratulate all these members.

To avail all the benefits of membership, I appeal to all final passed students to apply for Associate membership as soon as they become eligible to apply being equipped with at least 3 years of relevant working experience.

DIRECTORATE OF ADVANCED STUDIES

I am delighted to share that the first batch of SAP–FICO Power User Course has been started Pan India from 26th December 2019 for the students and members of the Institute. Participants can access the course modules from remote places any time through SAP Cloud Platform. I am thankful for the continuous efforts by CMA Debasish Mitra, Council Member & Chairman, Board of Advanced Studies to ensure that SAP Cloud Platform is implemented as it will lead to ease of access to the members & students. I am sure that participants will take maximum benefit out of it to re-orient their professional career in the right direction.

REGIONAL COUNCIL AND CHAPTER COORDINATION COMMITTEE

I am immensely pleased to share that the Institute Regional Council & Chapters Coordination Committee Team continues its effort of reaching Chapters in unique manner and the 7th State Level Chapters Meet in Mumbai on 19th December 2019 was held for the States of Maharashtra, Gujarat and Goa to address the contemporary issues faced by Chapters in these states. It is heartening to note that 12 Chapters actively participated in the meeting which was chaired by the Vice President of the Institute CMA Biswarup Basu, ably assisted by CMA Neeraj D. Joshi, Chairman WIRC and Team.

DIRECTORATE OF STUDIES

I am happy to convey that Directorate of Studies has initiated the process of revisiting CMA Curriculum to meet the growing needs of government, industry and profession in the light of national and international perspectives.

In this era of digitization, rapid changes in technology are creating enormous challenges for organisations. At this outset, we are revisiting our syllabus to map recent changes in various domains of finance, accounting, cost & management accounting, taxation, laws, strategy, operations, IT etc., so that CMA professionals can possess relevant technical skills, a sound understanding of their organisation, as well as the ability to influence and lead people.

In designing the curriculum, we will ensure to bridge the skills gap of newly qualified CMAs nationally as well as globally to cater the employability and professional needs; ensure the rigour of the examinations and align the learning experience of candidates to the real world. I invite your valued opinion to make the CMA syllabus globally accepted.

TRAINING & PLACEMENT DIRECTORATE

I am happy to share that Directorate of Training & Placement is organising Winter Campus Placements for the qualified CMAs of June 2019 batch at Mumbai, Chennai, Delhi and Kolkata during January 2020. I hope many of the qualified and aspiring CMAs will get placed through Winter Campus Placement.

DIRECTORATE OF CAT

- **State Level ROCCs Meet**

  I am pleased to share that for the States of Maharashtra, Gujarat and Goa, a meeting at Mumbai was held on 19th December 2019. Various initiatives of the Institute were discussed which were well received by the representatives of ROCCs, who also gave suggestions towards further growth in this field of CAT Course.

- **Meeting with the Government Officials**

  I am happy to share that CMA H Padmanabhan, Council Member & Chairman Regional Councils and Chapters Coordination Committee & CAT Committee and Team has been meeting regularly with the key Government officials to brief them about the innovative step taken by the Institute in developing skills among the youth in the important area of Accounting through CAT Course. The Chairman and Team met Top officials of Tamil Nadu State Government and Pondicherry Government. The respective Government's had shown eagerness in our proposal on Skill Development Project under the Additional Skill Development Program. The CAT Directorate is in enhanced level discussions with the officials of the Ministry of Rural Development, Govt. of India for its proposals to Bihar and Karnataka States.

- **CAT Course Examinations-January 2020**

  The CAT Course January 2020 term is scheduled to be held on 18th January, 2020. I would like to thank the Directorate of CAT for providing the sample question papers to the students through email and the Institute's website for ease of access. My best wishes to those students who are appearing for the ICAI CAT January, 2020 Examination.

INTERNATIONAL AFFAIRS DEPARTMENT

- **Meeting with Ambassadors**

  During the month, CMA (Dr.) Ashish P. Thatte, Chairman, International Affairs Committee along with CMA V. Murali, Council member of the Institute met with H.E. Mrs. Stella Budiriganya, Ambassador, Embassy of the Republic of Burundi, Mr. José Evaristo, 1st Secretary of the Embassy of the Republic of Angola, H.E. Mr. Ado Leko, Ambassador, Embassy of Republic of Niger and H.E. Ms. Judith Kangoma Kapijimpanga, High Commissioner, High Commission of the Republic of Zambia and submitted the proposal from the Institute for Capacity Building drive initiative in their respective country and also sought their valuable inputs to enable the Institute to frame strategies and action plan to take forward the proposed initiative of the Institute. They are also invited to attend the Global Summit 2020 of the Institute on 9-11 January 2020 at New Delhi.

- **Meeting with officials of CPA Australia**

  I wish to inform that CMA (Dr.) Ashish P. Thatte, Chairman International Affairs Committee met with Dr. Gary Pflugrath CPA, Executive General Manager Policy and Advocacy and Mr. Leslie Leow, Regional Manager MESA, CPA Australia on 5th December 2019 at Mumbai to take forward the discussion about possibilities of mutual recognition of the professional qualifications and professional development programmes offered by each Institute.

- **IFAC Fragile State Event**

  I am pleased to share that CMA (Dr.) Ashish P. Thatte, Chairman, International Affairs Committee along with CMA P Raju Iyer, CMA V. Murali, CMA Dr. K Ch A V S N Murthy and CMA Debasish Mitra, Council members of the Institute attended a conference jointly organized by International Federation of Accountants (IFAC), the Malaysia Institute of Accountants (MIA) and the Confederation of Asian and Pacific Accountants (CAPA) on Developing Accountancy Capacity in Emerging Economies in Kuala Lumpur, Malaysia on December 10–12, 2019. The event was attended by over 100 senior representatives from the accountancy profession from 38 different countries, which included government officials and other various stakeholders.

  During the visit, our delegation also had an opportunity to meet Dr. In–Ki Joo, President, International Federation of Accountants and Mr. Huang Shze Jiun, President, Malaysian Institute of Accountants.

TECHNICAL CELL

I am pleased to inform you that the Technical Cell of the Institute organised a Symposium on Cost Audit - Stakeholders Value Proposition on Friday the 20th December 2019 at YB Chavan Auditorium, Mumbai. The event was inaugurated by **Shri Suresh Prabhu, Hon'ble Member of Parliament, Rajya Sabha, Chief Guest** of the event in the presence of Shri TS Balasubramanian, Member (Finance) - TAMP, Guest of Honor. I was invited to address the participants during the inaugural session. CMA Biswarup Basu, Vice-President, CMA (Dr.) DV Joshi, Chairman, Technical Cell, CMA Neeraj D Joshi, Council Member and Chairman, WIRC and CMA (Dr.) Ashish P Thatte, Council Member also addressed. The event was also graced by CMA H Padmanabhan, Council Member, CMA P Raju Iyer, Council Member, CMA Dr. K Ch AVSN Murthy, Council Member, CMA V Murali, Council Member, Ashwinkumar G. Dalwadi, Council Member, CMA Debasish Mitra, Council Member and CMA Chittaranjan Chattopadhyay, Council Member. We were felt honoured with the presence of Past Presidents of the Institute.

Eminent speakers from Regulatory, Industry, Social Organisations, Government and Practice addressed the participants. The speakers included Shri Dilip Shah, Joint Commissioner, Income Tax, Shri Nitish H. Pathode, Assistant Commissioner, GST, Shri Vivek Velankar, President, Sajag Nagrik Manch, CMA Mohan Tanksale, Former CEO, IBA, CMA Asim Mukhopadhyay, Vice President Corporate Finance, Tata Motors Ltd., CMA Yatrik Vin, CFO & Director, NSE, CMA Kedar Upadhye, Global CFO-Cipla Ltd., Dr Ashok Joshi, CMA DC Bajaj, Former President, CMA Chandra Wadhwa, Former President and CMA Amit A Apte, Immediate Past President.

The event was also graced by Regional Council Members and Chapter Representatives apart from 400 delegates from Industry and Practice.

The event was successful in highlighting the importance of the Cost Audit Mechanism in the country's economy and to the Industry. The stakeholders covered the important aspects and their respective expectations from the Institute and its members w.r.t. the Cost Audit Mechanism. The Institute will come out with a compilation of the views expressed by all the stakeholders / speakers during the event in the form of a booklet very shortly.

I am pleased to inform that a **Guidance Note on Internal Audit of Cost Records** developed by the Technical Cell of the Institute was also released by the Chief Guest during the inaugural Session. The publication is very useful for the Cost Accountants as well as for the Industry in order to establish and carry out the Internal Audit of Cost Records.

I sincerely appreciate the efforts of the Technical Cell of the Institute chaired by **CMA (Dr.) Dhananjay V Joshi,** Former President towards organising the symposium in a highly professional manner and also carrying out the publication in a very short time.

TAXATION COMMITTEE

In December, the Tax Research Department along with the Bhubaneshwar Chapter had organised two day Seminar on the theme "Conducive Tax Laws - Challenges & Opportunities" on the 21st & 22nd December, 2019 at Bhubaneshwar. Shri Ranendra Pratap Swain, Hon'ble Cabinet Minister, Food Supplies & Consumer Welfare, Cooperation, Govt. of Odisha, Shri Padmanabha Behera, Hon'ble Cabinet Minister, Planning Convergence, Commerce and Transport, Govt. of Odisha and Ms. Aparajita Sarangi, Hon'ble Member of Parliament (Lok Sabha) graced the event.

The Technical Sessions included E-Invoicing and Reconciliations of Credits, ITC under GST Law- Provisions, Advance Rulings and Critical Issue, Challenges and Opportunities for CMAs in the new era of Direct Tax in India and Annual Return and Audit under GST Law. 12 publications were also released on the topics Guidance Note on GST Annual Return & Audit, Insight into Customs - Procedure & Practice, Handbook on Works Contract, Input Tax Credit & In depth Discussion, Handbook on GST on Service Sector, Handbook on Impact of GST on MSME Sector, Exemptions under the Income Tax Act, 1961, Insight into Assessment including E-Assessment, Taxation on Co-operative Sector, Impact of GST on Real Estate, Impact of GST on Education Sector and Compilation of GST Notification and Circular.

The GST Crash Course in College & University has been completed in SBRR Mahajana First Grade College, Dwaraka Doss Goverdhan Doss Vaishnav College, Chennai and Umeschandra College, Kolkata.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to share that ICMAI RVO is having more than 180 members as Registered Valuers and more than 800 primary members. It is conducting 50 hours training programs in regular intervals in all three asset classes i.e. Securities or Financial Assets, Plant and Machinery and Land and Building in various locations all over the Country with great infrastructure and best faculty.

In total 68 members have got training in all three asset class at various centres including New Delhi, Kolkata, Mumbai, Hyderabad, Bengaluru and Chennai in the month of December, 2019. In addition to the above Continuous Education Program for Registered Valuers held at New Delhi and Lucknow in the month of December, 2019.

I request more CMAs to join 50 hours of training programs at various locations to shape their professional career in Valuation.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Insolvency Professional Agency of the Institute organized various Round table Interactions, workshops and webinars during the month on:

- Webinar on Rules under IBC with regard to Financial Service Providers wrt their Insolvency and Liquidation Proceedings – 5 December 2019
- Webinar on Using Information Utility under CIRP – 6 December 2019
- Workshop on Insolvency Case Management System for IP's – 10th December 2019
- Workshop on Insolvency Bankruptcy of Personal Guarantors to Corporate Debtors, Hyderabad – 12th December 2019
- 3 days Certificate Course on IBC (Preparatory Education Course for Limited Insolvency Exam) – 20th – 22nd December 2019

I wish prosperity and happiness to members, students and their family on the occasion of New Year, Guru Gobind Singh Jayanti, Lohri, Birthday of Swami Vivekananda, Makar Sankranti, Pongal, Netaji Subhas Chandra Bose Jayanti, Basant Panchami & Republic Day and pray for the success in all of their endeavours.

Warm Regards,

CMA Balwinder Singh
January 1, 2020

FROM THE DESK OF THE CHAIRMAN
- BOARD OF ADVANCED STUDIES

CMA Debasish Mitra
Chairman
Board of Advanced Studies
The Institute of Cost Accountants of India

Dear Students and Professional Colleagues,

Wish you Happy New Year 2020!!!

Board of Advanced Studies is delighted to launch 1st batch of SAP – FICO Power User Course Pan India from 26th December 2019. The Course is now available in SAP Cloud Platform in order to facilitate the participants to access the Course contents with a more personalized touch even from remote places. This remote access to SAP contents will reach the unreached and will create an opportunity to study and practice its various technical sessions on 24 X 7 hour basis. Moreover, we are committed to provide adequate classroom and online sessions by expert faculty members to train the intricacies of the Course.

I am very much confident that participants of this first batch will experience an engaging journey by exploring SAP tools to develop and shape a well-directed professional career in Cost and Management Accountancy domain.

We have received an overwhelming response from the students and members across the country for SAP Course and will soon announce the date for commencement of next batch. Board of Advanced Studies will soon start various Valuw added courses for the benefit of the members.

We are very much grateful to our beloved President, Vice President and Council Members of the Institute for their keen support and cooperation to start SAP Course in Cloud Platform for the benefit of the students and members.

I also express my heartfelt gratitude to Sr. Director (Studies & Advanced Studies), and all staff members of Directorate of Advanced Studies, IT and other departments of the Institute for their untiring efforts to make it happen.

We look forward to welcome you all at the Global Summit 2020, one of the most prestigious events of the Institute on 9-11 January 2020 at New Delhi.

Wish you all the very best in all of your future professional endeavors.

Warm Regards & Best Wishes

CMA Debasish Mitra
January 1, 2020

ICAI-CMA SNAPSHOTS

CMA Balwinder Singh, President, along with CMA Biswarup Basu, Vice President, CMA P Raju Iyer, CCM, CMA Dr. K Ch A V S N Murthy, CCM and CMA Dr. A.S. Durga Prasad, Past President of the Institute met with Shri J Packirisamy, Managing Director and CEO, Andhra Bank to discuss the role of CMAs in Banking Sector

CMA Balwinder Singh, President of the Institute, CMA Dr. PVS Jagan Mohan Rao, President SAFA and CMA Pallab Bhattacharya, Chairman EIRC at Students interaction meet at Asansol on 15th December, 2019

CMA Balwinder Singh, President alongwith CMA Vijender Sharma, Council Member attended a pre-budget discussion on GST, IBC & Companies Act at BJP Head office, New Delhi on 19th December, 2019. The discussion was chaired by Shri Gopal Krishna Agarwal, National Spokesperson, Economic Affairs, BJP

CMA Balwinder Singh, President and CMA Biswarup Basu, Vice President interacting with Media at Asansol on 15th December, 2019

CMA Balwinder Singh, President alongwith CMA Vijender Sharma, Council Member attended a pre-budget discussion on GST, IBC & Companies Act at BJP Head office, New Delhi on 19th December, 2019. The discussion was chaired by Shri Gopal Krishna Agarwal, National Spokesperson, Economic Affairs, BJP

CMA Biswarup Basu, Vice President of the Institute and Dr. Rajeev Singh, Director General, Indian Chamber of Commerce signing a MoU during India Tomorrow Business Conclave at Kolkata on 13th December 2019

Ms. Tajinder Mukherjee, Chairman cum Managing Director National Insurance Company Limited is being felicitated on behalf of Banking and Insurance Committee by CMA Biswarup Basu, Vice President of ICAI and CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee of ICAI

Glimpses of the Seminar on Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 organised by the Tax Research Department in association with NIRC of the Institute on 14th November 2019 at New Delhi

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Shri L Satya Srinivas, Joint Secretary (Customs), Department of Revenue, Ministry of Finance on 28th November 2019

CMA Sukhen Kumar Bandhopadhyay, Director (Finance) of Hindustan Copper Ltd. being felicitated by CMA Biswarup Basu, Vice President of ICAI and CMA Chittaranjan Chattopadhyay, Chairman Banking and Insurance Committee of ICAI

Glimpses of the Seminar on "GST Moving forward and Sabka Vishwas-A Ray of Hope" organised by the Tamilnadu Chamber of Commerce and Industry in association with Tax Research Department and Madurai Chapter of the Institute on 29th November 2019 at Madurai.

CMA G. Srinivasan, Director National Insurance Academy being felicitated on behalf of Banking and Insurance Committee by CMA Chittaranjan Chattopadhyay, Chairman Banking and Insurance Committee, ICAI

ICAI-CMA SNAPSHOTS

CMA Dr. V Murali, Council Member along with CMA P. Raju Iyer, CMA Dr. Ashish P. Thatte, CMA Dr. K Ch A V S N Murthy and CMA Debasish Mitra, Council Members of the Institute extended Invitation to CA. Krishna Prasad Acharya, President, Institute of Chartered Accountants of Nepal to attend the Global Summit 2020 on 9-11 January 2020 at New Delhi

CMA Debajit Sen, Director (Finance) Marathan Electric Motors India Ltd. is being felicitated by CMA Chittaranjan Chattopadhyay, Chairman of Banking & Insurance Committee of ICAI

Honorable Chief Minister of Tamil Nadu Shri. Edappadi Palaniswami honored by CMA H Padmanabhan Council Member ICAI along with Sri. Kadambur Raju, Minister for Information & Publicity, Govt. of Tamil Nadu and others

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Shri Yogendra Garg, Principal Commissioner, GST Policy, CBIC, Ministry of Finance, Govt. of India and discussed about various recent initiatives of Tax Research Department of the Institute on 28th November 2019

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Dr. John Joseph, Spl Secretary and Member, CBIC, Ministry of Finance, Govt. of India and discussed about various recent initiatives and future road map of the Institute on Indirect Taxation related matters on 28th November 2019

CMA Dr. Ashish P. Thatte, Chairman, International Affairs Committee along with CMA P. Raju Iyer, CMA Dr. K Ch A V S N Murthy, CMA Dr. V Murali and CMA Debasish Mitra, Council Members of the Institute extended Invitation to Mr. Huang Shze Jiun, President, Malaysian Institute of Accountants to attend the Global Summit 2020 on 9-11 January 2020 at New Delhi

ICAI-CMA SNAPSHOTS

CMA Dr. K Ch A V S N Murthy, Council Member along with CMA Dr. Ashish P. Thatte, CMA P. Raju Iyer, CMA Dr. V Murali and CMA Debasish Mitra, Council Members of the Institute extended Invitation to Dr. In-Ki Joo, President, International Federation of Accountants to attend the Global Summit 2020 on 9-11 January 2020 at New Delhi

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Shri Ajay Nishad, Hon'ble Member of Parliament in the Lok Sabha from Muzaffarpur and submitted the representation for Inclusion of Cost Accountants in the definition of 'Accountant' u/s 288 of Income Tax Act, 1961

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Shri Chirag Paswan, Hon'ble Member of Parliament in the Lok Sabha from Jamui and and submitted the representation for Inclusion of Cost Accountants in the definition of 'Accountant' u/s 288 of Income Tax Act, 1961

CMA Sarbjit Singh Dogra, Director (Finance) Garden Reach Shipbuilders & Engineers Limited is being felicitated by CMA Chittaranjan Chattopadhyay, Chairman of Banking & Insurance Committee of ICAI

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Shri Pinaki Misra, Hon'ble Member of Parliament in the Lok Sabha from Puri and submitted the representation for Inclusion of Cost Accountants in the definition of 'Accountant' u/s 288 of Income Tax Act, 1961

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee met Ms. Aparajita Sarangi, Hon'ble Member of Parliament in the Lok Sabha from Bhubaneshwar and briefed her about the role of Cost Accountants in the economic development of the Country

CMA Nayan Mehta, CFO of BSE being felicitated by CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee, ICAI and CMA Kaushik Banerjee,Secretary of ICAI on 20th December, 2019 at Mumbai

Ms.Nalini Ratnam, Executive Director(HR) of Life Insurance Corporation of India is being felicitated on behalf of Banking and Insurance Committee by CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee

CMA Dr. P.V.S. Jagan Mohan Rao, President of SAFA and former Council Member of the Institute addressed the Students of EIRC on 28th December, 2019 in Kolkata.

Shri V. Narayanamurthy,Executive Director of IDBI Bank Ltd. being felicitated by CMA Chittaranjan Chattopadhyay, Chairman of Banking& Insurance Committee and V Kulkarni, Regional Council Member of WIRC of ICAI on 19th December, 2019 at Mumbai

CMA Kewal Handa, Chairman and Part-time Non-Official Director of Union Bank of India being felicitated by CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee, ICAI on 19th December, 2019 at Mumbai

CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee, ICAI is being felicitated by Ms.Alka Rehani Bharadwaj Director General, Regional Training Institute,Mumbai of C & AG for his initiative for collaboration and support on 19th December, 2019 at Mumbai

TECHNICAL CELL ORGANIZED

SYMPOSIUM ON COST AUDIT - STAKEHOLDERS VALUE PROPOSITION

FRIDAY THE 20TH DECEMBER 2019

YB CHAVAN AUDITORIUM, MUMBAI

The Technical Cell of the Institute organised a **Symposium on Cost Audit - Stakeholders Value Proposition** on Friday the 20th December 2019 at YB Chavan Auditorium, Mumbai. The event was inaugurated by **Shri Suresh Prabhu**, Hon'ble Member of Parliament, Rajya Sabha, Chief Guest of the event in the presence of Guest of Honour **Shri TS Balasubramanian**, Member (Finance), Tariff Authority for Major Ports, **CMA Balwinder Singh,** President, **CMA Biswarup Basu**, Vice-President, **CMA (Dr.) DV Joshi**, Chairman, Technical Cell, **CMA Neeraj D Joshi**, Council Member and Chairman, WIRC and **CMA (Dr.) Ashish P Thatte**, Council Member.

Eminent speakers from Regulatory, Industry, Social Organisations, Government and Practice addressed the participants. The speakers included **Shri Dilip Shah**, Joint Commissioner, Income Tax, **Shri Nitish H. Pathode**, Assistant Commissioner, GST, **Shri Vivek Velankar**, President, Sajag Nagrik Manch, **CMA Mohan Tanksale**, Former CEO, IBA, **CMA Asim Mukhopadhyay**, Vice President Corporate Finance, Tata Motors Ltd., **CMA Yatrik Vin**, CFO & Director, NSE, **CMA Kedar Upadhye**, Global CFO-Cipla Ltd., **Dr Ashok Joshi**, **CMA DC Bajaj**, Former President, **CMA Chandra Wadhwa**, Former President and **CMA Amit A Apte**, Immediate Past President. The event was graced by Former Presidents, Council Members, Regional Council Members and Chapter Representatives apart from 400 delegates from Industry and Practice.

The symposium was successful in highlighting the importance of the Cost Audit Mechanism to the country's economy and Industry. The stakeholders covered the important aspects and their respective expectations from the Institute and its members w.r.t. the Cost Audit Mechanism. The Technical Cell will come out with a compilation of the views expressed by all the stakeholders / speakers during the event in the form of a booklet very shortly.

Guidance Note on Internal Audit of Cost Records developed by the Technical Cell of the Institute was also got released by the Chief Guest during the inaugural Session. The publication is very useful for the Cost Accountants as well as for the Industry in order to establish and carry out the Internal Audit of Cost Records. The publication will be available for sale with the Technical Cell Secretariat very shortly.

Glimpses of the Symposium

Lighting of Lamp by the Dignitaries

Inaugural Session

Technical Session 1

Technical Session 2

Technical Session 3

Release of Guidance Note on Internal Audit of Cost Records

Group photo of President with Speakers and Guests

GLIMPSES OF
2 DAY NATIONAL SEMINAR ON TAXATION

ORGANIZED BY
THE TAX RESEARCH DEPARTMENT OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AND BHUBANESWAR CHAPTER

21ST AND 22ND DECEMBER 2019

In December, the Tax Research Department along with the Bhubaneshwar Chapter had organised the grand National Seminar on the theme **"Conducive Tax Laws - Challenges & Opportunities" on the 21st and 22nd of December, 2019 at Bhubaneshwar.**

The Seminar was a grand success with Ms Aparajita Sarangi, Hon'ble Member of Parliament (Lok Sabha) attending the seminar as Chief Guest. Shri Padmanabha Behera, Hon'ble Cabinet Minister, Planning Convergence, Commerce and Transport, Govt. of Odisha and Shri Ranendra Pratap Swain, Hon'ble Cabinet Minister, Food Supplies & Consumer Welfare, Cooperation, Govt. of Odisha also graced the occasion. Eminent Tax experts, CBIC and CBDT officials and more than 550 participants joined the seminar.








MEMORANDUM OF UNDERSTANDING BETWEEN
DWARAKA DOSS GOVERDHAN DOSS VAISHNAV COLLEGE
&

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CRASH COURSE IN GOODS AND SERVICES TAX [GST]
[27th November, 2019 to 9th December, 2019]

PRESS RELEASE

Post Graduate & Research Department of Commerce, D G Vaishnav College has entered into an Memorandum of Understanding [MOU] with the Institute of Cost Accountants of India, Kolkatta for offering certificate course on Goods and Service Tax for the students. The MOU was signed by CMA Balwinder Singh, President of the Institute & Dr. R. Ganesan , Principal of the College on 5th December, 2019 at function organised in the college campus. The Function was graced by CMA Balwinder Singh, President of ICAI, CMA.P. Raju Iyer, CMA V Murali, Central Council Members & CMA Jyoti Sathish, Chairperson-SIRC, Dr. J. Jayasankar, Head of the Department of Commerce, Prof. S. Seshadrinathan, Prof. Rakesh Shankar R, Dr. K.B. Manikandan, Members of the Faculty of the Department.

The Classes were formally inaugurated by CMA Raju Iyer, Central Council Member & CMA Jyothi Sathish, Chairperson, SIRC

The President stressed on the importance of the Professional Courses and urged the students to take the GST Course with focused training. He advised the students to become successful GST Practitioners and GST Accountants and thereby contribute to the development of the MSME Sectors in achieving the objectives of the GST.

The College is in the process of training 309 students from various streams of commerce in GST Act under the aegis of this MOU. The students felt that the MOU and the course is very practical whereby the Theoretical classes is coupled with practical session by the Cost Accountants and Tax Professionals.

The Students would be certified by the Institute and the College, after successful completion of the Classes and clearance of the examinations to be conducted.

The programme was co-ordinated by K.B. Manikandan and Rakesh Shankar R, Department of Commerce, D G Vaishnav College.

CMA Jyothi Sathish, Chairperson, SIRC being felicitated by Dr. J. Jayasankar, Head, Department of Commerce & Dr. R. Thanigaivel, Head, Department of Corporate Secretaryship, D G Vaishnav College o

(Date: 27th November, 2019)

Memorandum of Understading between the Institute & D G Vaishnav College Signed by CMA Balwinder Singh, President & Dr. R. Ganesan, Principal, D G Vaishnav College – Also Seen (L to R) - CMA Rajesh Sai Iyer, CMA S Subhashini, CMA Rakesh Shankar R, CMA Dr. R. Thanigaivel, CMA Dr. V. Murali, CMA Raju Iyer P, Dr. J.Jayasankar, Prof. S. Seshadrinathan, CMA Jyothisathish

(Date: 5th December, 2019)

CMA Raju Iyer in Orientation to the students on the occasion of Inaguration of the GST Classes at D G Vaishnav College in association with the Institute

CMA Shankaranarayan being felicitated by the College on the day of his lecture on GST – Input Tax Credit

A Cross Section of 309 Students for GST Course Enrolled from the D G Vaishnav College

CMA Rakesh Shankar addressing the students on the Practical aspects of GST Registration procedures with hands on experience

Shri. Srivatson, (President of India Awardee), AD- National Academy for Customs, Indirect Taxes & Narcotics (NACIN) being Felicitated by Dr. Pradeepa George on the day of his Session on Annual Returns - Practical Apporach

CMA S Subhashini addressing the students on the Overview & Introduction to GST

CMA Sugumar, Practising Cost Accountant training the students on the Practical issues in GST Return Filing and Q & A Session in Progress

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

Cover Stories on the topics given below are invited for ***'The Management Accountant'*** for the four forthcoming months

Month		Theme		Subtopics
February 2020	Theme	Arbitration and Conciliation: Challenges and Prospects	Subtopics	• Arbitration and Conciliation (amendment) Act, 2019: Expansion of scope for the CMAs • Arbitral Award: Challenge & Enforcement • Institutional, Statutory and Ad-hoc Arbitration • Legal issues that arise in the context of Online Dispute Resolution • Arbitration of Intellectual Property Disputes • Recent Developments in International Commercial Arbitration • Arbitration: Significantly Important Supplement to Enhance Ease of Doing Business • Making India an Arbitration Hub
March 2020	Theme	The Next Gen Women: Equal Rights, Opportunities and Participation	Subtopics	• Removing Structural Barriers towards Gender Equality and Women's Empowerment • Women Empowerment - the key to achieve Social & Economic growth of the country • Women in Business Decision-making • Role of Judiciary in Empowering Women in India • Crimes against women- a blot on Gender Equality and Women Empowerment • Challenges of Women Entrepreneurship • Impact of Globalization on Women Entrepreneurship • Women Entrepreneurship in the Tech-driven era • Challenges and Hurdles in the Journey of Women Empowerment • Women & Economy: The Indian Perspective
April 2020	Theme	Internal Audit: The Way Forward	Subtopics	• The Fundamentals of Effective Internal Audit • Intelligent Automation in Audit • Auditing Cyber: Operational Risks • Role of Internal Audit in Mergers, Acquisitions and Divestitures • Internal Audit and Enterprise Risk Management (ERM) • Board Effectiveness: Expanding Scope of Internal Audit • Conquering the Cloud: How Internal Audit can help • Internal Audit: Assessing Risk in today's Disruptive Environment • Internal Audit-future trends and innovation and emerging scope for CMAs
May 2020	Theme	National Education Policy - Changing Contour of Indian Education Eco-System	Subtopics	• The New Education Policy (NEP) 2019: a Revolutionary Reform • Inclusive and Equitable Quality Education: Lifelong learning opportunities for all • Challenges & Opportunities of the New Education Policy and its implementation - Employability, Entrepreneurship & Startups • Vocational Education and Skill Development – Importance & Relevance • Integration of all Educational institutions & Technical Institutions & Industry – Industry & Academia & its contribution • Role of Private Sector in improving Quality of Education • Moving towards a more imaginative and broad based liberal Education as a foundation for holistic Development • Educational excellence through AI and other emerging Technologies - Importance of Research & Innovation • From Pencils to iPads: Evolution in Instructional Technology • Professional Education in the light of NEP

The Above Subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.

DIRECTORATE OF JOURNAL & PUBLICATIONS
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www.icmai.in

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

GLOBAL SUMMIT-2020
Mission 5 Trillion - CMA as a Cryogenic Force

Dear Professional Colleague,

Greetings from the Institute of Cost Accountants of India!!!

I am happy to inform that the Institute is organizing **Global Summit 2020** from **9th -11th January 2020** at Hotel Ashok, New Delhi. The theme of the summit is **"Mission 5 Trillion – CMA as a Cryogenic Force"** that aligns with the goal set by **Hon'ble Prime Minister of India** to achieve USD 5 Trillion Economy by 2024.In today's globally competitive business environment, all the constituents' economy have to work in sync with each other and play an active and cryogenic role to propel various engines of the economy and generate sustainable momentum for the progressively faster economic growth of the country. The Management Accountants act as a cryogenic force who are very highly productive and show super performance even in extremely cold and stagnant situations so as to generate adequate force that is required to give a big push to the economy.

The above will not only help India to become cost competitive to achieve global scales; but will also catalyse wider employment generation and GDP growth with simultaneous advancement towards our achievements in sustainable development.

Most likely Hon'ble Prime Minister of India will be the Chief Guest of the Global Summit. Dr. K. Sivan, Chairman, Indian Space Research Organisation (ISRO) & Secretary, Department of Space and Union Ministers, Secretaries of Government of India shall address the Summit in the Inaugural / Plenary sessions.

The Summit will also be addressed by eminent speakers holding high positions in the Government, Industry leaders and management experts. Many professional Gurus from USA, UK, Australia, China, Germany, Japan, South Africa, South Korea, & Singapore have consented to share their knowledge & experience at the Summit. I earnestly request all the members of the Institute to attend this Global Summit in large numbers to show the strength of CMA profession.

I am looking forward to welcome you at New Delhi for the Global Summit 2020 on 9th January 2020.

CMA Balwinder Singh
President

Headquarters:- CMA Bhawan, 12, Sudder Street, Kolkata-700016, Ph. +91-33-22521031/34/35
Delhi Office:- CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi-110003, Ph. +91-11-24666100, 24622156/57/58

GLOBAL SUMMIT 2020

MISSION 5 TRILLION
CMA AS A CRYOGENIC FORCE

Organised by:
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)

January 9-11, 2020
The Ashok Hotel, New Delhi

ABOUT THE THEME

USD 5 Trillion Goal for 2024 set by Honourable Prime Minister of India requires a huge burst of energy to propel various engines of the economy. The goal of USD 5 Trillion can be achieved through a clear strategic thinking by the Captains in the Government, Business and Management Leadership.

The companies and business entities need to reorient their processes for executing the strategies of the new economy sustainably. This requires the corporate and non-corporate entities to align themselves with the new visions such as Switching Governance Mechanisms in the Board Rooms from a Compliance oriented to a Value Creating approach; Adapting Sustainable Development Goals in Medium, Small and Micro Enterprises; Reorienting the Management Systems towards Sustainable Strategies; and Implementing Sustainable Strategies both in the Private and Public Sector.

The Summit would be addressed by eminent persons holding high positions in the Government and Industry leaders. Many professional Gurus cutting across continents will also join them.

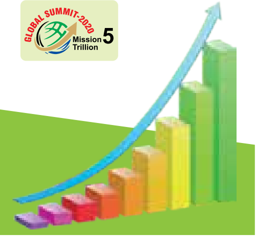
The immediate takeaway for the members and Government is going to be with the implementation of strategies towards the super goal which cannot be with the business as usual approach. Therefore, there is a need for the new levers which can geometrically escalate the strategic outcomes to reach the last mile in the Indian demography.

The summit will benefit CEOs, CFOs, Management Accountants and top management team members of all enterprises operating globally, particularly in Asia.

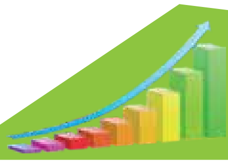
GLOBAL SUMMIT 2020

MISSION 5 TRILLION CMA AS A CRYOGENIC FORCE

9th January, 2020



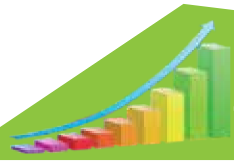
9:30AM - 11:00AM	**Mission 5 Trillion – CMA as a Cryogenic Force**	
Inaugural Session	USD 5 Trillion Goal for 2024 set by our Honorable Prime Minister requires a huge burst of energy to propel various engines of the economy. Viewed in the context of space technology, a cryogenic material despite being cold in property produces the burst of energy and acts as a Cryogenic Force in the journey towards a tall order. Referring to this as an allegory, Cost and Management Accountants (CMAs) can become the source of Cryogenic energy for the economic growth. This is fundamentally due to the properties (competencies) of CMA oriented towards decision making to drive the future with economic evaluation skills. India's Cost leadership in space is now well known. The keynote speaker, Head of ISRO, will discuss the success story of Cost Management in Space through various drivers of Technological Efficiencies.	
	Welcome Address	Chairman, Global Summit
	Theme Introduction	President, Institute of Cost Accountants of India
	Special Address	Deputy President, International Federation of Accountants (IFAC)
	Key Note address "Conquering Space through Cost and Technological Efficiencies"	Chairman, ISRO and Secretary, Department of Space
	Special Address	Hon'ble Minister of Finance & Corporate Affairs*
	Inauguration by	Hon'ble Prime Minister of India*
	Vote of Thanks	Vice-President, Institute of Cost Accountants of India
11:00AM-11:15AM	Health Break	
11:15AM-1:30PM	**Mission 5 Trillion –Strategies**	
Plenary Session	The goal of USD 5 Trillion can be achieved only through a clear strategic thinking by the Captains in the Government, Business and Management Leadership. In this plenary session eminent speakers from NITI Aayog, Chambers of Commerce, Business Houses and Management Schools will reflect on the roadmaps towards the vision. These roadmaps will serve as the Guiding Post for setting the context of CMAs to channelize their cryogenic calories.	
1:30PM-2:30PM	Summit Lunch	
2:30PM-4:00PM	**Mission 5 Trillion – Levers**	
Technical Session-I	The implementation of strategies towards the super goal cannot be with the business as usual approach. We need new levers which can geometrically escalate the strategic outcomes. This is important as the outcomes of economic policies should reach the last mile in the Indian demography. This session will therefore talk about new levers of economic growth such as Disruptive Technologies, Digital Banking and Startup India Ventures.	
	Topics:	
	Disruptive Technologies/Artificial Intelligence	
	Digital Banking	
	Start-up India	
7PM-onwards	Cultural evening followed by dinner	



10th January, 2020

9:45AM-11:00AM	**Mission 5 Trillion – Driving SDG thru' CMA**
Technical Session-II	Driving Economic Growth at a blistering pace should also be sustainable achieving SDG targets as agreed by India in the UN Charter. This would need holistic view of balancing the non financial outcomes with that of financial results. This being the core of CMA competency framework, this session would examine different pathways to economic growth by balancing with societal parameters in the following sectors - Health For All at Affordable Price; Discarding Single Use Plastic Cost Effectively; and Accounting Framework for Sustainability.
	Topics:
	Health for All
	Environment – Single use Plastic
	Accounting for Sustainability
11:00AM-11:15AM	Health Break
11:15AM-1:30PM	**Mission 5 Trillion – Driving Value Creation thru' Governance**
Technical Session-III	The business entities need to reorient their processes for executing the strategies of the new economy sustainably. This would happen only if the corporate and non-corporate entities align themselves with the new vision. This session would discuss the action required in the following streams - Switching Governance Mechanisms in the Board Rooms from a Compliance oriented to a Value Creating approach; Adapting Sustainable Development Goals in Medium, Small and Micro Enterprises; Reorienting the Management Systems towards Sustainable Strategies; and Implementing Sustainable Strategies in the Public Sector.
	Topics:
	Boardroom Governance for Value Creation
	SDG in MSMEs
	Management Systems for Sustainable Strategy
	Sustainable strategies in Public Sector
1:30PM-2:30PM	Summit Lunch
2:30PM-3:45PM	**Mission 5 Trillion – Cost Management Strategies/ Tools**
Technical Session-IV	The Cost and Management Accounting practices now need extensive deployment as a Cryogenic force for the challenging times. The need for firing on all cylinders with the CMA energy will be examined through the following Streams - Model for Cost Effective Development of Sustainable Products with Disruptive Life Cycles; Executing Cost Competitive Strategies and Create Value through new CMA frameworks; Evolving Business Model view of Sustainable Cost Structure as a new CMA Imperative; and Embedding Performance Appraisal through an External agency into the Governance Mechanism.
	Topics:
	Designing Cost Effective Sustainable Products
	Strategy Execution Excellence through CMA
	Importance of Sustainable Business Model thru CMA
	Performance Appraisal – A Tool for Success
3:45PM-4:00PM	Health Break

4:00PM-5:15PM	**Mission 5 Trillion – Global Cost Management Practices**
Technical Session-V	Globally, Economies which have crossed US Dollar 5 Trillion Targets or are on the Threshold of Crossing offer a fertile ground for us to learn new ideas and also unlearn the past wherever they are not relevant for the current order. This Session will have Speakers from such logistics offering us a fresh thinking - Japanese Costing practices; German Costing Practices; Chinese Costing Practices; and Korean Costing Practices.
	Topics:
	Japanese Costing Practices
	Canadian Costing Practices
	Chinese Costing Practices
	Korean Cost Practices



11th January, 2020

9:45AM-11:00AM	**Mission 5 Trillion – Sector Specific CMA Cryogenic Roles**	
Technical Session-VI	In achieving the Super goal, certain sectors of the Economy are very critical and need to achieve manifold outcomes. These sectors will require a more focused pumping-in of the CMA energy to fuel the processes. This will pose a challenge of how to do it. Such sector specific critical challenges will be discussed in the following Streams - Agriculture to achieve doubling of farm Income and Profits; Infrastructure with the focus on Housing for All at affordable prices; and Effectively deploy Make in India in the Defence Sector with suitable Costing Tools.	
	Topics:	
	Agriculture	
	Infrastructure – Housing for All	
	Defence	
11:00AM-11:15AM	Health Break	
11:15AM-1:30PM	**Mission 5 Trillion by 2024**	
Valedictory Session	The Cost and Management Accounting practices now need extensive deployment as a Cryogenic force for the challenging times. The need for firing on all cylinders with the CMA energy will be examined through the following Streams - Model for Cost Effective Development of Sustainable Products with Disruptive Life Cycles; Executing Cost Competitive Strategies and Create Value through new CMA frameworks; Evolving Business Model view of Sustainable Cost Structure as a new CMA Imperative; and Embedding Performance Appraisal through an External agency into the Governance Mechanism.	
	Closing Address	President, FICCI / ASSOCHAM*
	Special Address	Secretary, Ministry of Corporate Affairs*
	Valedictory Address	Hon'ble Minister of State for Finance & Corporate Affairs*
	Vote of Thanks	Chairman, Organising Committee of Global Summit
1:30PM-onwards	Summit Lunch	

*confirmation awaited

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Categories

PLATINUM SPONSOR (Rs 25,00,000/-)	Delegates fee (non-residential) exemption for 12 delegates Prominent Display on the Summit Backdrop as Platinum Sponsor and all other prominent places Sponsor logo in badges and all Summit Material. **One colour full page advertisement in the Souvenir worth Rs. 1 lakh.**
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Display name at the Venue of High Tea

Advertisement Tariff

Advertisement Space	Tariff (in Rs)
Back Cover	Rs.1,50,000/-
Front/Back Cover Inside	Rs.1,25,000/-
Color Full Page	Rs. 1,00,000/-
Color Half Page	Rs. 60,000/-
Black & White Full page	Rs. 50,000/-
Black &White Half Page	Rs. 40,000/-

Add: GST @ 18% on the advertising amount being paid.

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The Cheque / Demand Draft to be drawn in favour of "The Institute of Cost Accountants of India – Global Summit 2020" payable at NEW DELHI, Alternatively, details for NEFT / RTGS payment:

Name of Bank - State Bank of India

Branch Address - 82-83, Mihir Chand Market, Lodhi Road, New Delhi – 110003

Bank Account Number - 38908312770

Swift Code - SBININBB382

IFSC Code - SBIN0060321

PAN No. AAATT9744L

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The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)

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The Institute of Cost Accountants of India

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Global Summit 2020

"MISSION 5 TRILLION – CMA AS A CRYOGENIC FORCE"

January 9-11, 2020 at New Delhi

SPONSORSHIP FORM

The Chairman,
Organizing Committee of Global Summit 2020
The Institute of Cost Accountants of India
CMA Bhawan,3, Institutional Area, Lodhi Road,
New Delhi-110003

Dear Sir,

I/We wish to Sponsor for……………………………………………………………………………………….in connection with the Global Summit 2020to be held on 9th-11thJanuary 2020 at New Delhi. A crossed Cheque/DD bearing No. ………………............… Dated ……………..…..........… for Rs. ……………...…..........… drawn on ………………………………………………………………….Bank in favour of "The Institute of Cost Accountants of India - Global Summit 2020" is enclosed.

Name of the Organization ....Signature ....

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Platinum	25,00,000	Gold	10,00,000
Silver	7,00,000	Dinner	5,00,000
Lunch	5,00,000	Convention Kit	5,00,000
Mementoes	2,00,000	Cultural Event	2,00,000
High Tea	2,00,000		

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Behind Every Successful Business Decision, There is Always a CMA

The Institute of Cost Accountants of India

(A Statutory body under an Act of Parliament)

Global Summit 2020

"MISSION 5 TRILLION – CMA AS A CRYOGENIC FORCE"

January 9-11, 2020 at New Delhi

DELEGATE REGISTRATION FORM

10 CEP Hours

The Chairman,
Delegate Committee of Global Summit 2020
The Institute of Cost Accountants of India
CMA Bhawan,3, Institutional Area, Lodhi Road,
New Delhi-110003

Dear Sir,

Please register the following delegates for attending the Global Summit to be held on 9th-11th January 2020 at New Delhi. The particulars of the delegates are as under:

Name of the Delegate	Designation	Address of the Delegate

Membership No./ Student Regn. No.	Practicing/Non Practicing	Tel. No.	Mobile No.	E-mail

DELEGATE FEE

Particulars	Fees (Rs)	Particulars	Fees (Rs)
Corporate Delegate	5,000	Spouse	2,000
Cost Accountant-in-Practice/ Self Sponsored Member	3,500	Foreign Delegate SAARC Countries Delegate	US $ 300 US $ 200
Students	1,000		

Add: GST @ 18% on the above fees except by Foreign Delegate fee being paid in US $

A crossed Cheque/DD bearing No. .... Dated .... for Rs./US $ .... drawn on .... Bank in favour of **"The Institute of Cost Accountants of India – Global Summit 2020"** is enclosed.

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Address ....

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Signature ....

Name ....

Designation ....

Mobile ....

E-Mail ....

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Delegate fee can be paid on-line from Institute's website

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Global Summit 2020

"MISSION 5 TRILLION – CMA AS A CRYOGENIC FORCE"

January 9-11, 2020 at New Delhi

SOUVENIR ADVERTISEMENT FORM

The Chairman,
Souvenir Committee of Global Summit 2020
The Institute of Cost Accountants of India
CMA Bhawan,3, Institutional Area, Lodhi Road,
New Delhi-110003

Dear Sir,

We are pleased to release the following advertisement for the Souvenir to be brought out at Global Summit 2020 to be held during 9th – 11th January 2020 at New Delhi.

Advertisement in	Size	Tariff (Rs)	Please Tick
Back Cover	18 cm * 24 cm	1,50,000	
Front / Back Cover Inside	18 cm * 24 cm	1,25,000	
Colour Full Page	18 cm * 24 cm	1,00,000	
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Black & White Full Page	18 cm * 24 cm	50,000	
Black & White Half Page	18 cm * 12 cm	40,000	
Add: GST @ 18% on the Advertising Amount being paid			

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Fax No. ....

Signature ....
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FROM THE DESK OF THE CHAIRMAN
- BANKING & INSURANCE COMMITTEE

CMA Chittaranjan Chattopadhyay
Chairman
Banking & Insurance Committee
The Institute of Cost Accountants of India

Educate our people, so that they may be able to solve their own problems. Until that is done, all these ideal reforms will remain ideals only

- Swami Vivekananda

Namaskar and best wishes for the New Year 2020 to all the readers of this journal.

As a Chairman of Banking and Insurance Committee this is my maiden addressto all my professional brethren through our official organ.

I am writing this column at a time when our country appears to be under the grip of a slowdown. GDP is showing a dismal figure so also IIP number.Production declined in almost all sectors be it manufacturing or mining or electricity. Automobile sector and Real Estate sector remains subdued since long causing lackluster demand of some key sectors like cement, steel and other allied sectors. Exports and Imports are on a continuous declining trend. While cause of this slump is mostly identified as the lack of consumer demand – the point lies how to lift it up.Although the Government has announced an array of measures including corporate tax rate cut, rationalization of GST etc.to encourage investment and boost economic growth yet the moot question remains whether all these will help grow required investment when the market is heavily shrinked. While possibility of required corporate investment is uncertain, much depends on government investment and expenditures. Government is conscious of its part and must be in the process of doing the needful but its initiative to boost-up investment adequately is bound to be restricted by the fiscal deficit limit. This is all the more concerning in view of the emerging CPI and WPI number. Both have exceeded tolerable limit signifying thereby an inflationary trend. The RBI in view of this macroeconomic situation has, in its December monetary policy review, kept the policy rate unchanged. The situation is akin to stagflation and seems to be a long lasting one --many experts apprehend. The problem has been all the more grievous due to sagging global economic scenario which has stoked our internal problems manifold.Still, let us hope that with concerted efforts of all stakeholders, the country will come out of the vicious circle and set to the path of normal growth soon.

Against the backdrop of this dismality, Banking and Insurance sector, the most sensitive reflector of the economy cannot be expected to be ills free. Banking Industry particularly public sector banks are grappling heavily with burgeoning NPA menace. NPA is a cancerous problem which affects a bank in multiple ways. It debars interest charging, the main source of Bank earnings. It engenders growing provisions thus eating into the profit purse further. The sagging profit purse cannot contribute to the required capital adequacy. The staggering NPA burden of many banks has forced the central bank to be proactive and most of the banks remain under its close surveillance and monitoring and many of them were put under PCA thus restricting their normal operations including extension of credit to a great extent. The situation is not at all congenial for the economic expansion especially so when the country badly needs influx of investment. But the irony is that while this austerity measure remains in process, revelations of many disturbing incidents with their sprawling dimensions have simply exacerbated the problem. Revelations of different high value scams and failure of some big names in financial sector have exposed the frail internal check and control system of Banks and its supervisory lapses. No doubt all these happenings have had an adverse effect on banks' profitability. Dwindling profitability along with inability to tap market for fresh capital due to their eroding market reputation have virtually made the public sector banks grossly dependent on the Government for necessary capital infusion thus putting a pressure on Government exchequer.

But against all these odds there are some silver linings also. The Insolvency and Bankruptcy Code (IBC) enacted in 2016 with its further amendment in 2019 appears to be a game changer to resolve the severity of stuck-up loans.

The news of public sector banks returning to profitability in 2019-20 posting an aggregate profit of Rs.3, 221 crore in the first half ending September, 2019 after posting huge losses in 2017-18 and 2018-19 financial years come as a bit of relief along with the news of declining gross non-performing assets by Rs.89189 crore from a peak of more than 8.95 lakh crore in March 2018 to over Rs. 8.06 lakh crore in March, 2019 as announced by the government

in Rajya Sabha. The trend continues as evident from latest RBI report which says that Gross NPA of all banks improved to 9.1%as of September 2019 compared to 11.2%in FY 2018 whereas net NPA reduced to 3.7% in FY 2018 as against 6% in FY 2018. It said the improvement in asset quality was driven by state run lenders.

On the face of serious liquidity crisis faced by many NBFCs, the proactive steps of RBI in aiding bank lending to NBFCs and government's partial credit guarantee to public sector banks on their asset purchase from NBFC will certainly help mitigate the enormity of the problem.

Then comes the aspect of series of mergers of the public sector banks that virtually causes to change the banking landscape in India significantly. While experts divide in their opinions whether this consolidation can really address the in-built ills of the Banks that are multi-dimensional--government firmly believes that it is a step much awaited and will be beneficial in a number of ways especially when the banks of tomorrow must have to be globally competitive with enormous infrastructural and logistical support base.

In tandem with the transformations of the Banking Sector, ***Insurance Sector is also passing through a lot of changes.*** There is a possibility of raising overseas investment limit in Insurance as the IRDAI sought the views of various stakeholders on the matter in a December 2 letter at the behest of the Government.In this respect it is pertinent to recall that the government has already increased the foreign investment limit on insurance intermediaries to 100% from 49%. This step of the government is set to bring capital for companies investing in technology solutions aimed at helping Indian Insurance Sector achieve better penetration rates which is 3.6% at present vis-a-vis global average of 6.1%.

It is against the backdrop, the role of Cost & Management Accountants becomes all the more demanding. I think involvement of CMAs in a bigger way in Banking and Insurance sector could have helped nipping many of their problems in the bud. The mammoth NPA problems of the bank cannot be glossed over on pretext of only market slowdown. While a review is urgently called for in order to expunge the maladies, it is now need of the hour that the product wise cost statement and product wise profitability statement should be a part of the documents perused in credit assessment by the banks for better viability of the credit proposal of the borrowers, especially big ticket borrowers. Product wise profitability statement along with product wise cost contained in Cost Audit Report with its detailed in-depth navigation through the business operations of the borrowers would help better due diligence of the borrowing units which simple traditional exercise of analyzing final accounts and balance sheet vis-a-vis statutory auditor's reports would not justify. Again Cost & Management Accountant can be very effective in check and control system of the bank to detect the symptoms of stressed/SMA accounts at their early stages and other irregularities at their origin.

In the increased competition, all the banks are striving towards introducing new products/services to the customers at a very competitive cost. Accordingly, it becomes imperative for the banks to undertake cost-benefit analysis of their activities/operations, people, processes, products, infrastructure etc to determine the areas which are profitable and the areas which are less profitable or unprofitable. This exercise enables the banks to identify the wasteful cost and discontinue the loss making business segments and focuses on profitable products and services. Accordingly, to remain profitable in competitive environment, 'efficient & effective cost management' for their entire operations in banking sector is the need of the day. The members of our Institute are driving force to achieve the objectives of banking sector while being competitive on one hand and utilize the available resources in profitable, efficient and cost effective manner through cost control and cost reduction. This can be achieved through devising management accounting system by the Cost Accountants. They play a very vital and important role in every business enterprise as the main role is to provide feedback to the management, on the performance and sustainability of business.

You are perhaps aware that we have started a dedicated portal on 'Banking and Insurance' on our websites. We are uploading various activities and development in Banking and Insurance Sector for updating our members and students.

We are in the process of starting webinars on different aspects of banking and insurance and a periodical on Banking and Insurance with updating information and write-up is likely to bepublished soon. We are also in the process of revising our earlier publications on Banks viz, 'Monograph on Internal Audit of Treasury Functions of Commercial Banks' and 'Monograph on Concurrent Audit of Commercial Bank' , Monograph on ' Risk Based Internal Audit of Commercial Banks' and Hand book on Stock/Book Debt Audit. We also contemplate to bring out booklets on Insurance Sector.

There are many more things required to be done and on a continuous basis. In order to do it effectively, active participation of our learned members is a must which we do sincerely crave for. I request all of you to provide us your valuable inputs in our mail id bi@icmai.in.

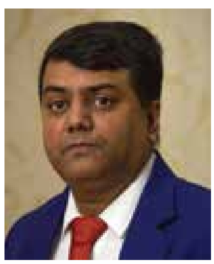
We hope to see members and students at the Global Summit 2020 scheduled to be held from 9th -11th January, 2019 at Hotel Ashok, New Delhi. Let us make the event a grand success.

In conclusion, let me once again convey my best wishes to all our professional friends and their families at the advent of the New Year with a strong assurance that the committee will untiringly work for exploring all sorts of opportunities in the financial sector befitting our profession and strongly pursue it.

Warm Regards

CMA Chittaranjan Chattopadhyay
January 1, 2020

INDIAN BANKING: CURRENT TRENDS, CHALLENGES AND ROAD AHEAD



Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
SBI Corporate Centre, Mumbai

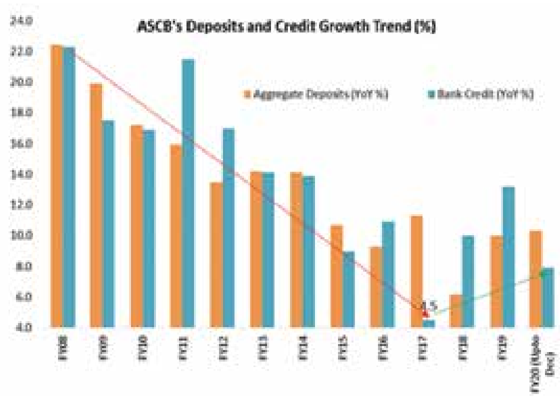
Dr. Tapas Kumar Parida
Manager (Economist), Economic Research Department
State Bank of India, Mumbai

I. Introduction

The banking system has played a crucial role in the upliftment of our country, especially in the recent decades. Despite the sound and stable health of the Indian banks, the sector has been facing a large overhang churn, grappled with multiple challenges, including high non-performing assets, global and domestic economic downturns, adaptation of technology, consolidation & competition from new age fintech companies. For the revival of the banking system, RBI has tried a three-pronged approach: (i) with asset quality reviews (AQRs) a fuller recognition of stressed assets is nearing completion and provisioning is being policy-driven; (ii) the implementation of a new framework for resolution of stressed assets under the overarching mandate of the Insolvency and Bankruptcy Code (IBC) is speeding up the de-stressing of balance sheets; and (iii) the Government has undertaken steps for recapitalisation of the PSBs in order to bolster their financials. Reflecting these resolute efforts, asset quality of the banking sector has found to be improving, though marginally. The incremental credit flows are also broad-based in 2018-19, with services accounting for the highest share as against personal loans a year ago. Credit growth to industry has turned positive after more than a year-long contraction. Among all the sector, the retail/personal loans has continued to grow at a double digit, despite the prolonged weakness in the demand for credit.

II. Current Trends in Indian Banking

- **Growth in Bank Credit & Deposits:** The credit growth of the Indian banking sector has declined to 4.5% in FY17 but recovered to 13.2% in FY19, with the continued support from the Government and RBI. However, in the current year 2019-20 the growth is lagging behind the trend. As on 06 Dec'19, the ASCBs YoY credit growth stands at 7.9%, compared to last year growth of 15.1%. A deeper analysis of the ASCBs data indicates that though till the end of Aug'19, ASCBs credit growth was declining, the trend has reversed since Sep'19 and credit growth has jumped by Rs 2.54 lakh crore and during the last fortnight (22 Nov to 06 Dec 2019), it has increased by Rs 74,437 crore. The aggregate deposits of ASCBs has also continued to decline and is at 10.3% (YoY) as on 06 Dec'19, compared to last year's growth of 9.7% on 07 Dec'18.



- **Financial Inclusion:** Perhaps the biggest reform, not in the banking sector, which has banks at the forefront is the financial inclusion programme: *"Pradhan Mantri Jan Dhan Yojana (PMJDY)"* launched in 2014. It has changed the way banks operate and use technology, besides having a massive impact on the citizens. Access to financial resources is one of the foremost requirements for the citizens of a nation to grow. With PMJDY, now people mostly rural have bank accounts which connects them to the formal means of finance. As of 0December 2019, around 38 crore individuals have been linked to PMJDY with deposits of more than Rs 1 lakh crore balance in these accounts. To fund these accounts, now Government directly sending subsidy/wages/scholarships to the individuals' bank accounts under DBT modes. This PMJDY accounts can act as a catalyst to encourage saving habit leading to build up of investment and seed capital for availing productive credit. The average deposit per account has more than doubled from Rs 1,064 in March 2015 to around Rs 2,865 in December 2019. The inclusive aspect of this is evident from the fact that 60% of PMJDY accounts are in rural areas and over 53% PMJDY account holders are women.

  Considering the strong linkage between financial inclusion and the payment systems, RBI has taken several steps. Some of these include encouraging use of Mobile Banking, pre-paid instruments in the form of digital wallets and mobile wallets, operationalization of the Aadhaar Bridge Payment System (ABPS) and Aadhaar-Enabled Payment system (AEPS) etc. But, there is a lot need to be done to feel the true meaning of financial inclusion, which is beyond deposits and remittances.

- **Consolidation of Banks:** In the current year, Government announced the merger of 10 PSBs into 4 big banks: (i) Indian Bank and Allahabad Bank, (ii) PNB, OBC and United Bank, (iii) Union Bank of India, Andhra Bank and Corporate Bank, (iv) Canara Bank and Syndicate Bank. To be more efficient in the changing environment, the banks in the public sector space need to be bigger to meet the credit needs of a growing economy, absorb shocks and have the capacity to raise resources without depending unduly on the exchequer. This merger would result in another strong amalgamated banks, equipped with financial cushion to deal with post-amalgamation requirements during the stabilisation phase.

  At the broad industry level, consolidation in banking industry looks imminent. The process will largely be guided by the Framework for Consolidation of Public Sector Banks. The decision regarding creating strong and competitive banks would be solely based on commercial considerations. Consolidation would enable creation of a bank with business scale comparable to global banks and capable of competing effectively in India and globally. Large banks would also provide impetus for building banks with scale, ramping up credit growth, adoption of best practices across amalgamating entities for cost efficiency and improved risk management and financial inclusion through wider reach.

- **Insolvency and Bankruptcy Code (IBC):** In 2016, with the enactment of the Insolvency and Bankruptcy Code, India embarked on a landmark reform of providing a robust platform for resolution of troubled corporate entities. This code aims to provide for a time-bound process to resolve insolvency. When a default in repayment occurs, creditors gain control over debtor's assets and must take decisions to resolve insolvency within a 180-day period (extendable by 90 days). To ensure an uninterrupted resolution process, the Code also provides immunity to debtors from resolution claims of creditors during this period. The Code also consolidates provisions of the current legislative framework to form a common forum by creating a single law for bankruptcy and insolvency for debtors and creditors of all classes to resolve insolvency.

  Till the year 1985, the legal framework for dealing with corporate insolvency and bankruptcy in India consisted of only one law - The Companies Act, 1956. In 1985, the Sick Industrial Companies Act, 1985 (SICA) followed by The Recovery of Debts

Due to Banks and Financial Institutions Act, 1993 (RDDBI) under which DRTs were established and finally, The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) was enacted in 2002. Around the same time when SARFAESI Act was introduced, Reserve Bank of India introduced a Corporate Debt Restructuring Scheme ("CDR Scheme") that provided broad guidelines for debt restructuring by Banks. It was thus clear by the year 2010 that a single, comprehensive framework was needed to effectively tackle delay in insolvency and bankruptcy proceedings.

Interestingly, this 60 years of Indian experience in insolvency resolution (till IBC came into existence) suggest a similar story as in the US (the first bankruptcy law was passed on April 4, 1800 in USA). Over time however almost all the efforts prior to IBC failed to meet expectations. The success rate of companies under several regulations pre-2016 were abysmally low and varied from 16% to a maximum of 25%. In contrast, the success rate of companies under IBC in terms of a closure is already at 41% and increasing! The recovery rate is 43%, up from 12% in FY15 through other mechanisms with defaulting promoters losing control of the company. We believe with the implementation of Insolvency and Bankruptcy Code (IBC), bank credit growth stands to expand sharply as we move closer to find resolution for stressed companies. We find that in most of the countries the bank credit growth increased manifold post the implementation of Code. Most notably in China when Code was implemented in 2006, the bank credit grew by around 30% in the third year (2009) post-implementation. Similar trends were visible in Poland and Spain. In some of the countries like Kazakhstan and UAE, the credit growth jumped immediately in the next year of implementation of Code. Germany experienced a 10 fold jump in credit growth just after implementation, but declined thereafter.

- **Digital Banking:** In the last few years India's plastic currency has grown substantially particularly after demonetisation. The major trends are as follow:

Progress in Digital Banking

Item	Unit	Sep-16	Sep-19	Growth (in Times)
Number of Cards	Million	755.1	888.2	1.2x
Debit Cards	Million	728.2	835.6	1.1x
Credit Cards	Million	26.9	52.6	2.0x
Debit + Credit Cards transactions at PoS (Volume)	Million	203.1	594.4	2.9x
Debit + Credit Cards transactions at PoS (Value)	Rs Billion	401.3	1151.7	2.9x
Number of Pos Terminals	Lakh	14.8	45.9	3.1x

Source: RBI; PoS: Point of Sale

During Sep'2016 to Sep 2019, the number of debit and credit cards increased from 755 million (or 75.5 crore) in Sep'16 to 888 million (or 88.8 crore) in Sep'19. If we divide number of cards with India's population (130 crore), the card penetration comes out to be around 68%. Further, both the volume and value of Debit + Credit card transactions at PoS (Point of Sale) terminal are also increased. From merely Rs 401 billion of transactions in Sep'16, it increased around 3-times by Sep'19 to Rs 1152 billion. Additionally, the number of PoS terminals has also increased from 14.8 lakh in Sep'16 to 45.9 lakh in Sep'19.

More recently, Artificial Intelligence (AI), Machine Learning (ML) and Big Data are becoming central to financial services innovation. Analysis of vast amount of data, both structured and unstructured, has been made possible using these techniques. Increasing levels of expectations of compliance to regulations and a greater focus on data and reporting has brought RegTech and SupTech into limelight. They are being applied in areas such as risk management, regulatory reporting, data management, compliance, e-KYC / anti-money laundering (AML)/ Combating the Financing of Terrorism (CFT), and fraud prevention.

III. Future Areas of Profitable Growth

The future offers a variety of growth opportunities for banks in India. Some of the growth opportunities that banks in India will capitalize upon include the following:

- **Digital banking (including mobile banking):** The growth opportunities for banks in India will accrue from both cost reduction side and also from new sources of revenue. Digital banking is both a cost reducing source and also a source of new revenue. There are two components of transaction costs at the retail level: (a) The cost to the provider of originating and processing the transaction and (b) The cost to the user of accessing the service (traveling and queuing up for services). There is inherent tension between these two. Minimizing the providers' cost may be achieved through economies of scale; that is, concentrating transactions at specific locations so they can invest in the necessary fixed costs to handle a larger volume of transactions. This is the traditional approach banks take: build branches. But this strategy works only where customers are densely packed or where they are sufficiently affluent to justify the fixed costs. By using mobile phones rather than point-of-sale terminals as the technology platform, financial service providers do not even have to incur equipment costs for each new retail outlet opened. By going digital, banks in India are in position to substantially lower their fixed costs yet at the same time increase the quality of existing services by many folds.

- **Retail banking:** With the rising income level of the growing middle class, the aspirations of the customers is also increasing. To meet their needs, retail banking will be one of the most important segments from where banks will generate substantial revenue. The opportunities for banks will come from both sides of the balance sheet. Despite the credit growth slowdown, the retail credit has been growing at a double digit in the last 54-months, with an average credit growth of 17.1%, compared to the overall credit growth of 8.8% during the same period. The factors that augur well for robust retail banking business include a sizable young population with 47% in unmarried category. The average household size in India is 4.8 persons per household. With nearly 95% marriage rates in India by age 35, the number of households will rise dramatically from the current level of 24.8 crore. This will fuel demand for financial products of various kinds. On the liability side, banks will have to provide innovative life cycle based savings products, bank accounts for minors, girl child etc. On the advance side, banks will be lending for consumer durables, housing (given the thrust for low cost housing and Smart cities), education loans etc.
- **Cash flow based lending:** A vast chunk of production activities in India occurs in the unorganized sector (36% of the GDP). Accordingly, the Government now recognizes that the multitude of MSME is the most important engine of growth. To meet the credit needs of the MSME sector, Government has formulated MUDRA Bank has commenced its operation with PSU banks issuing RuPay ATM card linked/cobranded with MUDRA Bank. Armed with MUDRA cards, the small vendor can just walk into any neighbourhood ATM and draw the working capital. Interest will be charged on only the amount they have withdrawn. The annual interest for the micro loan is 10.75% till it is repaid. Moreover, the procedures for getting the loan are simple and beneficiaries will get an insurance cover of Rs 1 lakh.

  MUDRA Bank is innovatively using technology to promote a cash flow based lending model on a micro scale. Currently, only large scale PPP projects are financed on cash flow basis. With most of the banks financing being collateral based, the challenge that MUDRA banks model poses can become significant in future. For banks to have a share of this pie require them to research a viable cash flow based model to finance at the most micro level.
- **Innovation financing:** The Indian labour force will add 1 million people to every year over the next five years. Creating jobs, enhancing employability are at the forefront of the social policy goals. Accordingly, the National Policy for Skill Development and Entrepreneurship 2015 has been launched to meet the challenge of skilling at scale with speed, standard (quality) and sustainability. It aims to provide an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link skilling with demand centres.

  The skill strategy is to be complemented by specific efforts to promote entrepreneurship in order to create ample opportunities for the skilled workforce. Once this programme moves forward, increasingly banks will have to decide whether to lend to a first generation entrepreneur with no credit history besides the usual retail credit demand like personal loans, housing etc.

  In the context of innovation, whether banks are willing to lend directly to entrepreneur with or without credit history to fund a commercial application of an untested innovation or technology or at the extreme fund innovation itself. At present banks' exposure to innovation and R&D is through the VC route. Whatever direct exposure exists is very small. However, increasingly the demand for capital to directly finance innovation will rise, most of which will be from proprietors and partnerships firms. Banks also have the gear up quickly lest they lose this space to other sources of funding like peer-to-peer funding or the crowd funding.
- **Export financing in emerging areas:** The global economy in 2019 is expected to grow by 3.0% compared to 3.6% growth in 2018. In terms of trends in international trade, growth in global trade volumes is steadily decreasing since 2001. The Baltic Dry Index, indicator and the measure of the freight costs of shipping have fallen to its lowest point in March this year on the back of the imminent rebalancing in China.

  For India low cost pharmaceutical has been a sector of considerable competitive advantage. With UN declaring June 21 and World Yoga Day, demand for traditional Indian medicine (the domestic Indian pharmaceutical industry which was valued at $33 billion in 2017 growing at CAGR of nearly 20% and is expected to reach nearly $55 billion in 2020) will also rise as Ayurveda and Yoga are complimentary health systems.

  With Indian ideas like cremations becoming a global trend because they cost less and environmental concerns from burials are growing, manufacturers in Moradabad have switched to making and exporting designer cremation urns. The markets for funeral products in Europe, the UK, America, Australia, South America and Japan with its near-universal cremation practice are being tapped by Indian manufacturers.

- **Infrastructure Financing:** Banks have been the main financers of infrastructure activities in India and substantial funds have been tied up in many stalled projects. Going forward, banks will have to continue to finance infrastructure till such time capital markets develop as an alternate route. Recently, Government has approved to create Rs 20,000 crore National Investment and Infrastructure Fund to give boost to infrastructure projects, including those which are stalled. The Government also gave its approval to foreign investment in the Alternative Investment Funds for facilitating domestic investment which may ease some ALM pressure for banks in infrastructure sector.

  With a view to attracting investments from Qatar under the umbrella of NIIF, the National Investment and Infrastructure Fund (NIIF) Ltd. entered into a Memorandum of Understanding (MoU) with Qatar Investment Authority (QIA) on 5th June, 2016 during the visit of the Prime Minister of India to Doha on June 4th and 5th, 2016. While conventional infrastructures such as rail, roads, ports etc. have gathered much attention, the Government is particularly encouraging investments in low cost housing. As per the Census, during the decade of 2001 to 2011, housing stock increased by 51%, number of households has increased by 47%. Urban India in 2012 had an estimated shortfall of about 19 million houses. In FY13 the gross physical savings of household as percentage of GDP declined by 1% to 14.8%.

  Although institutional financing for housing in India is dominated by commercial banks and banks have a competitive advantage in this segment, some policy intervention is warranted to check the decline. Accordingly in July, RBI permitted banks to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, sometimes known as the 5/25 structure. On the liability side, RBI has allowed banks to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR. These measures will give considerable flexibility to banks in catering to the credit requirements of these sectors. Other major infrastructure areas include: Power transmission, Housing, Renewable sources of energy, ports, and telecommunication.

- **Defence Manufacturing:** Defence manufacturing is one of the key sectors among the 25 sectors identified under the 'Make in India' campaign. The share of capital expenditure on defence in India as percentage of total gross fixed capital formation for FY12 was just 2.5%. Defence investments account for 10% of the capital formation in government sector in FY12. The total exports of defence equipment by India in FY16 amounted to Rs 700 crore. Because of the vast potential, Government has opened up defence sector to private players and has also increased FDI in defence sector to 49% though FIPB route and beyond 49% with the approval of Cabinet Committee on Security. In June, the Government further withdrew excise and customs duty exemptions presently available to goods manufactured and supplied to Ministry of Defence by Ordinance Factory Board and Defence PSUs to provide level playing field for development of this sector. Furthermore, in partial modification of the earlier Press Note on validity of Industrial License for Defence sector, the initial validity of Industrial License for Defence Sector is being revised to 15 years (7 years earlier), further extendable up to 18 years (10 years earlier) for existing as well as future Licenses.

  Currently, banking sector`s exposure to defence at this juncture is negligible. Impetus given to private defence capabilities will open a new opportunities for banks not only because there is monopsony buyer in Central Government but also in State Governments as modernisation of police force is also a priority agenda. Banks must keep a focus of 10 years for this market to develop.

IV. Some Concerns

- **Cyber security:** Media reports have indicated cyber security attacks in few banks' systems, including in ATM transaction processing systems. With growing dependence on online delivery of services, this becomes a serious concern and an area that has to be strengthened immediately and continuously as it also has the greatest potential to diminish the trust in electronic payments.

- **Frauds:** Recently, the number of cases on frauds reported by banks were generally hovering at around 4500 in the last 10 years before increasing to 5916 in 2017-18 and further increased to 6801 in 2018-19. Similarly, the amount involved in frauds was increasing gradually, followed by a significant increase in 2017-18 to Rs 410 billion and around doubled in 2018-19 to Rs 715 billion. In 2018-19, the number of frauds increased by 15%, while the amount involved rising by 73.8%, though mostly related to occurrences in earlier years. The average lag between the date of occurrence and its detection by banks was 22 months. The average lag for large frauds, i.e. Rs 1 billion and above, amounting to Rs 522 billion reported during 2018-19, was 55 months. In terms of area of operations, frauds related to advances constituted the preponderant share of the total amount involved in frauds in 2018-19, while the share of frauds in off-balance sheet items declined from a year ago.

  To improve the fraud risk management framework for banks, a need for (i) better directions on frauds in the light of experience gained and big data analytics; (ii) comprehensive reviews to sensitise on fraud prevention, prompt/accurate reporting and follow up action; (iii) need for user-friendly fraud registry. Further, RBI is in the process of the creation of

Central Payment Fraud Registry which is expected to strengthen the confidence of customers in the payment systems and minimise instances of frauds.

Fraud Cases - Bank Group-wise								
Bank Group	No. of Frauds			Amt Involve (Rs bn)			Ticket Size (Rs Crore)	
	FY18	FY19	YoY %	FY18	FY19	YoY %	FY18	FY19
PSBs	2,885	3,766	30.5	383	645	68.6	13.3	17.1
% Share	48.8	55.4	-	92.9	90.2	-	-	-
Pvt Banks	1,975	2,090	5.8	25	55	122.5	1.3	2.6
% Share	33.4	30.7	-	6	7.7	-	-	-
Foreign Banks	974	762	-21.8	3	10	273.0	0.3	1.3
% Share	16.5	11.2	-	0.6	1.3	-	-	-
Others	82	183	123.2	2	6	227.7	2.1	3.1
% Share	1.4	2.7	-	0.4	0.8	-	-	-
Total	**5,916**	**6,801**	**15.0**	**412**	**715**	**73.8**	**7.0**	**10.5**

Source: RBI

- **Customer Awareness:** Even as we strengthen the systems and processes, perhaps the greatest tool to fight the menace of frauds is building customer awareness. In addition, an 'aware' customer is able to make the right choices in using different systems taking into account the time criticality of the payment, the cost aspects and the risk aspects of exposing the underlying payment instrument. This is particularly important to ensure that the digital divide in payments doesn't further widen with faster adoption of technology and leap-frogging (for instance, leap frog from plastic cards to contactless payments through mobile phones; leap frog from financial exclusion to use mobile banking, etc.).
- **Customer protection:** Hand-in-hand with customer awareness goes the aspect of customer protection and efficiency in dealing with customer complaints / grievances. Earlier, generally end-to-end payment services used to be offered by banks. Today's electronic payments are, however, made more complex (though not necessarily at customer level) with participation of other non-bank entities whose services may be used by banks in the form of outsourcing arrangements or through entities that offer specialised services integral to payment completion. Greater the number of players involved, more complex the process to address customer grievances within the shortest span of time. As a result, either customer complaints take a long time to be resolved or remain unresolved, both the situations need to be addressed in the right earnest.

  FinTech companies are accelerating the pace of change and are reshaping the financial services industry radically. Financial service providers like banks are recognizing the potentials of the FinTech. It is clear that the disruptive innovations of the FinTech cannot wholly eliminate or completely decimate the traditional banking or finance. However, there are immense ways in which the FinTechs and the banks and financial entities can collaborate to usher in the best value for the financial service customers.

Concluding Remarks

The Government has embarked on an ambitious plan to map the banking infrastructure across the country as part of its financial inclusion initiative. Known as the DBT-Geographical Information System for financial inclusion, the facility provides data not only at the State/district levels, but also at the village level. Lead banks in each area have been asked to update the details on a regular basis. The exercise, which aims to map not only all the brick-and-mortar bank branches but also clearing houses, post offices, banking correspondents and ATMs across the country, is expected to help in the expansion of the direct benefit transfer (DBT) programme for routing cash subsidies directly into the bank accounts of beneficiaries. This again brings the banks into the forefront of the nation building exercise. Banks have to quickly adopt the most efficient technology and keeping the costs in check.

To conclude, India has been enjoying a very healthy evolution of payment systems over the past thirty years. While looking back, we admit that it had been a revolution, without being so realising. This has been the result of the measured road maps periodically adopted by RBI, in the initial years as a developer and in later years as a catalyst and facilitator. Today our systems are not only comparable to any systems, anywhere in the world, our systems also do set standards and good practices for the world to follow. We remain vigilant for ensuring safety and soundness of the payment systems and are committed to customer safety and convenience. MA

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STEERING TRANSFORMATION IN BANKING

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The Banking industry is a vital sector of Indian economy. It is all the more important because India is a Bank Based Economy.

There is a strong wind of transformation blowing all across the Banking Financial Services and Insurance (BFSI) sectors. Since many of the Insurance and Financial Services are being delivered through banking channels, our focus will be on banking sector only.

Although the transformation is all pervasive in the banking system, our attention will revolve around the following points i.e. Digitization, Customer Relationship Management (CRM) and Human Resources Management (CRM).

In the era of "Digital India", the banking in India has undergone a massive change and the evolution continues. The change can be attributed to various components like new regulatory policies & customer expectations. However, the one element that has affected banking the most, is

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technological advancement.

The emergence of innovative financial technologies has revolutionized the banking sector. It has resulted in the introduction, progress & convergence of several technological trends that have contributed to this radical transformation, growth and development of the banking industry. The union of innovative technologies with banking services has changed the conventional systems of handling money. This collaboration is expected to create a massive shift in the emerging trends of banking. Internet banking and mobile banking are some of the classic examples of these emerging trends.

In addition to the improvement of traditional systems, these trends are a few steps toward creating a cashless society. The only constant on date, is change.

Few trends that are bringing about metamorphosis in the entire scenario of banking in India are:-

1. Digitization:

The burgeoning digital technology in India compelled banking system in this country, to introduce innovative digital solutions, to cater to the needs of the ever growing tech-savvy clientele. Besides the financial institutions, sectors like insurance, healthcare, retail, trade and commerce are some of the major industries that are experiencing this digital shift. To stay competitive, it is necessary for the banking industry to take a leap frogging into the digital bandwagon.

Application Software of Banking Operations popularly known as Core Banking Solutions, were adopted in banking, to enhance multiple operational benefits in general and customer experience in specific. This paradigm shift started in the 1990s, during the time of LPG i.e. Liberalization, Privatization & Globalization, strategically adopted by the Indian government. This is the key reason for the technological changes in the banking sector. Today, banks have benefitted in multiple ways by adopting newer technologies. This shift from conventional to convenience banking is incredible.

On date, banking system is easier, simpler, paperless, signature less and branchless for its entire client base. The facilities below are few such examples:

IMPS (Immediate Payment Service)

RTGS (Real Time Gross Settlement) 5

NEFT (National Electronic Funds Transfer) 24X7 from December 2019

Online Banking

Tele-banking

Digitization has brought convenience of "anywhere and anytime banking." It works in reducing cost of various banking services, boosting revenue generation, and radically minimizing human error.

All these culminated into enhanced customer satisfaction and personalized solutions that positively impacted the overall banking experience.

2. Enhanced Mobile Banking:

Mobile banking is a current trend and is very popular in banking. It enables to check account balance, funds transfer and bill payments from anywhere and anytime. Mobile banking future is likely to include IoT and Voice-Enabled Payment Services. These voice-enabled services can be found in smart televisions, smart cars, smart homes etc. Top industry leaders are collaborating to adopt IoT-connected networks to create mobile banking technologies that require users' voice to operate.

3. UPI (Unified Payments Interface):

UPI or Unified Payments Interface has changed the way payments are made in India now. It is a real-time payment system. This enables instant interbank transactions with the use of a mobile platform. In India, this payment system is considered to be the future of retail banking. It is one of the fastest and most secure payment gateways that is developed by NPCI (National Payments Corporation of India) and regulated by the Reserve Bank of India. This revolutionary transaction system was launched in 2016. Funds transfer facility is available 24X7X365 in UPI. There are approximately 45 apps and more than 50 banks supporting the transaction system. In the post-demonetization phase in India, this system played a significant role. In the future, with the help of UPI, banking is expected to become more open.

4. Block Chain:

Block chain is the latest buzzword. The technology that works on the principles of computer science, data structures and cryptography, is believed to be the future of banking and financial services globally. Block chain uses technology to create blocks to process, verify and record transactions, restricting the ability to modify it.

NITI Aayog is creating IndiaChain, India's largest block chain network, which is expected to revolutionize several industries, reduce the chances of fraud, enhance transparency, speed up the transaction process, lower human intervention and create an un-hack able database. Several aspects of banking and financial services like payments, clearance and settlement systems, stock exchanges and share markets, trade finance, and lending are predicted to be impacted. With its robust and dynamic design, block chain technology is a force to be reckoned with.

5. Artificial Intelligence Robots:

Several private and nationalized banks in India have started to adopt chatbots or Artificial Intelligence robots for assistance in customer support services. For now, the use of this technology is at a nascent stage and evolution of these chatbots is not too far away. Usage of chatbots is among the many emerging trends in the Indian banking sector that is expected to grow.

More chatbots with the higher level of intelligence are forecasted to be adopted by the banks and financial institutions for improved customer interaction and personalized solutions. The technology will reduce the chances of human error and create accurate solutions for the customers. Also, it can recognize fraudulent behavior, collate surveys, feedback and assist in financial decisions.

6. The rise of Fintech Companies:

Previously, banks considered Fintech companies as a disrupting force. However, with the changing trends in the financial services sector in India, fintech companies have become an important part of the sector. The industry has emerged as a significant part of the ecosystem. With the use of financial technology, these companies aim to surpass the traditional methods of finance. In the past few decades, massive investment has been made in these companies and it has emerged into a multi-billion-dollar industry globally.

Fintech companies and fintech apps have changed the way financial solutions are provided to the customers. Besides easy access to financial services, fintech companies have led to a massive improvement in services, customer experience, and reduction in the service fees. In India, the dynamic transformation has been brought about by several important elements like fintech startups, established financial institutions, initiatives like "Start-Up India" by Government of India, incubators, investors, and accelerators. According to a report by the National Association of Software and Services Companies (NASSCOM), the fintech services market is expected to grow into an $8 billion market by 2020.

7. Mobile wallets:

It is a recent trend in the Indian financial system. Mobile wallet facilitates paperless and branchless payment system. This new breed of institutions, in turn, is rapidly overtaking the traditional models of banking. These wallets provide banking facilities only through various IT platforms that can be accessed on mobile, computers, and tablets. It provides most of the payment services in a simplified manner and gives access to real-time data. The growing popularity of these mobile wallets is said to be a real threat to traditional banks.

Here are some of the top 10 mobile wallet companies in India-

PayTM

Amazon Pay

Google Pay

Phone Pe

Mobikwik

Yono by SBI

Citi MasterPass

ICICI Pockets

These are attractive to the customers because of their cost-effective operating models. At the same time, though virtually, they provide high-speed banking services at very low transaction fees. In today's fast lane life, these wallets suit the customer needs better because they alleviate the need of visiting the bank and standing in a queue.

8. Cloud Banking:

Cloud technology has taken the world by storm. It seems the technology will soon find its way into the banking and financial services sector in India. Cloud computing will improve and organize banking and financial activities. Use of cloud-based technology means improved flexibility and scalability, increased efficiency, easier integration of newer technologies and applications, lightning services, quick solutions and improved data security. In addition, the banks will not have to invest in expensive hardware and software as updating the information is easier on cloud-based models.

9. Biometrics:

Essentially for security reasons, a Biometric Authentication system is changing the national identity policies and the impact is expected to be widespread. Banking and financial services are just one of the many industries that will be experiencing the impact. With a combination of encryption technology and OTPs, biometric authentication is expected to create a highly-secure database, protecting it from leaks and hacking. Financial services in India are exploring the potential of this powerful technology, to ensure sophisticated security to customers' account and capital.

10. Wearables:

With smart watch technology, the banking and financial services, is aiming to create wearables for retail banking customers and provide more control and easy access to the data. Wearables have changed the way we perform our daily activities. Therefore, this technology is anticipated to be the future retail banking trend, providing major banking services, with just a click on a user-friendly interface, on their wearable device.

These are some of the recent trends in the banking and financial sector of India. All these new technologies will redesign the business, commerce and finance in this country. This revolution will make historical changes in the traditional models. The paradigm shift in banking has to face challenges e.g. cyber security and regulatory compliance. Nevertheless, the customers are open to banking innovations and the government is showing great support with concepts like JAM i.e. Jan Dhan Yojana, Aadhaar & Mobile combination which aims at providing banking services to every citizen across the board.

There are some other new developments in the Indian Banking System.

Special banks like Small Finance Banks and Payment Banks are fully operational on date. There are 10 Small Finance Banks from all the zones, East, West, North & South.

Some 7 Payment banks are there. They are fully functional. Some of the Telecom companies have also floated their payment Banks. Airtel payment bank is an example of such banks. These banks have been established to fulfill specific objectives. Both these classes of banks are doing good business.

Customer Relationship Management (CRM) - CRM has come in a big way in Indian Banking industry. Most of the banks are focusing on this. Building relationships is key for this initiative. Customer centricity is the mantra. Huge technological infrastructure is being created to facilitate the CRM. It helps in capturing, marshalling and analyzing data to get a meaningful insight into the transaction pattern of the customers. Integration of software used in various banking operations is done on a continuous basis to help and prompt pitching of banking solutions in an effective manner.

Customer is looking for a financial solution. He needs all the facilities under one roof. He has the need of Banking, Insurance and Financial Services. Banks therefore, need street smart guys who have a clear understanding of these nuances. To be a successful banker one has to become all three in one i.e. a complete BFSI professional. Here comes the importance of Human Resource Management to cater to this need.

Human Resource Management (HRM) - To get the desired breed of professionals, banks have changed the entire HR strategy. Most of the banks are demanding for well trained and readymade BFSI professionals, who are "day one hour one" productive. As a result, banks and training companies, colleges & universities have started to collaborate to create specific pool of professionals. On date, this unison is producing suitable professionals for the industry.

When these professionals hit the floor, they are equipped with all the requisite skill sets - Sales skills, Professional Skills, bank specific product and process knowledge, knowhow of Application Software of Banking Operations, Indian Financial System, Regulatory Environment and Compliance.

Banks have analyzed the areas where they need human resources. Broadly there are three areas, namely:

Operations

Services &

Sales

The first two areas, operations and services are being gradually passed on to robots and artificial intelligence. There is hardly any profile available in banks these days, which is purely in operations or in services. The only Greenfield area is sales, as far as, fresh recruitment is concerned.

Lateral recruitment at Middle Management Level, Senior Management level and Top executive grade is very common now a day. Specialized areas like IT, Legal, Security are most preferred areas in this respect. The most recent trend is that all the concurrent auditors are being engaged on a contractual basis. This class comprises mostly of ex-bankers.

To remain in the market and be competitive there has to be crystal clarity. BFSI market has seven components:

Product

Price

Place

Promotion

Physical Evidence

Process

People

All these factors are important. Competition is cut throat. On every aspect of market factors, one has to fight with its competitors. First 6 factors are common to all the competitors and all are almost on the same page.

But the only differentiating factor is "People". If a bank is getting the right kind of human resources, backed by proper training and is able to retain them through employee friendly HR policies, only then that Bank would be a definite winner.

Three key areas that are vital in BFSI in general and Banking in specific are:

Digitization

CRM

HRM

Digitization is a compulsion to remain competitive in the market. It is a survival factor.

CRM will give an edge over other competitors.

HRM will make or break the client base.

These three areas will decide the true transformation of Indian Banking Sector now onwards. MA

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MERGER OF INDIAN BANKS - WHAT IT WILL AUGUR FOR INDIAN ECONOMY

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Abstract

Recent mergers of Indian public sector banks are supposed to have a very lasting impact on Indian banking perspective let alone our economy. Although the idea of merger first mooted by Narsimham Committee on the Financial System as back as in 1991, the idea never lost its thread and was a point of discussion in the banking fraternity all through. Mergers now being a fait accompli, opinions among the experts differ on its impact on our economy. In this article, an effort has been made to knit up all these opinions to eke out what does it really augur for our economy.

Recent announcement of the finance minister for mega merger of 10 PSBs to 4 culminated the series of mergers that was started with merger of all SBI associate banks and Bharatia Mahila Bank with SBI in April, 2017 and then Dena Bank, VijayaBank with Bank of Baroda on April 1 this year. The idea of merger is not new in Indian bank perspective. It dates back in 1921, when Bank of Bombay, Bank of Madras, and Bank of Bengal were merged to form Imperial Bank of India which was subsequently converted to State Bank of India in 1955 when government took over control of the Bank.Thereafter our Banking Industry experienced many moremergers not as business deals but mainly as a tool of savior and survival of a falling, weak bank .But the present spate of mergers unlike its previous small nudges here and there occurring as stray incidents, has been a point of discussion in all economic forums because of its magnitude, severity and overwhelming impact on our economy. The move virtually tended to change the complexion of public sector banks in India and is treated to be a milestone in Indian banking sector after the nationalization of banks in 1969.

The idea of thorough restructuring of Indian Banking system was first mooted in first Narasimham Committee Report on the financial system in 1991. Narsimham Committee Report first advocated for thorough overhauling of the banking system recommending formation of 3-4 large banks with international character, 8-10 national banks with branches throughout the country, local banks catering to specific region of the country and rural banks serving to rural areas. The idea behind was to strengthen the banking system so that it could meet the forthcoming challenges emanating from banking reforms. Since then many committees have toyed with this concept and thus the idea of creating some banking behemoths was there latently tickling the think-tankers all through these days and was a discussing point among banking fraternity every now and then. So when the finance minister recently announced the merger of 10 banks into 4,(consolidatingPunjab National Bank,Oriental Bank of Commerce and United Bank of India to create India's second largest lender;merging Canara Bank with Syndicate Bank to create the fourth largest PSU lender; bringing together Union Bank of India, Andhra Bank and Corporation Bank resulting fifth largest bank and Allahabad Bank with Indian Bank will result seventh largest bank behemoth) she was just embodying and enlivening the blueprint of 'Merger' hatched by Narasimham committee. After the merger the number of India's public sector bank drops to 12 from 27 earlier.

Indian public sector banks, as we all know, are saddled with a number of problems. They all suffer from burgeoning NPAs and most of them are suffering losses. Many of them under PCAs of RBI thus restricting credit growth. Lack of profitability and stupendous NPA burden coupled with stinted credit growth put these banks in a bind to maintain statutory capital adequacy. Market confidence on most of the PSBs are at a low ebb reflected in their sagging share prices making them virtually ineffective for tapping market for fresh capital and fully dependent on the Government to reinforce their dwindling capital base. Poor corporate governance standard and growing frauds and irregularities also have stoked the dismal condition of these banks.

Now whether the merger of Indian banks will be able to cure these ills of PSBs is a matter to be seen in future. Both optimisms and pessimisms, expectations and apprehensions are hovering in the air. A lot of challenges are also on the anvil to give a shape to this merger.

Expectations

i. First and foremost, this merger is expected to give birth to some entities with very big size and capacity aptly branded as 'next generation banks'. Unlocking potential through consolidation, big banks will come to the surface with enhanced capacity to increase credit and bigger risk appetite, with national presence and global reach- the finance minister opined.

ii. Logical is that the mergers will lead to higher scale of operations resulting in higher efficiency and lower costs. "The benefit can either be on the costs side where significant overlaps in specific states can be eliminated over time without any impact to business. Some of these banks could look to enter newer locations with a stronger understanding of the local market" suggests a Kotak securities note. In one of his interviews, Finance Secretary Rajiv Kumar, describing Bank Merger as a 'leap forward' observed, "It is to look for banks with heft, with size so that you gain the benefits of efficiency. Efficiency comes from common procurements. If you are a big bank, you can invest in technology, partner with fin techs, work from a position of strength. And therefore, what was required is scale and size."

iii. Improved efficiency of these consolidated banks increases its competitive power. "Merged entities could change the competitive landscape for large private banks in mid and large corporate segments and for old generation private banks in the MSE segment"- Rakesh Kumar, Research Analyst, Elera Capital believes."Mergers may make it difficult for private banks to gain faster market share as most anchor banks are large or will be largerpost-merger." Says Pritesh Bumb, Research Analyst at Prabhudas Liladhar.

iv. A bigger bank created by consolidation is more independent in decision making. Because of its size and overwhelming overall influence enjoys more bargaining power compared to a smaller bank which always remain embroiled in its limitations and depends on Government for even on small counts. "Its (bigger bank) size and scale allow its management the bandwidth and stature to deal with government ministries with confidence and make faster decisions. The smaller banks still wait for government signaling" –said Saurabh Triparthy, partner Boston ConsultingGroup. "The benefits of the merger could be less bureaucracy and faster decision making because we no longer need an okay from three or four lenders for one bad asset resolution" observed Pratip Chaudhuri, former chairman, SBI.

v. Biggerbank can better evolve itself to make huge investment so imperative for continuous technology upgradation and compliance set-up to sustain on the face of stiff competition from peers. "I have always said that India needs bigger banks…many PSBs weresub-par in size and this merger will help them" said Arundhati Bhattacharya, former chairman, State Bank of India. "The kind of investments one needs to make in compliance and technology is enormous and….the return on investment is not enough (for smaller banks).The bigger the entity, the stronger you become".

vi. Consolidation is expected to benefit various stakeholders. Merger will help the banks to grow exponentially in terms of having its footfall in new horizons across the country and beyond. This will enhance their customer base and a large number of new customers will join the fold of it. Being financially more sound and solvent, it can provide better services to the customer introducing new products and improving upon the delivery system with state-of -the- art technology.

vii. Consolidation seems to stop self-defeating practice of intra bank rivalry, competition and duplication of each other's business models to gain market share.

viii. Merger should be helpful in reduction of NPA with improved recovery process. It will eschew the conflicting policies of banks in the merger in respect of big ticket loans where their common interests were involved thus expediting recovery process.

ix. Big entities out of merger seem to be better equipped to fend themselves, in a better position to tap the market and better financial landscape will help rationalizing demand on government finances for capital infusion.

x. Government, back to back to its move to merger, has initiated certain steps to improve corporate governance and grooming leadership. These steps if followed intently with honest conviction seem to stamp out certain embedded ills of PSBs historically experienced. Thus merged big banks are expected to be governed more professionally, and are meant to ensure right decisions at right time.

xi. Merger is expected to provide its employees, especially from weak banks to play in a larger field extending pan India and beyond that should better help them to be conversant with newer area of operations, would provide scope to deal with different complex operations,make them conversant with nitty grittyof different complexities of foreign trade that were hitherto beyond their reach but so much common to the big chieftains of global banking industry.

Apprehensions

1. The time of merger may overshadow the immediate priority of the Government to enhance credit flow in the economy and increase liquidity in different cash starved areas to energise growth engines to mellow the recessionary effects. At least the finance ministry expected in this line and merger seemed to be in sync with various other initiatives taken by the Government to resuscitate the economy. In the near term, as the merger happens, a significant proportion of management and employee bandwidth might get involved in integration process and may not sufficiently engage in looking towards credit growth and liquidity. "Consolidation is a good long-term move, but could weigh on near term growth and potentially worsen the credit crunch" analysts led by Sumeet Kariwala at Morgan Stanley observed.
2. At present, Indian public sector banks are grappling with huge NPAs and immediate reduction of NPAs is a priority for all banks.But the merger exercise itself might not have any effect in NPA reduction. Out of 10 merged banks, nine banks have Net NPA level more than 5.5 percent. Apprehension is that merging of banks won't make the NPAs disappear but it will be like bundling small problems into one big problem to deal with.
3. Merger may not work favourably to enhance credit culture; it may not inhibit the practice of giving unviable loans due to lack of lending skills and political pressures. Sitharaman wants banks to be professionalized, hiring risk managers at commercial wages from the private sector. But without sanitizing the whole system with a strategic rationalization, the political and bureaucratic system of public sector banks tends to sustain causing recurrence of the pre-merger ills.
4. Large size banks however applauded for its scale of economics and capacity to foster robust risk management system, sometimes pose to be more risky as history has proved. Despite having very strong risk management system in place, we have experienced downfall of bigger and time-tested banks globally. During Asian financial crisis in 1997 and global meltdown experienced in 2007-2008, it was global banking giants who faced the crisis more whereas smaller banks comparatively survived the crisis due to their restricted operational ambit and focus on micro aspects. The impact of downfall of a bigger bank will be overwhelming not only for the economy of the native country but also globally spreading its contagion effects.
5. Apprehension ventilated in one analysis in Business Today reads "The PSB model of banking with government ownership, control and also lending support to government's agenda (priority sector, financialinclusion, Mudra, etc.)has been stumbling block for bringing about a change in their functioning. The merger announcement does not address the core structural and fundamental issues plaguing the PSBs.The setting up of Banks Board Bureau …..is path breaking, but this model was not pursued to its logical end. ….. The Government did not extend BBB's scope to human resource (HR) reforms,NPA and stressed assets resolution, risk management etc."
6. Drawing an extension of the limited scope of BBB, some quarters indicate that the government's assurance on governance should have to be more comprehensive. It should be more specific on selection process for the independent directors and non-executive chairman and their roles.
7. Some quarters reflect that merger entities would not get any benefit of efficiencies. Since PSBs have a very high cost structure, the biggest challenge in PSB merger is to cut costs, bring efficiencies, improve profit per branch and profit per employee.
8. Apprehension of some quarters is that merger itself is no panacea for these banks of all their ills at least in immediate future. With possibility of credit beating, growth of NPAs, stress and more provisioning at integration stage, the capital infusion in the banks may not be sufficient for maintaining expected capital adequacy.

Challenges – way forward

Implementation of the 'merger' especially when the wedding takes place between incumbents discrete in every aspect of their working e.g., system and procedures, culture, customer base, regionality, technology, managerial competency, risk appetite and risk management techniques etc. poses a great challenge to the banks under merger.

The first and foremost challenge might be integration of technology. Integration of different core banking solutions seems to be a big challenge for the merged banks.Different banks are operating under different core banking solutions being supplied by different vendors having different service-level agreement with the respective banker. Besides, there are many fintech companies and digital payment systems that are linked differently with different banks through the core banking systems. These are to be integrated into the merged entity. Data extraction and integration also pose an additional challenge.This is despite the fact that the government has selected the merger partners on the basis of their IT compatibilities instead of geographic reach.

Then the HR issues comes. Creation of bigger banks will not reap the expected benefits if its management remains orthodox and employees remain disgruntled. Harmonising human resources with different cultures, working conditions and managerial hierarchies is a brain -storming exercise. Silver lining is that the Government has not overlooked the issue which is reflected in its direction to the concerned banks to constitute a joint committee of Executive Directors in charge of HR to look into the issues concerned and submit its report to the Bank Board or relevant Committee of the Board. Besides, a slew of measures include performance appraisal of GM and above to Board Committee, reforming PSB Boards, recruitment of chief risk officer etc.are enabling steps.

Then the harmonization of asset quality and provisioning levels come. So far recovery of big ticket loans is concerned, resolution of the conflicting recovery processes in respect of a common big ticket client may be an issue. There are other aspects also like integration of bank branches, reallocation of human resources etc. Normally, any sort of merger of this gamut and scale creates some fear in the minds of the employees with apprehension of being retrenched, transfer and all sorts of other uncertainties. There may be some apprehensions in the mind of the customers also who empirically has been subjected to immense hardships due to closure of some branches and relocating themselves after merger. Although the Government has assured that there will be no job loss due to this merger, challenge remains to see how far these assurances hold good and can allay the scepticisms in the minds of the employees.

Conclusion

Although there may be some jolt at the initial phases of merger as we have seen above that may escalate dwindling in some essential parameters in the short run, long term benefits should outweigh this short- run predicaments. A lot of brownie points are emerging in terms of caring for good governance, special care of HR issues that certainly give a good environ for a smooth navigation towards this mega wedding. But in order to get the best dividend out of this merger and to act as a building block for achieving USD 5 trillion economy target, the merged banks must be allowed to work independently, professionally without any interference from any front whatsoever like its private peers.

If merging is needed, it must be executed in a manner which leads to an environment of trust and agreement among the people of both the organisations. If work culture and vision of people are blended together nicely, merging will definitely have synergy effects and create a win-win situation. MA

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TRANSFORMING CO-OPERATIVE BANKING TO STEER THE GROWTH OF MSME ENTREPRENEURS OF RURAL INDIA

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Abstract

Indian banking system has come a long way from the initial days of unregulated banking to the present day of internet banking. However, the co-operative banking sector has still been stuck in the early 1980s, where people still stand in the lines to get their money deposited or withdrawn or simply updating the passbooks. Since, Indian economy is in a transitional stage, the co-operative banks need to come forward to provide loans and mentor the rural MSME entrepreneurs. Not only will this process uplift the rural economy of the country, it will transform the co-operative banks into modern day banking system by upgrading them.

History of Banking in India:

Banking has a long history in India. A good number of banks emerged in the early stage of British Raj in the cities of Calcutta, Bombay and Madras. However, as we learned in history, most of the banks either catered to the rich or the powerful. Common man was always out of the radar of commercial banks. There was no concept of savings based investment among the masses, there was no middle class in India at that point of time.

Emergence of Indian middle class and growth of Indian banking system:

After the 1857 Indian revolt against the East India Company, the administration of India was directly passed to the British Crown and the British Merchants started a number of private banks. During this period of time, a number of Indian entrepreneurs also came forward and founded Banks throughout the country, specifically in Calcutta, Delhi, Allahabad, Bombay, Madras and Bangalore. But even these banks mostly catered a very handful of Indian customers.

History of Cooperative Banks:

After the cooperative societies Act came into effect in 1904, some societies in rural parts of the country started functioning as banks and thus emerged the idea of cooperative banks. This was the first time the middle class and the lower middle class of the country took part in the economic activity of the country.

The cooperative banks had very simple mode of transaction. Most people kept their savings in these banks with one very little interest rate, but they felt safe as these banks used to give loans to big farmers and these farmers had a reputation of returning the loans. These banks avoided giving loans to big industrialists and thus avoided being run out of cash.

Present scenario:

Currently India is one of the most prolific nations to invest and Indian economy is doing well as compared to the time when even banking in India was not much developed. Over the last 10-15 years, India has seen a massive surge in startups. Bengaluru, Hyderabad, Mumbai and Gurugramhas come up with so many startups in the last decade. Today, Flipkart is valued over 20 bn USD. Unicorn startups like PayTm and Byju's are also valued over 1 bn USD. But to get inclusive growth of the nation, only urban startups are not enough. The youth of the nation should be encouraged to come up with Medium, Small and Micro Enterprises at rural areas (MSME).

MSMEs should be encouraged to be registered throughout the country. The local authorities should always try to give priorities to the local MSME's. And when it comes to giving short term and working capital loans, the MSMEs should be guided to take loans from Co-operative banks rather than nationalized and private sector banks. The economy of any nation cannot improve unless and until the grass root economy is improved.

And grass root economy can never improve if people only run after jobs in govt sector. It has been a practice of the Indian youth to run after Govt jobs after completing graduation. A good number of young men and women are found to keep on preparing for 5-7 years. These 5-7 years turn out to be unproductive for a large chunk of the population. It is not possible for the govt to provide govt jobs to millions of young persons. People will have to understand that govt hires people to run the administration. And to run an administration, millions of people are not required.

Surely, the Govt needs to fill up the vacancies in various govt sectors, schools and colleges which are lying vacant for years, yet people who aim for clerical and non-executive jobs should also try for self-employment. And to get self-employed, they need startup capital. This is where the Co-operative banks come into role. These co-operative banks and registered micro-finance institutions should come forward and offer loans to the young entrepreneurs who wish for self-employment.

Introduction of modern banking facilities to steer the growth of the co-operative banks:

Banking has come a long way over the last few decades. When the co-operative banks were founded, the banking services were completely in offline mode. People had to stand in long queues to either deposit their money or to withdraw it. Even updating passbook was a tedious task.

But today, banking has evolved to a greater extent. People get their updated balance at their fingertips on their smartphones. Transferring money has never been so easy. But it is observed that the co-operative banks are still functioning like they were in the 1980's.

They have to evolve over time and come up with new work culture. The reason these co-operative banks were incorporated was to give banking access to thousands of rural population as commercial banks in those days were skeptical about opening branches in remote locations and private banks were also very few in number.

Today the nationalized banks are present in every town and village of the country. They have come up with ATM's, net banking and phone banking services. Most banks have already started their own banking apps to facilitate people.

If the co-operative banks do not come of age, it will be extremely difficult for them to survive in today's digital world. Also, since the commercial banks are less inclined to give loans to MSME's, co-operative banks can come forward and grab the opportunity.

Role of the Co-operative banks in uplifting the economy:

The roles of the co-operative banks are as follows:

1. The co-operative banks can organize *gram sabha* and educate people about the possibility of self-employment.
2. The village and town administration, in association with the co-operative banks should come forward and organize workshops to educate the youth population about possible small scale business that can be done at district level.
3. Loan Officer of Banks and district administration should be proactive and work together to support self-employment.
4. There should be schemes to provide loans to women entrepreneurs of the district.
5. The banks should refrain to give loans to people from other districts. The local district should always be given preference.
6. The District Administration should constitute committees comprising the branch managers of co-operative banks, principals of local colleges and successful businessman of the locality to encourage and guide the young entrepreneurs.
7. The co-operative banks need to develop their working culture.
8. ATM machines should be installed to disburse cash. Passbook printing kiosk should be introduced.

9. Net banking and phone banking facilities should be introduced.
10. Credit rating points should be brought in and the local people should be encouraged to pay off the loans on time to avoid Non-Performing Assets in piling up.

Role as mentor/guide:

Most of the self-employed persons have zero to little experience and expertise. It is the moral responsibility of the co-operative banks to come forward, train these people and make them ready to face the challenging world of entrepreneurship.

Since the days of incorporation these co-operative banks were meant to be a *messiah* for the rural agriculturalists. They need to revive this role with a change in approach and outlook. Along with the farmers, the skilled self-employed artisans and MSME's should also be involved and this will not only help in reviving the rural economy, it will boost the economic growth of India and will definitely push us towards the target of 5 trillion dollar economy.

Impact of the above plan:

If the banks come forward suo-moto and take initiation on their own to join hands with the district administration to generate employment in the district, the boys and girls of rural and semi-urban areas would not be compelled to leave their home and move to big cities for employment. The age group of 20-35 is the most productive time for any person. If the youth prepares for govt jobs for 8-9 years and get jobs only at 29-30, the nation and economy will lose 8-9 years of productive time from the citizens.

Instead of running after jobs, self-employment schemes can help in uplifting the economy of the district. The district will not have to wait for kind of expatriate money for its growth.

For e.g. Uganda was one of the poorestcountries in the 1980s. Today Uganda is slowly coming up and this has been possible because of the unorganized sector. The unorganized sector has helped to generate employment for the rural Ugandans. The banking system of Uganda has also helped in giving short term credit for these small scale businessmen.

Further suggestions for the cooperative banks:

The cooperative banks should come forward and get themselves into the picture. It has often been seen that whenever the banking system in India is discussed upon, the co-operative banks and micro-finance organizations are overlooked. The co-operative banks need to come forward and offer loans, groom the entrepreneurs and encourage them to make small business, small industries viable and sustainable in the district.

Conclusion:

The nation can never grow only with financial development of the cities. The rural and semi urban areas comprise the major portion of a nation and if they are left behind, the nation will also continue to suffer. The development of the nation can only be possible if the rural areas are developed. And this can only be possible through self-employment, development of the unorganized sector and bringing the mass into economic activity.

In order to make India a world superpower, the banks will have to take a larger role in steering the rural economy and this can be possible only when the co-operative banks come forward and take bigger responsibilities. MA

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AT THE HELM

Our heartiest congratulations to CMA Anant V.P Chodnekar a Fellow Member of the Institute on being promoted to the post of Financial Advisor & Chief Accounts Officer (Head of Finance Dept.) of Murmagoa Port Trust on 8th November 2019. Earlier he was the Deputy Chief Accounts Officer and also former Secretary of Goa Chapter.

We wish CMA Anant V.P. Chodnekar the very best for all his future endeavours.

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A STUDY ON THE MERGER OF PUBLIC SECTOR BANKS IN RECENT TIMES

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Abstract

The banking industry is consolidating at an accelerating pace, and merger and acquisition is one of the extensively used means for restructuring the business organizations. Narasimham committee recommended consolidation through a process of merging strong banks and that weaker banks should be shut downbut in the current merger decision, weak banks are being merged with the strong banks. In this study we analyze the mergers and acquisitions of public sector banks in recent times. The present study attempts to evaluate the purpose, impact, benefits and challenges in merger of PSBs. The study also highlights the role and opportunities available to a CMA.

Introduction

A 'merger' is a combination of two or more entities into one, the desired effect is to bring two or more organization under the control of one and enhance effective utilization of available resource at minimum cost. The possible objectives of mergers are economies of scale, acquisition of technologies, and access to sectors/ markets, and ultimately minimize the Operational cost.'Acquisition' is one company taken over by the other company. The main objective behind merger and acquisition is wealth maximization, and in the process of merger,synergy value is created from the merger of two organizations. The synergy value can be analyzedeither through the revenues(increase of revenues), expenses (lowering of expenses). Merger and acquisition activity helps companies to secure the benefits of greater market share and cost efficiency.

Research Objective

1. To study the merger ofpublic sector banks in recent times,
2. To find out the impact, benefits, challenges of merger of banks.

Research Methodology

The present study is conclusive and descriptive. The study was conducted on secondary sources of data books, articles, journals, e-sources.Simple tables have been used in this study.

Analysis and Findings

Merger of banks began in India in the 1960s in order to bail out the weaker banks and to protect the customer's interests. The period 1961-1969 which is called the pre-nationalization period, the Government nationalized 14 banks in 1969 and about 46 mergers took place mostly of private sector banks in order to revive the poorly performing banks which proved to be unsuccessful weaker banks. Six private banks were nationalized in 1980 and 13 mergers took place (1969-91) mostly between public and private sector banks. This period is called the post-nationalized period. During the phase from 1991-2015,which is called the post-liberalization period, major economic reforms initiated by the Government of India, many new policies were made in which larger amount of FDI and Foreign investment was allowed which saw resurgence in banking industry. During this period about 22 mergers took place some to save weaker banks and some for the purpose of synergic business growth. Merger of 5 banks took place during the period from 2015 to March 2017. **Table1** represents the phase wise merger of banks in India from 1961 to 2017.

Table 1: Phase wise Mergers in Banking Sector in India

Sl. No.	Phase	Period	No. of mergers
1	Pre Nationalization Period	Mergers during 1961-1969	46
2	Post Nationalization period	Mergers during 1969-1991	13
3	Postliberalization period	Mergers during 1991-2015	22
4	Consolidation of banks	Mergers during 2015 till march 2017	5
	Total		86

(Source: Trends in Mergers in Banking Sector in India: An Analysis by PrashantaAthma and A.Bhavani, October-December, 2017, Vol.6, No.4)

Present Merger of Public Sector Banks

Table 2: List of Merged Banks in recent times with Business Size

Anchor Bank	Amalgamating Bank	Business Size (in Rs)	Rank By Size
State Bank of India (SBI)	✓ State bank of Bikaner and Jaipur (SBBJ) ✓State bank of Hyderabad (SBH) ✓State bank of Mysore (SBM) ✓State bank of Patiala (SBP) ✓State bank of Travancore (SBT)	52.05 lakh cr	1st
Punjab National Bank (PNB)	✓ Oriental Bank of India ✓ United Bank of India	17.94 lakh cr	2nd
Bank of Baroda (BOB)	✓ Vijaya Bank ✓ Dena Bank	16.13 lakh cr	3rd
Canara Bank	✓ Syndicate Bank	15.20 lakh cr	4th
Union Bank of India	✓Andhra bank ✓ Corporation Bank	14.59 lakh cr	5th
Indian Bank	✓ Allahabad Bank	8.08 lakh cr	7th

(Source:m.economictimes.com, 30th August,2019)

Table 1 shows the list of merged banks in recent times.The urge for creating one of the largest banks, the Government had approved many mergers of banks in recent times.

- The Union Cabinet decided to merge all the associate banks of state bank group with SBI in 2017.
- Oriental Bank of Commerce(OBC) and United Bank of India (UBI) will merge into Punjab National Bank(PNB)to create a bank with Rs.17.94lakh Cr business and 11437 branches (being secondlargest).
- Bank of Baroda,Vijaya Bank and Dena Bank amalgamated on 1stApril 2019 and formed Bank of Baroda (being third largest).
- The Merger of Syndicate bank with Canara Bank will create the fourth largest public sector banks with Rs.15.20lakh Cr business and a network of 10342 numbers of branches.
- Andhra bank and Corporation banks merger with Union Bank of India will create India's fifth largest public sector bank with Rs. 14.59lakh Cr business and 9609 number of branches.
- The Merger of Allahabad bank with Indian Bank will create the 7th largest public sector bank with Rs.8.08lakh Cr business with strong branch networks.

Table 3: List of Banks after Merger with Advances, Deposits, Net NPAs, Employees, Branches

Banks	Advances (in Crs)	Deposits (in Crs)	Net NPAs (%)	Employees (in Nos)	No. of Branches (in 100)	CAR Ratio (%)
OBC	171549	232645	5.93	21729	2390	12.73
UBI	73123	134983	8.67	13804	2055	13.00
PNB	506194	676030	6.55	65116	6992	9.73
After Merger	**750867**	**1043659**	**6.61**	**100649**	**11437**	**10.77**
Canara Bank	444216	599033	5.37	58350	6310	11.90
Syndicate	217149	259897	6.16	31535	4032	14.23
After Merger	**661365**	**858930**	**5.62**	**89885**	**10342**	**12.63**
Union Bank of India	325392	415915	6.85	3762	4292	11.78
Andhra Bank	178690	219821	5.73	20346	2885	13.69
Corporation Bank	135048	184568	5.71	17776	2432	12.30
After Merger	**639130**	**820304**	**6.30**	**75384**	**9609**	**12.39**
Indian Bank	181262	242076	3.75	19604	2875	13.21
Allahabad Bank	142212	214334	5.22	23210	3229	12.51
After Merger	**323474**	**456410**	**4.39**	**42814**	**6104**	**12.89**
Bank of Baroda	448327	581484	5.40	56361	5502	12.13
Vijaya Bank	122348	157326	4.10	15874	2129	13.91
Dena Bank	69917	103020	11.04	13440	1858	10.00
After Merger	**640592**	**841830**	**5.71**	**85585**	**9489**	**12.25**

(Source: m.economictimes.com, 30th August,2019)

Impact of Merger of PSBs

Mergers and acquisitions bring a lot of changes in the organization. It affects the size of the organization, its stock, shares and assets, the ownership also changes. The possible impact of mergers are-

1. **Impact on Employees** – Due to changes in the operating environment and business procedures, employees may also suffer from emotional and physical problems. There could always be the possibility of layoffs after merger.
2. **Impact on Management** – The percentage of job loss may be higher in the management level that the general employees. There will be a corporate culture clash. It will involve high level of stress among employees.
3. **Impact on Shareholders** – The shareholders of acquiring company may suffer some losses after acquisition due to acquisition premium and augmented debt load.
4. **Impact on NPA**- It can be seen in **Table 3** that percentage of NPA has decreased after merger,
5. **Impact on CAR Ratio**- the CAR ratio which was varying before merger will come at parity to a great extent after merger.

Benefits of Merger of Banks

1. Reduction of Cost of banking operation.
2. Improvement in professional standards.
3. Better management of NPAs.
4. Better Risk Management.
5. Prompt decision regarding high lending requirements.
6. Capable of facing global competition.
7. Better efficiency for business operations.
8. Broadening of geographical reach of banking.

Challenges of Merger

1. After the merger there will be excess workforce, that will lead to VRS and further hiring will be stopped or restricted, which will affect the employment.
2. Clash of organizational cultures,system, process, and procedures.
3. During the course of this merger, many employees and unions who are opposed to this merger will go for strike, affecting the performance of Banks.
4. Profitability could be impacted in the near term due to high bad loans, HR/IT related synchronization, branch rationalization and realigning NPAs.

Findings

✓The Indian banks will gaingreater recognition and higher rating.

✓ Multiple posts of CMD,ED,GM and Zonal managers will be abolished.

✓The service conditions and wages of bank staff will be at parity.

✓ More products and services will be offered by merged bank due to larger size after merger.

✓ The overall profitability of banks after merger will be increased as many recurring cost will be reduced.

✓ There will be a larger capital base and higher liquidity, as a result of which the burden on central Government to recapitalize the public sector banks will reduce.

✓Overall NPAs will be reduced as higher NPAs of weaker banks will be absorbed by stronger banks.

✓ Geographical synergy to some extent has been ensured.

✓After merger of banks, there will be 12 Public Sector Banks operating in India represented in **Table 4**.

Table 4:Public Sector Banks with Business Size and Amount of Recapitalization

Sl. No.	Banks	Business Size (Rs. in lakh Crs)	Recapitalization amount provided by the GOI (Rs. in Crs)
1	SBI	52.05	-
2	Punjab National Bank	17.94	16000
3	Bank of Baroda	16.13	7000
4	Canara Bank	15.20	6500
5	Union Bank of India	14.59	11700
6	Bank of India	9.03	-
7	Indian Bank	8.08	2500
8	Central Bank of India	4.68	3300
9	Indian Overseas Bank	3.75	3800
10	UCO bank	3.17	2100
11	Bank of Maharashtra	2.34	-
12	Punjab and Sind Bank	1.71	750

(Source: Times of India. Indiatimes.com, 31st August,2019)

Role of CMA

A Cost Accountant can-

✓Be appointed as an internal auditorfor cost accountants certification under merger and acquisitions scheme.

✓ Hold the post of interim administrator or the company administrator.

✓ Act as a provisional liquidator or company liquidator.

✓ Appear before the Tribunal under sec.432.

✓A Cost Accountant with 15 years of experience is eligible to be appointed as a member of the Tribunal.

Opportunities of CMA

The various opportunities available to CMA

✓Conducting social audit by looking at the cost-benefits involved.

✓Analyzing cost structureand assignment of costs.

✓Evaluatingthe various Government Schemes or Projects by linkingphysical and financial Parameters.This will help in improving the transparency and accountability of all concerned.

✓Monitor the operational efficiency of PSBs through operational cost structure.

Conclusion

The merger of banks is indeed a very strong approach for fast growth of the country. Through merger of banks a larger bank will be created which will have the capability to face the global competition, risk management, a stronger hold in the market share and various opportunities for future growth. Though there are some challenges yet that should be carefully dealt with for achieving the desired future goals to provide a stronger foundation for banking operations in India.

Though some banks including cooperative banks still remain untouched but in the coming scenario there is a strong possibility of merger of these banks. MA

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AGRICULTURAL FINANCE AND INDIA'S 5 TRILLION USD ECONOMY – PERSPECTIVES TO BANKS

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*"**Innovation rules This Century - Everywhere and Anywhere; Disruptions are the Order of the Day**". Banks' strategies to engage intensively with agriculture and agribusinesses with needed product and process innovation and application of emerging technologies can not only help in the growth of their assets and liabilities but also enable in increasing the contribution of agriculture and allied sectors to India's GDP and in her quest to be economy of five trillion USD.*

Banking in India:

The journey of the formal banking sector in India can be traced to the early 18th century when the first bank of joint stock variety, Bank of Bombay, was established. The legislation to set up Reserve Bank of India was introduced in January 1927 while the enactment was accomplished in the year 1934. Since then the banking sector in India has seen growth and forms over the years. The nationalization of banks in 1969 and 1980 made a significant change. Variety of forms of banks like Regional Rural Banks, Small Finance Banks and Payment Banks were introduced.

The technology application into the banking services, which was otherwise mostly operating with manual services, experienced significant transformation with the introduction of Core Banking Solutions (CBS) even though use of computers by the banks started prior to that. Globally, not just in India, the financial services providers including banks have been experiencing extensive application of information and communication technologies (ICT). The statement "Banks are actually technology companies that happen to sell financial products[1]" aptly highlights the same.

Entities rendering specialized technology based financial services earned the name "Fintechs" and this progressed further with technology specialized entities rendering financial services as Techfins. While India experiences some of the fintechs specializing in SME finance, Value Chain finance; the Techfins mostly focus on payments, remittances and transfers space. Technologies also emerged to support the financial services regulators with applications coined as Regtechs.

Contrary to the initial concerns of 'job losses' due to ICT applications, the financial services have become more efficient and also benefitted on growth, expanded financial inclusion and financial deepening. These in turn played critical role in the growth of the economy,

[1] *Noor Menai, CEO, China Trust Commercial Bank – US Operations – Live Mint 20 Sept. 2016*

notwithstanding the stress arising out of quality of assets.

Agriculture and its Contribution India's Economy

India's ambitious goal aimed at becoming an economy of five trillion US Dollar, among others, demands the financial services to be efficient, accessible and equipped to meet the services needs of various sections of the population and businesses spread throughout the length and breadth of the country. This requires thrust on Financial Inclusion as well as Financial Deepening where the services providers and services users both are benefitted or compensated reasonably and services provision complies with applicable policies and regulations.

Agriculture will continue to be an important sector for India because she needs to feed billion plus population and also agriculture is the single largest livelihood provider. Agriculture contributes to about 16 percent of the nation's GDP as per the data for the year 2018-19. While the contribution by services and manufacturing sectors has been increasing, Agriculture's contribution to the nation's GDP is often commented to be declining. One of the reasons cited for such decline is the near stagnation of agriculture sector over the years.

The following statistics support the ambition of India becoming a five trillion dollar economy and that Agriculture's contribution towards the same can be significant.

> The composition of Indian economy during 2017 is: Agriculture (15.4%); Industry 23% and Services (61.5%). With production of agriculture activity of \$375.61 billion, India is 2nd larger producer of agricultural products; India is way behind China which has \$ 991 billion GDP in agriculture sector. India accounts for 7.39% of total global agricultural output[2]. But India's share in world agricultural exports is as low as 2.2%[3]. The share of agricultural sector in total exports of India is about 12% between 2016-17 and 2018-19.

Accordingly, increased contribution of agriculture to India's GDP target of five trillion US Dollar shall aim at:

- Increasing agricultural output with increase in productivity
- Equal emphasis on allied sectors[4].
- Thrust on value addition so as to enhance the GVA through agro and food processing[5]
- Thrust on export of value added agro and food products
- Focus on potential products like Non Timber Forest Produce (NTFP) in particular Bamboo;Natural Fibres like Banana Pseudostem, Jute, Cotton and such others that offer excellent opportunities with ever increasing concerns on environment.
- Participation in the emerging Global Value Chains, wherever feasible, with due regard to national interests.
- Focus on Nutritional Security of the Nation's billion plus population; moving forward from Food Security.

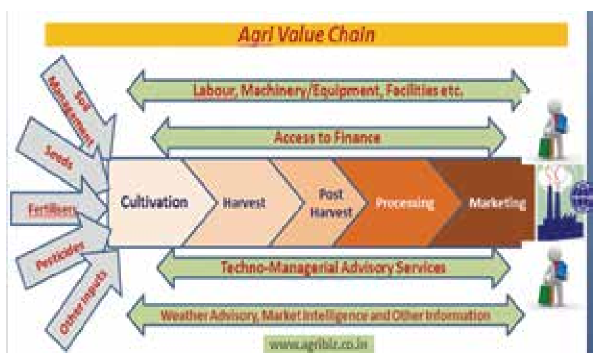
Banking and Indian Agriculture

To work on the above, investments are required in strengthening value chains, establishing support facilities, research and development, processing facilities, enhancing awareness and farm management services support to farmers and such others.

This brings focus on the role of the financial services providers, in particular Banks, to increase the gross value addition (GVA) of agriculture to India's GDP including through exports and thus in marching towards the set ambition of becoming an economy of five trillion US Dollar. This is also likely to benefit the banks in transforming their business model which has been driven by net interest income, fee based services, asset quality and 'product and process' push.

The suggested strategy is to combine the strengths of traditional agricultural finance and institutional finance with advancements in services delivery, customer relationship management, Product/process innovation and monitoring of asset quality including through ICT applications. This is stated with due regard to the concerns on asset quality arising from agriculture sector. Agricultural finance is much more than crop loans and crop loans will be subjected to vitiated credit culture in any political economy and finance or credit is only one of the total basket of financial services rendered by banks.

Agricultural finance encompasses the finance needs of stakeholders actively engaged through Agri Value Chains, integrated or not. It takes the Institutional Finance form where institutions, mostly on the inputs, processing and marketing end of the value chain are funded. The identification of actors associated with agri value chains makes the first step to explore agri finance for business opportunities of banks. The following schematic, using Michael Porter's Value Chain Analysis Framework, represents the agri value chains and thus its stakeholders.



[2] www.statisticstimes.com

[3] *Agri Export Policy, Ministry of Commerce and Industry, GoI, year 2016.*

[4] *Allied activities contribute approximately 40% to agricultural output, whereas only 6-7% of agricultural credit flows towards allied activities: https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1089*

[5] *According some sources, in most developed economies more than 90% of agri produce is marketed in processed form whereas in India less than 10% of agri produce is marketed after processing..*

With the help of the above diagram, the key stakeholders of agri value chains include:

- Farmers and Farmers' Collectives
- Testing facilities providers and advisors
- Inputs – producers and suppliers; also includes financial services providers.
- Irrigation services
- Agro Service Centers[6] and such other support services providers
- Logistics services providers
- Weather advisory services providers
- Farm Management Services (FMS) providers
- Market intelligence and market access enablers/ providers and aggregators.
- Buyers and Processors including exporters and retailers.
- Institutions and individuals engaged in Research and Development on various components related to agriculture.

The finance needs primarily include:

- Working capital (short term crop loans may be classified as working capital in the case of farmers/ growers).
- Investments into land development; plantation development; acquisition of equipment/machinery including vehicles; establishment of processing facilities; development of warehousing facilities, nurseries, pack houses or other primary processing centers, market infrastructure etc.; research and development engaged with seeds or processing technologies or storage systems or post harvest management or such others; weather forecast systems/services etc.
- Development initiatives including awareness among the stakeholders including farmers.

Accordingly the lenders including banks have opportunities to scale up the asset side of their balance sheet while stronger rural economy always provides opportunities to the liability side of the banks' balance sheets.

Banking Transformation and Growth of Agriculture

The banking sector's challenges on quality of assets often bring focus on agricultural credit with higher asset quality concerns. Agricultural credit under the revised priority sector lending[7] (PSL) norms consist of farm credit, agriculture infrastructure and ancillary activities. However the challenges on asset quality is not peculiar to agriculture but often much more visible with reference to sectors like housing, airlines, steel, power, telecom and many others. The latter can be cyclical or structural whereas the former is mostly due to weather/nature or natural disasters.

[6] *Also referred to us Custom Hiring Centers*

[7] *RBI /2014-15/573 FIDD.CO.Plan.BC.54/04.09.01/2014-15 dt. April 23, 2015*

The crop loans, in particular upto certain threshold or related to small and marginal farmers, are often subject to vitiated credit culture. Other agricultural finance like meeting the working capital and investment needs of most stakeholders of agri value chains, once subjected to systemic appraisal process, can be considered on par with other lending. At best, the banks will have to institute processes that help in strengthening the rigour of appraisal and asset monitoring. The following are some suggestions to enhance agricultural finance:

- **Farmers to be treated as 'agripreneurs' and farming as an enterprise activity** like Micro, Small and Medium Enterprises (MSME). If the scale of farming is too low, it can as well be termed as Tiny Enterprise or Household Enterprise just like Cottage Industry.

  The essential focus is on increasing Productivity (including factor level productivity) with thrust on Resources use Optimisation[8] (with application of Key Factor Analysis from Cost and Management Accounting), Value addition using rational Cost-Benefit Analysis (ensuring that incremental gains outweigh the incremental costs sustainably, including qualitative aspects like market acceptance or market access) and systemic Risk Management measures (addressing production risks throughout the crop cycle upto post harvest phase; market risks and natural/weather related risks).

- **Product and process innovation that ensures adequate and timely credit/finance**: It is worth sharing a few lines from All India Rural Credit Survey initiated in 1951 "**"***today agricultural credit that is supplied falls short of right quantity, is not the right type, does not serve the right purpose and by criterion of need (not overlooking the criterion of credit worthiness) often fails to go to the right people*[9,10]**"**. Not to be surprised, these lines are still relevant and bring focus on needed product and process innovation. This stands out further in the light of the statement: *"Innovation rules This Century - Everywhere and Anywhere; Disruptions are the Order of the Day*[11]*"*

  The required innovations include on channeling credit. The revised priority sector lending guidelines provide for channeling credit through cooperatives and such others. Bankers in Indonesia mostly channel the rural credit through BPRs[12] (Rural Banks).

  Consulting firm EY in its Global Banking Outlook 2018[13] raises a question, among others, for the bank: "*What is my role in the ecosystem and how do I*

[8] *Taking stakeholders, primarily farmers, through Economic Literacy Programmes*

[9] *All India Credit Survey, 1951-52 as cited in The Reserve Bank of India 1957 67; p 235*

[10] *Also may not be at Right Time; for those relying on non-institutional finance, it is not the Right Source.*

[11] *By the Author*

[12] *Bank Perkreditan Rakyat (BPR)*

[13] *Pivoting toward an innovation led strategy, EY 2018.*

innovate efficiently?"

- **Application of Technologies**: The application of Information and Communication Technologies can help in enhancing outreach, spread and growth of financial services including credit. Many Fintechs are working in India on rendering a variety of financial services including credit. Samunnati Finance can be stated as one example[14]. Some news paper reports suggest that Banks are entering into tie-ups with Fintechs.

  Financial services through mobile phones have been spreading. Kenya, among others, can be stated as reference country for the spread of mobile money including through a project titled "M-Pesa".

  The above are at best a drop in the ocean as the *technology disruptions and spread is the order of the day*. The technology applications in agriculture including advancements like IoT applications are spreading fast and it is high time for banks to make use of emerging technologies to be part of the agriculture and agribusiness growth story.

- **Emphasis beyond credit**: Emphasis only on credit can result in challenges to the lender and borrower-farmer as well. A popular saying in the world of livelihood finance is "Credit is a necessity but not a sufficient condition". In one of the projects that the author was associated with, the lending product for a bank was developed for an ecosystem where end to end farm management services, market linkages, insurance and re-insurance, ICT solutions are brought in by other stakeholders.

- **Agricultural Finance beyond crop loans**: Agriculture needs trillions of rupees as investment in establishing support facilities, research and development, processing facilities and many more including[15]:

  * Nurseries/Heifer management facilities for agriculture and allied sectors as per need.
  * Logistics: Warehousing and Transport including Cold Chain.
  * Specialized storage facilities - Modified/Controlled Atmosphere Storage; Cold Stores.
  * Primary Processing Centers: Pack Houses, Ripening Chambers, Pre-cooling chambers etc.
  * Soil testing, water testing, produce testing or other laboratories
  * Farm Implements, Equipment, Machinery, Tools, Spares, Maintenance support
  * Water treatment; Effluent treatment
  * Market infrastructure including market yards
  * Training Centers
  * Processing facilities and many more

  Such investment can trigger and reinforce rural demand and thus revive otherwise sluggish economy or growth of progressive economy.

- **Integrated and holistic approach**: Banks in India *were* actively associated with agriculture through their Development Officer and personnel with agriculture academic background have been part of their human resources. Subject to applicable regulations, banks need to explore integrated and holistic approach to ensure sustainable engagement and growth through agricultural finance.

  Experiences of produce aggregators and enablers like Olam International, Dreyfus and such others can help in evolving relevant models

  Other experiences through integrated value chains either led/facilitated by buyer or farmers' collective or such others need consideration as farm lands in India are usually fragmented and often lack scale.

Conclusion:

Emphasis on Financial Inclusion and Financial Deepening along with Economic Literacy, while ensuring sustainable agriculture and viability of services rendered by bank through product and process innovation as well as focus on agriculture and agribusinesses as growth drivers of banking business and the nation's economy shall be an essential business strategy, for India to be an economy of five trillion USD. Thrust on enhanced investments into agriculture can trigger and reinforce rural demand and thus revive otherwise sluggish economy or growth of progressive economy. MA

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[14] *https://samunnati.com/about-us/and also based on insights gained through various informal interactions.*

[15] *Some of these form part of the priority sector lending (PSL).*

REGULATION OF SHADOW BANKING SYSTEM IN INDIA - *A BOON TO UNBANKED SECTORS!*

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Abstract

Indian economy is in a shambles and it is apparent to the country that growth rate in GDP has slipped to 4.5 percent in the second quarter of the year 2019. This growth rate of 4.5% will take 9 more years to reach the target of USD 5 trillion economy. Shadow banking sector complements the banking sector and helps in the formation of cradle of entrepreneurship and fetching credit to unbanked segment of India. People are deprived of credit from banks or NBFCs due to lack of good credit score and it forms vicious cycle of poor lending and credit score. It is ironical that credit cannot be taken without a good credit score and credit score cannot be build without a credit. Economic reforms, innovation, growth and improvement of banking and shadow banking sector is desirable to achieve the target of USD 5 trillion economy by 2024-25.

Shadow banking sector plays a vital role in nation building and constitutes an integral part of financial system. It complements the banking sector and helps in the formation of cradle of entrepreneurship and fetching credit to unbanked segment of India. It has come up with crucial role in development of infrastructure, transport and entrepreneurship which can help the country to emerge as a job creator country.

The President of World Bank, David Malpasson his visit to India in October 2019 admitted that India has succeeded in financial sector but further reforms and innovation is desirable for the growth in economy and to achieve the target of

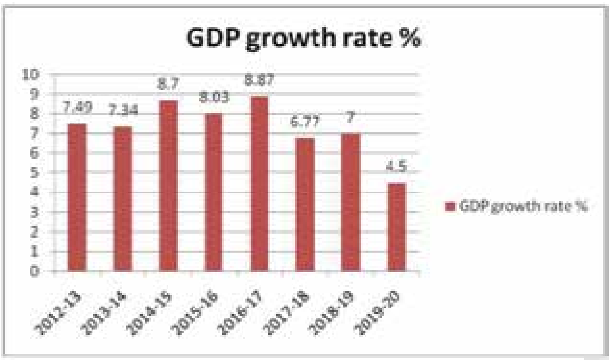
USD 5 trillion economy by 2024-25. He added that there is scope for further improvement in the banking sector, shadow banking and the capital market of India.He suggested for the progress in the following areas:

- Growth and improvement in the banking sector.
- Growth of shadow banking and regulation of non-bank financial companies.
- Penetration of corporate bond market and mortgage market.

This article highlights the current economic slowdown andslew of reforms to boost lending and capital formation. It focuses on the liquidity squeeze of shadow banking sector, regulatory norms, growth, scope, and recent reforms for the regulation of shadow banks targeting to improve liquidityand financial stability in the economy.

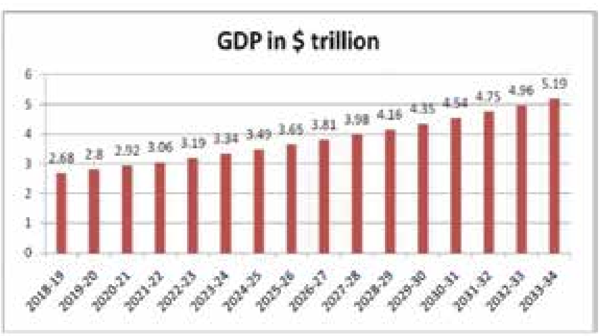
INDIAN ECONOMY IN CURRENT SCENARIO

Indian economy is in a shambles and it is facing a serious demand crunch coupled with a slump in macro numbers. It is apparent to the country thatgrowth rate has slipped to 4.5 percent in the second quarter of the year 2019.The growth rate of GDP has been reported to be the lowest over the period of more than six years for quarter 2. The growth rate of GDP can be seen as follows:



GDP growth rate (%) for Q2 at constant prices (Source: MOSPI)

It has been argued by the analysts that the measures taken by government are not sufficient to address the economic slowdown. And, this growth rate of 4.5% in GDP will take 9 more years to reach the target of USD 5 trillion economy.

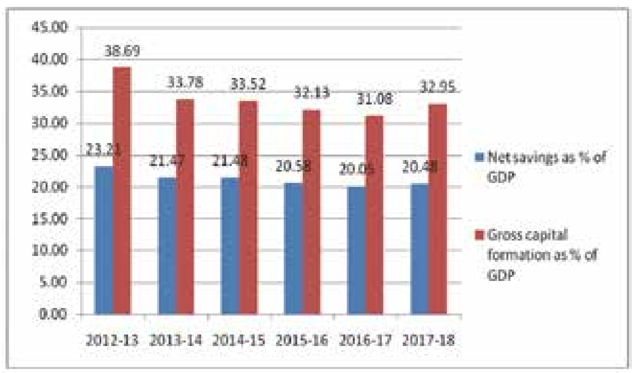


Source: MOSPI

The sloth in the growth rate of GDP has been attributed to different factors. Some of these factors are the reduction in private consumption, investment, savings and export. Net savings in the economy and gross capital formation and their percentage of GDP over the period of six years can be seen as follows:

Year	GDP (at current price, ₹ Crore)	Net savings (₹ Crore)	Net savings as % of GDP	Gross capital formation (₹ Crore)	Gross capital formation as % of GDP
2012-13	9944013	2308297	23.21	3847122	38.69
2013-14	11233522	2412218	21.47	3794135	33.78
2014-15	12467959	2677666	21.48	4179779	33.52
2015-16	13764037	2832562	20.58	4422659	32.13
2016-17	15253714	3057696	20.05	4741385	31.08
2017-18	16773145	3434303	20.48	5526853	32.95

(Source:RBI)



REFORMS TO OVERCOME ECONOMIC SLOWDOWN

There is decline in the net savings and capital formation from the year 2012-13. Government has taken slew of reforms and offering incentives to banks to boost lending and capital formation. Some of recent reforms undertaken by government to overcome economic slowdown are as follows:

- The Reserve Bank of India (RBI) has slashed the repo rate for five times in 2019. On 6 June 2019, it had reduced the repo rate by 25 basis points bringing it down from 6.00% to 5.75%. On 7 August 2019, it was further reduced by 35 basis points and made to 5.40%. On 4 October 2019, it was further brought down by another 25 basis points and madethe repo rate to a nine year low of 5.15%. The Monetary Committee of RBI is expected to announce further slash of repo rate by 25 basis points and set it to 4.90%. It aims to make loan cheaper for the revival of demand. But RBI is likely to evaluate the outcome of previous five interest rate cuts.

- Government has subsumed super rich tax on foreign portfolio investors and additional surcharge on domestic investors to encourage investment in capital market. It will cause the loss of ₹1,400 crore for the Government. Analysts expect that it will encourage the reversal of foreign money in Indian market.
- Infusion of ₹70,000 crore in public sector banks with the target to boost lending and liquidity in financial system.

Besides these, the corporate tax has been reduced and start ups have been exempted from angel tax. However, analysts and experts were of the view that the government did not do enough to address the issue of slowdown in demand. They argued that declining demand is among the prime reasons for economic slowdown.Private consumption contributes approximately 60% to GDP of India and it is key driver for the economic growth.

Year	GDP in ₹ crore at current prices	Private final expenditure in ₹ crore	Private final consumption expenditure as % GDP
2017-18			
Q1	4022988	2369633	58.90
Q2	4176031	2384867	57.11
2018-19			
Q1	4530685	2660328	58.72
Q2	4678727	2727197	58.29
2019-20			
Q1	4892693	2825329	57.75
Q2	4963549	2941622	59.26

(Source: RBI data)

The private consumption by lower and middle income group is directly linked to the income. The expenditure will increase with increase in wage rate. The wage rate is associated with savings and investments in the country.

LIQUIDITY CRISIS OF SHADOW BANKING IN INDIA

Shadow banks are the financial institutions acting like banks but these are not supervised like banks. It looks like a bank, acts like a bank but it is not fully regulated like a bank. The term "shadow bank" was coined by economist Paul McCulley in 2007.The structure and number of NBFIs under the regulation of Reserve Bank of India are as follows:

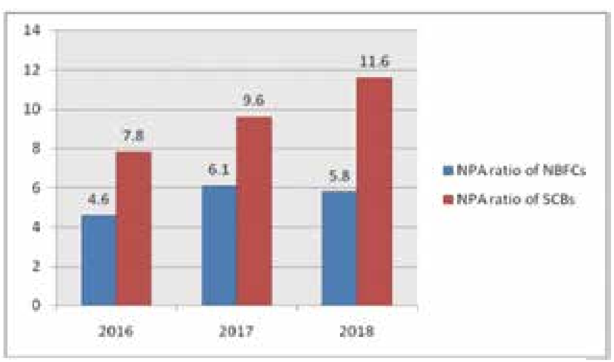
Non-Banking Financial Institutions (as on September 2018)	
All India Financial Institutions	4
NABARD	
SIDBI	
NHB	
EXIM Bank	
National Banking Financial Companies	10,190
NBFCs (Deposit accepting)	108
NBFCs (Non deposit)	10,082
Primary Dealers (PDs)	21
Bank PDs	14
Standalone PDs	7

(Source: RBI)

The slowdown in shadow banking has stressed insurance sector, real estate and automobile sector.The automobile sector has been badly affected by the liquidity crunch of shadow banking sector. This sector has been the leading financer of commercial vehicles, passenger cars and two-wheelers in India. According to the Society of Indian Automobile Manufacturers, there was decline in passenger car sales by 26% in the first quarter of 2019 as compared to first quarter of 2018. The decline in sales and consistent liquidity crisis of shadow banks led to the closure of 300 dealer showrooms of passenger vehicles across India in the last one year. And automakers were forced to either cut down the production level or shut production plants with the economic downturn.

According to RBI Governor Mr. Shaktikanta Das, there are some signs of fragility in shadow banks exposed to the housing sector. Mr. Anil Ambani expressed that the position of in India is like to be in ICU and it needs full life support not only Paracetamol.On August 16, 2019 Dewan Housing Finance Corporation Ltd (DHFL) defaulted on its repayment obligations worth ₹15.7 billion on non-convertible debentures and commercial papers being the largest default by the DHFL till date. It has been the second largest shadow bankruptcy after the collapse of IL&FS.

The liquidity squeeze of shadow banking has been intensified. The persistence of liquidity crisis might lead solvency of shadow banks.Shadow banks are finding it difficult to raise money from banks, mutual funds for either funding their growth or rollover of existing short-term debt. The non performing assets of scheduled commercial banks are higher than NBFCs. The non performing asset ratio for NBFCs and SCBs over three years (at the end of March) are as follows:



Source: DBIE and RBI

SCOPE OF GROWTH IN SHADOW BANKING

NBFCs have scripted a compound annual growth rate of 19% over past few years. The reasons for tepid penetration of credit in Indian economy are absence of credit score, income proofs and Income tax returns.India is second largest smart phone market in the world. Under the Digital India programme, NBFCs can enhance their product portfolio, process and end-to-end customer relation with change in their strategies and with the efficient use of digital and social data. They can leverage on customer data base to cater the needs of customers with no credit score. Internet browsing data, social media data and new breed of online trading platforms can be helpful to assess the credit worthiness of customers. Every data about customer can be assessed as credit data.

The credit origination process relies on previous credit payment history, amount of credit owed, length and type of credit. Overall, good credit score is essential for getting new credit. Most people in India are unable to get credit from banks or NBFCs due to lack of good credit score and it forms vicious cycle of poor lending and credit score. It is ironical that credit cannot be taken without a good credit score and credit score cannot be build without a credit. It forms the vicious cycle and low infusion of credit in the market. Financial Inclusion 2020 roadmap, Accion International highlighted five crucial areas for financial inclusion: Customer Needs, Technology, Client Protection, Credit Reporting, and Financial Capability.

The development of advance credit scoring model and incorporation of non traditional data source by NBFCs will help to increase the credit lending to the financially excluded population of India. NBFCs need to usher in the era of financial inclusion with change in their business models and regulation by RBI.

Psychometric surveys are becoming popular as a credit risk assessment tool. Leverages psychometrics has been used by Entrepreneurial Finance Lab (EFL) of Harvard University in more than 20 emerging countries including India to evaluate the credit worthiness of borrowers. The psychometric credit score can be helpful in faster services with less paper works.

REFORMS IN THE REGULATION OF SHADOW BANKS

Non-banking finance companies are facing difficulty to get funding and it causes liquidity crisis. It led to the decline in industry-wise sanction of loans by nearly 31 per cent in the fourth quarter of 2018-19. In the quarter ended December 31, 2018, loan sanctioned by NBFCs amounted to ₹2.06-lakh crore while it was ₹2.47-lakh crore for quarter ended December 31, 2017.To restore the investors' confidence, RBI should undertake the asset quality review of India's shadow banks (similar to review for commercial banks in the year 2015) to bring all problems to the fore.

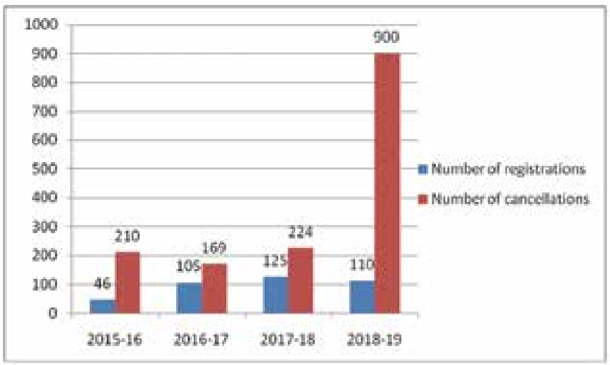
Chapter IIIB of Reserve Bank of India Act, 1934 regulates deposit accepting NBFCs. More stringent framework was put by RBI in 1996 and 1997 to regulate NBFCs. Entry Point Norms (EPN) was introduced by RBI for maintaining a portion of their deposits in liquid assets with RBI. The capital requirement for fresh registration was enhanced from ₹25 lakh to ₹200 lakh in 1999. In 2006, non deposit accepting NBFCs were classified into systematically important NBFCs and non-systematically important NBFCs on basis of their asset size. In 2014, revised regulatory framework by RBI, non deposit accepting NBFCs with asset more than ₹500 crore were classified as systematically important non deposit accepting NBFCs. Non deposit NBFCs are required to maintain leverage ratio of 7. Tier I capital requirement for NBFCs-ND-SI and NBFCs-D has been increased to 10% by the end of March 2017. The minimum net owned fund (NOF) of ₹2 crore has been mandated for all NBFCs.

G-20, Financial Stability Board (FSB) and RBI have been consistently working towards the mitigation of risk created by shadow banking system and to strengthen financial stability. The Finance Ministry and the RBI have brought spate of reforms to regulate NBFCs and announced several policy measures to ease liquidity pressure in the shadow banking sector.

- Sections 45-ID and 45-IE have been inserted in the RBI Act which empowered RBI for the removal of a director and supersede of Board of Directors for the public interest and for financial stability.
- Section 45MMA of RBI Act empowers it to remove or debar auditors if they fail to comply their roles or order by RBI under Section 45MA.
- 45MBA empowers the RBI to make strategies to amalgamate, reconstruct, or split NBFCs into different units or institutions with the establishment of bridge institutions.
- The RBI has recently for the year ended March 31, 2019 that could not raise ₹20 million to meet the minimum regulatory requirements.
- Withdrawal of exemptions granted to Housing Finance Institutions (November 2019):It has been decided to withdraw the exemptions under Chapter IIIB provided to Housing Finance Institutions as defined under Clause (d) of Section 2 of the National Housing Bank Act, 1987except Section 45-IA of Reserve Bank of India Act, 1934.
- Finance Minister, Mrs. Nirmala Sitharaman had announced in her Union Budget on July 5, 2019 to provide one-time six months' partial credit guarantee to public sector banks for the first loss of up to 10% to purchase high-rated pooled assets from financially sound shadow banks amounting to Rs 1 trillion. But this is one time facility and it is available for financially sound or least risky shadow banks. This cash starved and risk prone shadow banks are deprived of this benefit.
- On August 23, 2019 the Finance Minister announced stimulus package or additional liquidity support of Rs 200 billion to housing finance companies. It will be provided by the National Housing Bank. It was also announced that public sector banks (PSBs) would fast track collaborations with shadow banks for loans to SMEs, small traders and microfinance

institutions under the co-origination scheme introduced by the RBI. Under this scheme, shadow banks will take a minimum of 20% of the credit risk by way of direct exposure. The remaining credit risk will be shared by the co-originating PSB.

NachiketMor Committee observed that widespread categories for NBFCs hinders the growth and evolution of NBFCs for providing broad range of credit products. It is likely that RBI will consolidate different types of NBFCs. Core Investment Companies regulation for holding companies does not provide complete clarity of framework and the definition of core Investment Company is ambiguous. NBFCs having foreign investment require the approval fromFIPB. NBFCs with 'leasing and finance activities' come under automatic route under current FDI norms. But the definition of finance is not clear.NBFCs having recovery of bad loan with principal size less than ₹1 crore and asset base below ₹500 crore as per last audited balance sheet have been kept outside the purview of SARFAESI Act, 2002 thereby creating undue hardships on NBFCs for the recovery of small loans. The process of registration of NBFCs should be simpler and hassle free with lesser number of documents. The number of registrations of NBFCs with RBI has declined and cancellation has sharply inclined over the years.



Source: RBI data

CONCLUSION

Shadow banks act as core catalyst to the development of economy. They act as a boon to the unbanked sectors and play crucial role in maintaining liquidity in the economy. The encouragement of public sector banks to increase lending to shadow banks can make the public sector banks vulnerable with the spill over of potential risks by shadow banks. In China, United States and United Kingdom the authorities are trying to break the inter linkages between the shadow banks and banks so as to mitigate the contagion risks arising out of a failure of large shadow banks and to preserve financial stability in the economy. Shadow banking acted as 'De facto financial reform' in China. The transparency in the regulation of shadow banking is covetable for monitoring excess leverage and instability. The formulation of efficacious strategies and desirable changes in regulatory framework of NBFCs will create level playing field for NBFCs with commercial banks and will smooth the hiccups of NBFCs. MA

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STRESSED ASSETS MANAGEMENT IN INDIAN BANKS

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Abstract

There has been a significant rise in the Gross Non-Performing Assets (GNPA) in the Indian Banking Industry over the last few years. However, the situation has improved recently. In this article the author recounts the various factors attributed for decline in GNPA and various measures taken by the government and regulators to control the situation.

1. INTRODUCTION

There has been a significant increase in the Gross Non-Performing Assets (GNPA) in Indian Banking Industry over the last few years. Most of the banks in the public sector have incurred and showed losses in their Annual Reports due to 'Provisioning / write off' of non-performing assets in the books of accounts. However, this situation has started improving to a great extent in the current year.

2. FACTORS FOR DECLINE INGROSS NON-PERFORMING ASSETS (GNPA)

We have observed various factors which have attributed to decline in GNPA of the Scheduled Commercial Banks in the first half year of 2019-20. Let us enumerate these *factors* in the following manner.

a. The Steel sector has yielded good recoveries in NPA due to favourable outlook of this sector that was under stress over the past few years. The positive outlook of this sector has been manifested by (i) increase in demand, (ii) increase in consumption, (iii) imposition of anti-dumping duties, (iv) minimum import prices, etc.

b. Due diligence, credit appraisal and loan monitoring systems have been upgraded and strengthened in the banking sector.

c. A few high value NPA accounts which were referred to NCLT under IBC, 2016 have been resolved.

d. There has been remarkable progress in the Ease of Doing Business in India. India is now ranked 77th position out of total ranks of 130. It only shows that India has adopted global practices in so far as business reforms are concerned.

e. The economic situation in India has stabilised to a reasonable extent after the impact of demonitisation and implementation of GST.

f. Greater interest has been exhibited by the Asset Reconstruction Companies (ARCs) and Non-Banking Financing Companies (NBFCs) for purchase of impaired and stressed assets of banks.

g. Last but not the least, there has been a revival of India's economic growth conditions in the year 2018-19, which has resulted in controlling fresh slippages.

3. STATE OF FINANCIAL STABILITY OF BANKS

Financial Stability Report of Reserve Bank of India in December 2018 disclosed that the asset quality of banks have improved considerably as the Gross Non-Performing Assets (GNPA) ratio of banks have reduced from 11.5% in March, 2018 to 10.8% in September, 2018. The results of macro-economic tests have shown that the GNPA of all Scheduled Commercial Banks have declined further from 10.8% in September, 2018 to 10.3% in March, 2019.

However, a sensitivity analysis has been conducted to study the banks' power of resilience in regard to bank credit, rate of interest, equity prices, liquidity risks etc. It has predicted that there is going to be a severe credit shock that may impact the banks' capital adequacy and profitability, particularly of public sector banks.

4. MOVEMENT OF NPAs AND DISTRIBUTION OF NPA PORTFOLIO – INDUSTRYWISE

The movement of NPAs in the Banking Industry in India and recoveries in written-off accounts over the years is shown hereunder:

Trends of NPAs and Recovery in Written-off Accounts (Rs. in Crore)

Particulars / Financial Year	**2016**	**2017 (Post Merger)**	**2018**	**2019**
Gross NPA	98173	177866	223427	172750
Gross NPA (%)	6.50	9.11	10.91	7.53
Net NPA (%)	3.81	5.19	5.73	3.01
Fresh Slippage + Increase in Outstandings	64198	115932	100287	39740
Cash Recoveries / Upgradations	6987	32283	14530	31512
Write-offs	15763	27757	40196	58905
Recoveries in AUCA	2859	3963	5333	8345
PCR (%)	60.69	61.53	66.17	78.73

It may be noticed from the above statistics that overall movement of NPAs have improved over the last 4 years. On the one hand Gross NPA, Net NPA and Fresh Slippage have reduced gradually and on the other, Cash Recoveries and Recoveries in AUCA have increased although Write-offs have also increased.

Now let us look at the statistics showing distribution of NPA Portfolio – Industry wise given below.

Distribution of NPA Portfolio Industry-wise (%)

Power	14.66
Iron & Steel	14.66
Engineering (others)	5.37
Trading	6.11
Roads	4.67
Textiles	3.89
Telecom	4.49
Auto Ancillary	2.07
Infra (others)	3.33
Other Industries	40.75
Total	**100.00**

5. GOVERNMENT'S INITIATIVES FOR REDUCTION OF NPAs

The Government of India took various *initiatives* for reduction / recovery of NPAs, some of which are mentioned below:

a. In line with the Reforms Agenda the Government of India has directed all Public Sector Banks to create a Stressed Assets Management Vertical (SAMV). Accordingly, all Public Sector Banks have set up their Stressed Assets Management Groups. For example, State Bank of India established Stressed Assets Management Group in the financial year 2005, which has been subsequently renamed as Stressed Assets Resolution Group (SARG). The Stressed Assets Management Groups have been created to work as specialised verticals for efficient resolution of high value NPAs.

The Stressed Assets Management Group would be responsible for accomplishment of the following tasks:

(i) To arrange mega e-Auction of large number of properties on Pan-India basis;

(ii) To identify un-encumbered properties of the borrowers / guarantors;

(iii) To arrange for attachment of properties before judgment;

(iv) To monitor cases referred to NCLT for resolution;

(v) To implement special OTS schemes (Non-discretionary and Non-discriminatory) after providing a one-time opportunity to the borrowers to settle their outstanding; and

(vi) To oversee the sale of assets to Asset Reconstruction Companies (ARCs) on Cash and Security Receipts basis.

b. The Central Government has also enacted Insolvency and Bankruptcy Code (IBC) in the year 2016 for resolution of Stressed/NPA assets. This enactment has definitely provided banks a time-bound, effective and transparent mechanism to resolve the stressed assets.

6. IMPACT OF GOVERNMENT'S INITIATIVES

At present Stressed Assets Management Groups in banks have become the most effective and important verticals as their roles in NPA resolution / recoveries have been significant which has directly contributed towards banks' performance. In fact, several *benefits* have been achieved towards income generating sources for the banks, for example, (a) cash recovery in NPAs and AUCA; (b) reduction in provisions on loan loss; (c) reduction in capital requirement; (d) up-gradation of accounts etc. All these have directly contributed to the improvement of banks' profitability. Besides, the endeavours of SAMVs have also improved overall asset quality of the banks and laid foundations for credit off-take and generation of interest income.

On the other hand, the enactment of Insolvency and Bankruptcy Code (IBC)has brought in an effective and efficient price discovery and transparent resolution of over-due accounts resulting in unlocking maximum value in the assets charged to the banks.

7. CONCLUSION

It is no denying the fact that the achievements of Stressed Assets Management Vertical (SAMV) and enactment of Insolvency and Bankruptcy Code (IBC) have contributed significantly towards resolution and reduction of stressed assets in Indian banks. Already some of the large irregular accounts referred to NCLT as directed by the RBI have been resolved. It is expected that a few more such accounts will be resolved expeditiously, for which resolution plans have been finalised and put up in place. All these efforts will surely help in strengthening the banks' balance sheet and contribute further towards diverting the realised funds into income generating assets in coming years. MA

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LETTER TO EDITOR

Date: 11.12.2019

To
The Editor,
The Management Accountant
The Institute of Cost Accountants of India
Kolkata

Dear Sir,

What a refreshing article "**Entrepreneurship**" on pp.40-43 by CMA Santosh Sharma has been written in December 2019 issue of *'The Management Accountant',* Volume 54, No.12. Made a lot of notes and gained a lot of perspectives. Was especially helpful considering that I have rejoined work after a maternity sabbatical and am joining the dots to create a strategy for success.

Thanks for writing!
CMA Swati Patil Lahiri
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DISTRESS OF INDIAN BANKING SECTOR: EVIDENCE FROM INDIAN ECONOMY


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Abstract

The ever-growing influence of the corporate houses in the politics has made them the centerpiece of decision making in the Indian banking system. From 2004 till today the activities of the banking sector has benefitted more the industrialists rather than the common people by easing the flow of public money to corporate houses either directly or indirectly. The earlier practice of aggressive lending to corporate houses by Public sector banks and recent practice of writing off bad corporate loans in large numbers has ultimately benefitted the corporate sector. The rising Non-priority sector NPA of Public sector banks has not only exposed the rampant practicing crony capitalism in Indian economy but also showcased the fragile health of Indian banking sector. The self scrutiny of the banking sector is needed to cleanse the whole banking system for the welfare of banks and society at large is utmost necessity.

Introduction

The ushering of new reforms in 1991 in the Indian economy transformed economic outlook of the country. Once a socialistic economy slowly got into the waves of capitalism and reaped the fruits of capitalism by making India one of the fastest growing economies in the world. With the benefits of capitalism slowly crept in the Frankenstein of Crony capitalism. The culture of crony capitalism has in an invisible manner slowly crept in the Indian banking sector as public sector banks are more in favor of funding the top industrial houses to earn more revenue. Taking advantage of this situation and the boom in the economy from 2000 onwards, industrialists went on buying spree. Huge funds were invested in procurement of overseas assets and invested in projects. The spending extravaganza was funded mostly by the banks in general and public sector banks in particular. From 2004 onwards banks followed aggressive lending to corporate sector. But the things started to tumble after Global depression of 2008 onwards and it is visible from the rise in non-priority sector NPA (comprising of big industrial loans) of public sector banks from 2009 onwards.

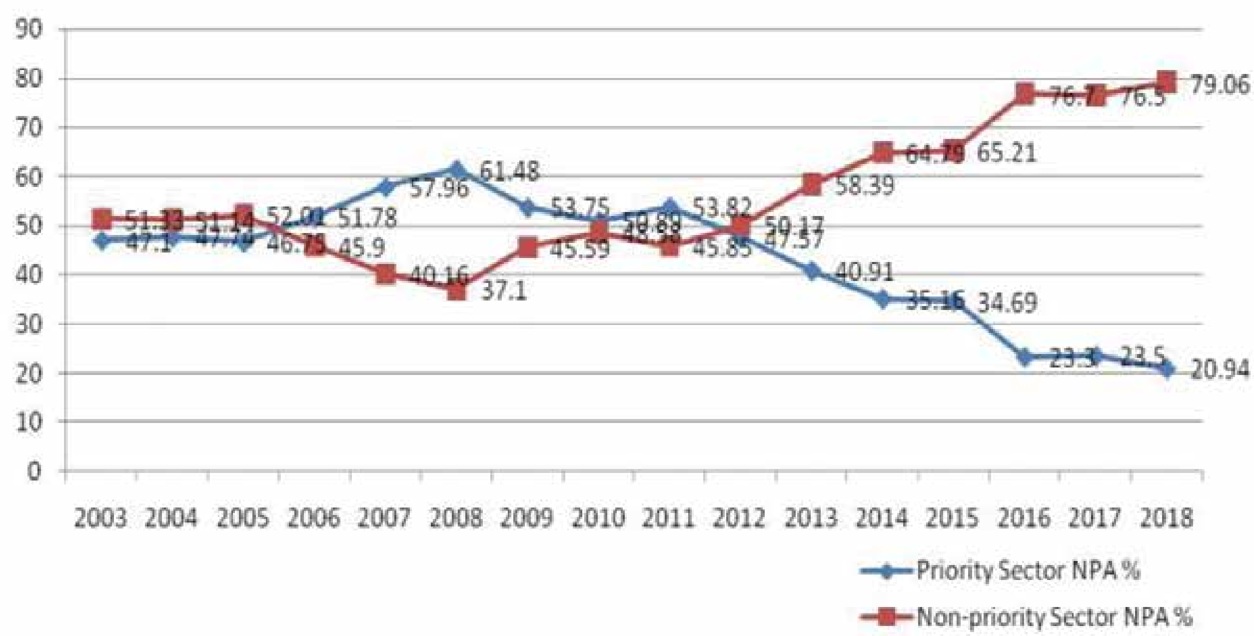
Table I: Priority and Non-Priority sector NPAs of PSBs in India

(Amount in Rs. billion as on March 31)

Years	Priority Sector		Non-Priority Sector		Public Sector		Total Amount
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
2003	168.86	47.10	184.02	51.33	10.87	2.06	528.07
2004	167.05	47.74	178.95	51.14	6.10	1.22	501.49
2005	153.36	46.75	170.62	52.01	5.92	1.24	476.22
2006	149.22	51.78	132.27	45.90	8.55	2.07	413.70
2007	225.19	57.96	156.03	40.16	7.32	1.88	388.54
2008	248.74	61.48	150.07	37.10	5.74	1.42	404.56
2009	242.01	53.75	205.28	45.59	2.97	0.66	450.26
2010	304.96	50.89	291.14	48.58	3.14	0.52	599.24
2011	401.86	53.82	342.35	45.85	2.43	0.32	746.64
2012	557.80	47.57	588.26	50.17	26.56	2.27	1172.62
2013	672.76	40.91	960.31	58.39	11.55	0.70	1644.61
2014	798.99	35.16	1472.35	64.79	1.30	0.06	2272.64
2015	966.11	34.69	1815.98	65.21	2.59	0.09	2784.68
2016	1258.09	23.30	4141.48	76.70	34.82	0.64	5399.57
2017	1609.42	23.50	5237.91	76.50	154.66	2.26	6847.32
2018	1875.11	20.94	7080.90	79.06	173.88	1.94	8956.07

Source: Department of Banking Supervision, RBI.
Note: Data is for inclusive of Domestic & Global Operations of Banks

Graph I: Percentage of Priority and Non-priority sector NPAs of Public sector banks in India



The percentage of Priority and Non-priority sector NPA till 2005 remained uniform at an average of 47% and 51 % respectively and the addition in NPA in both the sectors remained marginal. From 2006 to 2008 NPA in Non-priority sector started falling and NPA in Priority Sector increased drastically (Graph I). The steady decline in NPA in Non-priority sector was due to the boom in the world economy coupled with aggressive lending to the industrial sector by the Public sector banks. This was the honeymoon period for Indian corporate as most of the corporate loosened their purse strings and made leveraged acquisition of foreign assets, strongly funded by public sector banks. As stated earlier the '*Global Financial crisis'* in 2008 brought misfortune for the booming corporate sector and turned the table in favour of Non-priority sector NPA as most of the corporate struggled to service off the debts as the world economy failed to recover from the liquidity crisis of 2008. So, from 2009 onwards the trend line of Non-priority sector NPA started rising and it was in 2012 that the NPA in non-priority sector crossed the NPA in priority sector both in absolute terms and also in percentage terms (Graph I). The NPA in priority sector stood at Rs.557.80 billion and NPA in non-priority sector stood at Rs. 588.26 billion of total NPA of Rs.1172.62 billion on 2012. In percentage terms also NPA in priority sector and non-priority sector was 47.57% and 50.17% of total NPA (Table I). This was the beginning of distress in the Indian banking industry and the distress continues till today as NPA in non-priority sector are rising in leaps and bounds every year and in 2018 the non-priority sector stood at a humongous figure of Rs.7080.90 billion which is 79.06% of total NPA of banking industry (Table I).

However the growing distress has not changed the mindset of the banking system, rather it has resorted to writing off bad corporate loans from the books. The writing off of bad corporate loans by PSBs has grown exponentially over the last 10 years except 2008-09, showing the signs of crony capitalism being followed in a well disguised manner.

Table II: Loans written off during 2007-08 to 2013-14 (Rs. in crores)

2007-08	8019
2008-09	7461
2009-10	11185
2010-11	17794
2011-12	15551
2012-13	27231
2013-14	34409
TOTAL	**121650**

Source:https://indianexpress.com/article/business/banking-and-finance/psu-banks-write-off-rs-55356-crore-in-six-months-bad-debt-4966594.

It is seen from the table that from 2007-08 to 2013-14, Rs.121650 crores of corporate loans have been written off by banks, as per the data obtained by the Indian Express from RBI through Right to Information Act.

Table III: Loans written off during 2007-08 to 2013-14 (Rs.in crores)

2014-15	49018
2015-16	57585
2016-17	81683
2017-18	84272#
TOTAL	**272558**

Source: *Indiastat Database*

Note: # Upto 31st December, 2017.

From 2014-15 to 31st December, 2017, Rs. 272558 crores of corporate loans have been written off by PSBs . The total loan written off in 2017-18 as the ICRA report published in The Indian Express article is Rs.144093 crores. The stark contrast in writing off loans during the two periods exposes the dismal state of both the corporate sector and public sector banks. Writing off loans is nothing but a financial jugglery to come up with a clean balance sheet and achieving taxation efficiency but in reality putting a veil over the fragile health of the PSBs. The loan when becomes irrecoverable is written off.

Further the breakup of loan written off by each individual PSB is substantiated below along with the recovery of loans made by nationalized banks during the same period.

Table IV: Loans written off and Recovery against Write-off Accounts

(Amount : Rs. in Crore)

Bank	Reduction in NPAs- Due to Write- Offs (Including Compromise)				Recovery from Written Off Accounts			
	2014-15	2015-16	2016-17	2017-18	2014-15	2015-16	2016-17	2017-18
Allahabad Bank	2109	2126	2442	2856	257	0	0	0
Andhra Bank	1124	814	1623	957	76	0	0	112
Bank of Baroda	1563	1554	4348	3106	0	221	327	367
Bank of India	866	2374	7346	7094	363	243	255	238
Bank of Maharashtra	264	903	1374	1817	98	68	38	69
Canara Bank	1472	3387	5545	3513	1693	313	489	753
Central Bank of India	1386	1334	2396	1714	0	111	121	262
Corporation Bank	779	2495	3574	3942	99	106	136	221
Dena Bank	515	760	833	435	34	66	115	56
IDBI Bank Limited	1609	5459	2868	6632	54	140	159	126
Indian Bank	550	926	437	1122	0	353	150	182
Indian Overseas Bank	2087	2067	3066	3250	0	7	1	2
Oriental Bank of Commerce	925	1668	2308	2500	431	234	291	149
Punjab and Sind Bank	263	335	491	280	42	34	26	38
Syndicate Bank	1055	1430	1271	1607	465	387	376	307
Punjab National Bank	5996	6485	9205	6128	1017	2298	2133	822
State Bank of India*	23973	19944	27574	31096	317	3093	3765	3221
UCO Bank	0	1573	1937	2577	0	0	0	-
Union Bank of India	931	792	1264	2244	317	186	19	18
United Bank of India	761	649	714	464	61	111	127	82
Vijaya Bank	791	510	1068	938	137	127	153	83
Total	**49018**	**57585**	**81683**	**84272**	**5461**	**8096**	**8680**	**7106**

Source: Rajya Sabha Unstarred Question No. 3600, dated on 27.03.2018.

Indiastat database

*Note: * Including its erstwhile Associates and Bharatiya Mahila Bank*

 # Upto 31st December, 2017

The breakup of write off of loans shows that all PSBs have written off huge loans and the maximum amount was written off in every year is by SBI as it is the largest bank of India. However compared to such massive write off by PSBs recoveries made by PSBs each year is quite low. The total amount recovered till 31st December 2017 is Rs. 29343 crores compared to massive write off of Rs.272558 crores amount of loan written off till 31st December 2017. RBI has tried to defend such massive write off exercise by describing it as technical in nature. 'Technically written off' means writing off from the books of Head Office without foregoing the right of recovery. Moreover RBI further substantiated that such write offs are done against accumulated provisions made for such loans. Once the loans are recovered the provisions will be credited in the Profit and Loss Account of the banks. Further RBI explained that such write offs will improve credit rating of banks.

However the massive write off exercise from 2014-15 has put questions on the transparency in the working of PSBs. Such huge write offs are making the bottom line results red thereby putting pressure on the capital adequacy on banks. To make the capital adequate fresh capital is pumped in by the Government to the PSBs. From 2008-09 to 2016-17 Rs.118724 crore capital already infused by Government of India but it became inadequate to tackle the growing risk weighted assets in bank's asset portfolio. The details of such infusion given below:

Table V: Capital Infusion by Government of India (Rs. in crores)

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Capital Infusion	1900	1200	20117	12000	12517	14000	6990	25000	25000	90000	22904#	231628

Source: Records of DFS, CAG Report (2008-09 to 2016-17)

Press Information Bureau, Govt.of India, Ministry of Finance (2017-18 to 2018-19)

Note: # Upto 30.11.2018.

SBI received a total of Rs.26948 crores of the total capital infusion till 2016-17, highest of all banks followed by IDBI Bank, Central Bank of India, Indian Overseas Bank and Bank of India with 8.77 percent, 8.61 percent, 7.88 percent and 7.80 percent of total infusion respectively. However such infusion proved to be inadequate considering the quantum of NPA and amount of loan written off by banks in the recent years. The proposed plan of Rs.2.11 lakh crore capital infusion plan by Government was of critical requirement for PSBs as already till Dec, 2017 Rs.2.72 lakh crore already written off by PSBs. Under the recapitalization plan of October 2017 in 2017-18 Government infused Rs.90000 crores in different PSBs and Rs.22904 crores till Nov 2018 for the F.Y 2018-19. Till November 2018, nearly Rs.2.32 lakh crore already injected in PSBs against Rs.2.72 lakh crore already written off.

The question is that when such write off exercise is done regularly it totally bamboozles the credit management system and provides a leeway to corporate to default in the loans taken. Moreover the fresh capital infused to improve capital adequacy thereby strengthening the weak PSBs is the same public money getting funded indirectly to the corporate as write off bad corporate loans depleted the capital of PSBs. Further the write off of loans seems to have become a customary practice, which is quite alarming for the banking system as it will slowly breakdown the credit management system of the banks.

Nexus between Industrialists and Bankers

The business houses are influencing the top decision making in the banks. The business houses establish good relationship with the top brass of the PSBs. This became evident in several high profile cases like case of Vijay Mallya or the recent Nirav Modi Scam, Rotomac Fraud case or the ICICI bank – Videocon Industries case etc. Top names like Chanda Kocchar (former Chief of ICICI bank), Usha Ananthasubramaniam (former MD & CEO of Punjab National bank and Allahabad bank) and several other top officials of different banks were found to be closely associated in sanctioning loans to the dubious industrialists or business houses in the quid pro quo probe initiated against them. The frauds are not only wiping off the public funds but also putting a question mark on the integrity and trustworthiness of the financial institution.

Thus from planning level till the executing level at the banks a well established relationship is set up to channelize the funds to corporate houses directly or indirectly. The situation remains win-win for all the banks during the boom season of the economy but with the economy experiencing recessionary trends the skeleton of crony capitalistic fragile banking system gets exposed. Huge Non-priority sector NPA starts to pile up in the books of bank, the banks starts to face liquidity crunch due to downturn in profitability and capital adequacy of banks gets distorted due to increase of risky assets in the books of bank. The problem further aggravates with the emergence of conman like Vijay Mallya or Nirav Modi and Mehul Choksi or Nitin Sandesara etc who in connivance with the top bank officials engineers fraud in the country. The emergence of these conman along with the increase in NPA of the banks exposes the frailties of economy imbibed by the fangs of crony capitalism.

Conclusion

The above facts clearly establish the fact that it is the businessmen who are getting the most pecuniary benefit from the well established financial system. This fact is pointed out not to undermine the business culture of the country but to raise the consciousness of the banking sector that sustainable development of a country take place when a holistic view of all the sectors are taken rather than having a skewed view. Further the contribution of industrialists in the Indian economy is unquestionable but constant meddling of them in the mainstream politics of the country and decision making of the banks is not encouraging for any country in the world. This blurs the vision of the banks and the decisions taken by banks ultimately become one-sided in nature. Thus cleaning of books by reporting of NPA from book will not solve the distress but cleansing of the top management of the PSBs is a necessity for productive functioning of the banking sector. MA

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CONVERGING ARTIFICIAL INTELLIGENCE IN INDIAN BANKING BUSINESS – AN OVERVIEW

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Abstract

The endeavour of scientists to infuse human intelligence into machine, created artificial intelligence, that enables machine to think and act like human. This technology of artificial intelligence which primarily works on machine learning and deep learning is an extension to the computer science technology and is widely adopted in various avenues and banking sector is no exception. In this paper attempt is made to analyze the extent of artificial intelligence adopted in the Indian banking sector. The study is based on content analysis of disclosure made in annual report regarding application of artificial intelligence by the 29 public and private sector commercial banks in their different business activities. The study reveals virtual interaction with customers and detection and prevention of fraud and cyber security threats are the areas where artificial intelligence is largely adopted by the banking sector.

Introduction

The scientists marked the advancement of computer science technology by creatingan intelligent machine that would replicate human brains; think, reactand work like human beings and named it artificial intelligence (AI). Artificial intelligence has spread its wings in every sphere and banking sector is no exception. This paper presents the nature and extent of adoption of artificial intelligence in the Indian banking business.

Artificial Intelligence: Concept

Intelligence is the ability to read, write and speak, learn and acquire knowledge and skill by studying, observing and by experiencing sequence of events; ability of reasoning; perception; ability to store and retrieve information from memory;comprehending complex issues and application of skill and knowledge to solve problems.Scientists wanted to infuse the intelligence-connatural in human beings, into machine by developing computer programme that can function like human being.John McCarthy;father of Artificial Intelligence coined the termat the Dartmouth Conference in 1956 and defined it as “the science and engineering of making intelligent machines, especially intelligent computer programs”.

Artificial intelligence involves developing computer programme that are capable of performing multiple tasks with greater accuracy and speed than human;and that possessvisual perception, capacity of understanding andreasoning, analyzing,decision-making, communication and speech recognition capability, and capable of performing any intelligent taskwithout human intervention on the basis of abundant information fed in the machine and by algorithm.

Artificial intelligence is a combination of many different technologies -machine learning, deep learning, natural language processing, neural networks, computer vision , intelligent automation and many others that embraces varied capabilities to the machine to think and act like human.

Artificial intelligence accomplishes task primarily through machine learning and deep learning, where the system accesses thelarge amount of data fed in the system;learn and improve from experience by sifting through data sets, by recognizing pattern which are fed in the system;and based on certain algorithm identifies multiple patterns in data, draws, assimilates and augments the patterns on its own without any set guidelines or direction.

The domain of artificial intelligence is wide and some of these are discussed here.

1. Expert System - This resembles decision making ability of human beings.It is designed to solve complex problems, decision making and advising users, by, using knowledge based ruleand data based facts fed inthe system.
2. Neural network - It is designed to enable recognition of face, character, lettersand handwritingby the computer system.
3. Natural language processing - This enables interaction between the computer system andhuman. It is based on speech recognition that aims at understanding and comprehendingwhat has been spoken by human being in natural languageand voice recognition that identifies the person who is speaking by analyzing person’s tone, voice pitch and accent. It also has automatic voice output capability.
4. Computer vision - This systemenables identification, understanding, interpretation and comprehension of visual input and images on the computer such as photographs, written documents.
5. Intelligent Robots - Robots are programmable machines,capable of performing tasks given by human. All robots are not artificially intelligent like the industrial robots that arelimited to their functionalityand programmed to carry out a repetitive series of movements. If robots are required for performing complex tasks, then that are to be made artificially intelligent to enable it to think, learn and work without human intervention, by putting in artificial intelligence algorithm into it.

Artificial Intelligence in Banking Business

Computer science technology is extensively adopted in banking business in the form of computerization of bank branches, internet banking facility, real time money transfer and core banking solution. Theevolution of artificial intelligence technology and its ample benefits have set the stage for banks to redefine their business operation by infusion of artificial intelligence technology in banking business.The areas where artificial intelligence may be applied are discussed here.

1. Customer Interface - The technology of artificial intelligence (speech, voice and video processing, text, natural language processing)is used to provide virtual customer assistance, byemploying Chatbots which are digital assistants for processing queries, addressing customer’s requests ,connecting users to appropriate services and suggesting relevant information via text and voice.
2. Customised Financial Services - Banks appoint AI enabledchatbot and Robo-advisors to assist customers in personalized financial planning, by analyzing market temperament against the customer’s financial goals and personal portfolio like customer’s income, spendingpattern, risk appetite, expected returns on investment, and offers recommendation regarding stocks and bonds.
3. Business Strategy Insights - AI enables distinct understanding of enormous amountof unstructured and unexploited data,maintained by and available to banks and in the business environment, to set up prediction models that help in analyzing the customer’s behavior, nature of market on the basis of which business plans and strategies can be framed.
4. Voice Aided Banking - Natural language processing technique of artificial intelligence can be employed to enable interaction with customer, to provide real time assistance to customer by processing queriesand can assist customers with vision problem. Speech recognition and voice recognition system employed in ATM and point of payment terminals can help to reduce fraud by distinguishing between the actual voice and voice of the fraud.
5. Lending Decisions - Artificial intelligence algorithmmay be employed to accurately assess the credit worthiness of potential borrowerand calculate credit scoresbased on complex and sophisticated rules,by performing calculation and prediction of capabilities and credibility of clients so as to ensure better financial return to the banks and thus reducing risk of default by client.AI helps in analysing loan application to evaluate loan eligibility and provide personalized optionsto the clients and help the bank to develop customized financial plans and strategies like

personalised loans, rates, etcand track the progress.

6. Digitalisation of Branches - Artificial intelligence can bring about complete digitization ofbranches and banking services leading to automation of functions likeaccount opening, fulfillment of necessary documentation, KYC norms, deposit and withdrawal of money, money transfer, update of bank statement etc. thus relieving the banks and customers from lengthy and sluggish functional processes.
7. Computer vision - The computer visiontechnology ofAIcan be used by banks for verification of signatures, face recognition using real time camera images that can help to prevent fraud at ATM and cash withdrawal terminal;for detection of fake notes.
8. Facilitating Backend Processes **-** AI is used to support backend office operationsthat involve high volume, rules based and highly organized and systematic work.
9. Detection of fraud - AI is used to monitor and preventvarious instances of fraud, cyber crime andmoney laundering.AI algorithms can identify the identity of user of credit, debit and ATM cards, draws on individual's spending patterns, checks the plausibility of client's credit card transactions in real time, and compare new transactions with previous amounts and locations and blocks the transactions if it perceives risk, thus identifying genuine transactions versus fraudulent transactions in real time, with greater accuracy.
10. Data management - The diversified form of banking activities and digitalization has made data and information essential elements of business operation. Hence automatic data management is essential for banks to achievesustenance and efficiency.
11. Client identification - AI is used in KYC processes to verify the identity of clients by scanning the client's documents and evaluating the reliability of the information provided, by comparing it with information from the internet and red flag is raisedif any inconsistency is identified,anda more detailedKYC check by bank employees is performed.
12. Biometrics - Biometrics can be used to authenticate a mobile payment, cash withdrawal, biometric safe vault using a fingerprint or replacement of passcode with voice recognition.

Benefits and Challenges of Artificial Intelligence in Banking Business

Artificial intelligence brings in ample benefits to the banking business like enhanced customer satisfaction,improved productivity of the work force, reduction in the cost of banking services, prediction of future scenarios, recognising and controlling security threat, cyber frauds andmoney laundering.

The huge cost of adoption and upgradation of artificial intelligence and bank's ability to keep pace with changing technology is a challenging task. It is also criticized due to the fact that automated operation may lead to loss of jobs. However, in practice, artificial intelligence frees skilled and highly efficient workers to do more strategic and creative thinking.

Banking sector in India face challenges associatedwith the implementation and usability of artificial intelligence as a substantial portion of population although tech savvy, prefer traditional mode of banking services and human interaction when dealing with financial matters and hence reluctant to utilise AI based banking services. This detersthe adoption of AI services in banking industry.

In India, the diversity of languages, accent, pronunciation is anotherhurdle that AI needs to overcome,by development of AI in Indian local languages so as to purposefully integrate speech recognition technology into banking business. User's incapacity to articulate their queries in a manner that is comprehensible to artificial intelligence based programmes and levels of digital literacy limits the effectiveness of AI based bankingservice. In such a case transaction-oriented, rule-basedsystems can be developed.High level awareness campaigns can raiseawarenessamongst consumersregarding use of AI solutions in thebanking services. Artificial intelligence is based on data hence data access and data privacy is the prime concern of any AI work that bank does.

In India, the government has taken several initiatives regarding adoption of artificial intelligence. The Reserve Bank of India has taken several initiatives for research, development and adoption of AI and related technologies in banking and finance.

Objectives of Study

The main objectives of the paper are:

1. To study the areas of application of artificial intelligence in banking business.
2. To study the extent of artificial intelligence adopted in Indian banking sector.

Scope of Study

The study is based on content analysis of disclosure made in annual report regarding application of artificial intelligence by the banks in their different business activities. The sample study includes29 public and private sector commercial banks inIndia. The study uses secondary data collected from the annual report of banks for the year 2018-19.

Research Design

In this study a Disclosure Index (DI) of artificial intelligence applied is formed for each artificial intelligence based business operation,for each sample banks. The banks are credited with score of 1 for eachartificial intelligence based business operation parameter applied and zero for non application. For example a bank may obtain 10points Disclosure Index out of 12points (normalized score is 0.833 i.e. 0.83) in the total artificial intelligence parameters selected. Therefore the said bank is said to have applied 83% of artificial intelligence in their business operation.

For the purpose of analyzing the extent of artificial intelligence applied by each bank under study, 12 artificial intelligence based business operation parameters are identified and being used for content analysis (Table1). Table2reveals the scores obtained by the selected banks, row wise individual score of a particular bank is calculated and column wise the score of artificial intelligence based business operation parameter is calculated.

Table 1 Artificial intelligence based business operation parameter

Artificial intelligence based business operation parameter	No.
Customer Interface	I
Customised Financial Services	II
Business and Strategy Insights	III
Voice Aided Banking	IV
Lending Decisions Management	V
Digitalisation of Branches	VI
Computer vision	VII
Backend Processes	VIII
Detection of Fraud	IX
Data management	X
Client Identification	XI
Biometrics	XII

Analysis and Findings of Study

Table 2 Artificial intelligence score

Sl. No.	AI based business operation / Banks	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	TOTAL	Normalised score
1	Allahabad Bank	1	1	1	0	1	1	0	1	1	1	1	1	10	83.33
2	Andhra Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
3	Bank of Baroda	1	1	1	0	1	1	0	1	1	1	1	0	9	75
4	Bank of India	1	1	1	0	1	1	0	1	1	1	1	0	9	75
5	Bank of Maharashtra	1	1	1	0	1	1	0	1	1	1	1	0	9	75
6	Canara Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
7	Central Bank of India	1	1	1	0	1	1	0	1	1	1	1	0	9	75
8	Corporation Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
9	IDBI Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
10	Indian Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
11	Indian Overseas Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
12	Oriental Bank of Commerce	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
13	Punjab & Sind Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
14	Punjab National Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
15	State Bank of India	1	1	1	1	1	1	1	1	1	1	1	1	12	100
16	Syndicate Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
17	UCO Bank	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
18	Union Bank of India	1	1	1	0	0	1	0	1	1	1	1	0	8	66.67
19	United Bank of India	1	1	1	1	1	1	0	1	1	1	1	1	11	91.67
20	Axis Bank	1	1	1	1	1	1	1	1	1	1	1	1	12	100
21	Federal Bank	1	1	1	0	1	1	1	1	1	1	1	0	10	83.3

22	HDFC Bank	1	1	1	0	1	1	1	1	1	1	1	0	10	83.3
23	ICICI Bank	1	1	1	0	1	1	1	1	1	1	1	0	10	83.3
24	Karnataka Bank	1	1	1	0	1	1	1	1	1	1	1	0	10	83.33
25	IndusInd Bank	1	1	1	0	1	1	1	1	1	1	1	0	10	83.3
26	Kotak Mahindra Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
27	RBL Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
28	South Indian Bank	1	1	1	0	1	1	0	1	1	1	1	0	9	75
29	Yes bank	1	1	1	1	1	1	0	1	1	1	1	0	10	83.33
		29	29	29	4	21	29	7	29	29	29	29	4		

The study reveals that out of the total 29 banks 2 have applied all the 12 AI based business operation ,one bank has applied 91.67% ,7 banks have applied 83.33% , 11 banks have applied 75% and 8 banks have applied 66.67% AI based business operation[Table2].

The study presents customer interface, customised financial services,business and strategy insights,digitalisation of branches,backend processes, detection of fraud,data management and client identificationare the areas where artificial intelligence is applied by all the banks under study. Voice aided banking and biometric application is applied by 4 banks out of the 29 banks under study.7 banks have applied computer vision technology and 21 banks have employed AI in lending decision [Table 2]. The 12 AI applied business operation parameters identified in the study is not an exhaustive area of application of AI in banking business. There are several other banking operations where AI may be applied. Although AI is applied in various banking services, the optimal and in depth utilization of AI is yet to be achieved.

Conclusion

Artificial intelligence is innovating continuously and banking sector is continuously trying to weave artificial intelligence into their business operation to harness the benefits of operational efficiency, customer's satisfaction and to deal with cyber security threats and vulnerabilities intelligently to reduce cost, boost revenue and profit. Artificial intelligence in Indian banking business although applied in few domain, has gained momentum due to extensive government initiative towards digitalization and with increasing number of internet and smart phone users who are searching for seamless banking services. MA

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PSBs - MAMMOTH MERGER PLAN FOR SYNERGY BENEFITS

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Abstract

The GoI unveiled its ambitious plan to merge six PSBs with other four PSBs which is expected to produce multifarious benefits to the economy. However, the benefits depend upon how efficiently the people of amalgamated banks function in the post-merger period. In this backdrop, this paper analyses a few aspects of the present merger plan such as the proposal, motives, process of merger, synergy benefits, etc.

Introduction

The Government ofIndia (GoI) has successfully completed two mergers of public sector banks (PSBs) in the recent years. One was in April 2017 when five associate banks of State Bank of India (SBI) and Bharatiya Mahila Bank were merged with SBI. With this mega merger, SBI (with customer base of about 37 crores and 24,000 branches) has not only continued as the largest lender-banker in the country but also became one of the 50 largest lenders in the world. Again, in April 2019, the GoI embarked upon a new merger scheme - merging not only smaller but stronger Vijaya Bank but also smaller but weaker Dena Bank with larger and stronger Bank of Baroda (BoB).After this merger, the BoB became the second largest PSB (next only to the SBI) and third largest lender-banker (next only to the SBI and ICICI Bank) in the country.

Now, the GoI has announced its ambitiousmerger plan to merge six PSBs with four other PSBs. In this backdrop, an attempt is made in this paper to analyse and present a few aspects/dimensions of this mammoth merger scheme.

Mega Merger Scheme - Merging and Consolidated Banks

On 30 August 2019, the Finance Minister of Indiaannounced the mega plan of PSBs' merger which comprises four sets of mergers as outlined below:

1. Merger of Oriental Bank of Commerce and United Bank of India with Punjab National Bank (PNB) is one of the four mergers planned by the government.

After the completion of this merger, PNB is expected to be become the second largest PSB in the country with Rs. 17.95 lakh crore of businesswhich is 1.5 times the current business of PNB (i.e., pre-merger) and with 11,437 branch offices.

2. Merger of Syndicate Bank with Canara Bank is another merger contemplated by the government. Once this merger is completed, Canara Bank is expected to become the fourth largest PSB with Rs. 15.20 lakh crore of business (1.46 times the current business of Canara Bank) and with branch network of 10,342.
3. Merger of Andhra Bank and Corporation Bank with Union Bank of India is the third set of merger plan. After the merger, amalgamated bank, Union Bank of India, is expected to become the fifth largest PSB in the country with a total business of Rs. 14.59 lakh crore (1.97 times the current business of Union Bank of India) and 9,609 branch offices.
4. Merger of Allahabad Bank with Indian Bank is the fourth set of merger announced by the Finance Minister. This merger is expected to enable Indian Bank to become the seventh largest PSB in the country with a total business of Rs. 8.08 lakh crores (1.9 times the current business of Indian Bank) with strong branch network of 6,104 in southern, northern and eastern parts of the country.

However, the remaining six PSBs are allowed to continue as separate entities (besides SBI and Bank of Baroda). These banks are Bank of India, Central Bank of India (these two PSBs are expected to continue their national presence), Indian Overseas Bank, UCO Bank, Bank of Maharashtra, and Punjab and Sind Bank (these four PSBs are expected to keep their regional presence). After the completion of the above mergers, the number of PSBs in the country will be reduced to 12.

Simultaneously, the Finance Minister has announced recapitalisation plan for the PSBs (after the merger) to the tune of Rs. 55,000 crores. Of this, a major portion of about 67% is for the four amalgamated PSBs which absorb six PSBs – PNB will get Rs. 16,000 crores; Union Bank of India will receive Rs. 11,700 crores; Canara Bank is going to receive Rs. 6,500 crores and the Indian Bank will get Rs. 2,500 crores. This move is expected to strengthen the amalgamated PSBs in improving their ability to meet and/or exceed the Capital Adequacy Ratio under Basel – III framework.

Merger Plan - Motives

Earlier, mergers and acquisitions in banking sector were driven by varieties of reasons such as revival of poorly performing private sector banks (PVSBs), nationalisation of PVSBs, mergers between PSBs and PVSBs, saving weaker banks, for obtaining synergy benefits, etc. Even in April 2019, smaller but stronger and weaker PSBs (Vijaya Bank and Dena Bank respectively) were merged with larger and stronger PSB (BoB).

But this time, it (i.e., merger plan) is stirred more by a few important positive strategies such as creation of fewer but stronger global-sized lender-banks, to boost the economic growth through stronger banks, to reap the benefits of synergyand scale economies, augmenting lending capacity of amalgamated PSBs, etc. Most of the benefits which the government expects from this mammoth merger plan are expected to stem from large scale operations. For example,merger of six PSBs with other four PSBs enables the amalgamated banksto reduce the amount of non-interest coststo some extent as they can reduce (i) a few managerial offices such as chairperson/s, managing director/s, general manager/s, zonal managers, etc.,(ii) number of divisional offices, (iii) number of branch offices (through merger and/or closure), etc.Besides, the proposed merger is also guided by the expected increase in both the current and savings deposits on the one hand and enhanced lending capacity of amalgamated PSBs on the other which in turn boosts economic growth.

Merger also enables the consolidation of branch networks. It may be noted here that both the amalgamated bank and merging bank/s (in each of four sets of mergers) are, at present (i.e., pre-merger), having their branch offices at least in a few places. After the merger, it is neither desirable nor economical for the amalgamated bank to continue both the branches of the same (amalgamated) bank at the same place. Hence, amalgamated bank either merges one branch office with another branch office or closes a branch office depending upon the situation including financial consideration. It may be noted here that the PSBseither closed or merged 875 branch offices in 2018-19 through consolidation process under merger plans. Similar type of closure or merger is expected to take place after the completion of present four sets of mergers. And this is expected to reduce their (i.e., amalgamated banks) non-interest costs substantially excluding employee benefit costs as there would be no retrenchment either during or after the merger process as assured by the government. After the merger, the large-sized PSBs would be required to focus on international markets, while the medium-sized PSBs would focus on the national market – said the Finance Minister.

Time - Frame for Completion of Mergers

The government has announced the merger of six PSBs with four other PSBs. Now the Boards of these 10 banks have to give their approval for the government's proposal. This approval is a pre-requisite for completing the merger process. As far as the approval of boards is concerned, there is no difficulty as it is only a formality as the boards usually ratify the decision taken by the government.

Once the PSBs concerned communicate the approval of their Boards, then government and/or amalgamated PSBs have to take up the gigantic task of preparing the scheme for merger covering a few important issues as summarised below:

1. As already stated, one of the issues pertains to the consolidation of branch network either closing a branch of amalgamated or merging bank/s or merging

one branch with another in the same locality.This task is usually taken up by the amalgamated PSBs after the completion of merger process.

2. Redeployment of employees and/or officers of merging banks. Because, the government has made a commitment by announcing that nobody will lose his/her job on account of merger. Instead, best of the service conditions will apply to all human resources. In this case, the amalgamated PSBs have to find suitable place for the employees/officers of merging PSBs. This is more so in the case of branch offices which will be closed or merged.
3. The third issue is about the technological integration. From the point of view of automation, one can find some differences between the merging bank/s and the amalgamated banks. Due to this difference, the amalgamated banks will have a very tough task of transition – from older/different version/s of technology to an advanced and common technology.
4. Another important issue is about the 'exchange ratio' i.e., number of shares of amalgamated banks to be issued for every one share held by the shareholders in the merging banks. Of course, this may not posebig problem as the current market prices at which the shares of both amalgamated and merging banks are traded on the stock exchange are available. Based on this, besides other relevant factors, exchange ratio should be determined.

On the lines of the above, a few more issues are to be addressed in the merger scheme. Once the merger schemes (i.e., for each of four sets of mergers) are finalised, the schemes shall be placed before both the Houses of Parliament for their consideration and approval which does not appear to be a difficult task. This is because of the reason that even the Congress party is expected to support this subject in the Parliament as Shri. P. Chidambaram (as the Finance Minister in 2011-12) mooted the idea of consolidation of PSBs. All these formalities may need another 3 – 4 months' time. And the government is hoping that all these preparations will be completed by the end of 2019-20. Further, it is given to understand that the four amalgamatedbanks will commence their activities as bigger banks with greater vigour, strength, and expertisefrom 1 April 2020.

Pre- and Post-merger Performance

The success or otherwise of mergers depends on how efficiently the amalgamated PSBs function in the post-merger period. However, mergersare beneficial for weaker banks at the cost of better performing PSB/s in the merger group. This is evident from a few details presented below (Table – 1).

Table – 1: Pre- and Post-merger Performance

Particulars	CET-1 Ratio (%)	CRAR Ratio (%)	Net NPA Ratio (%)
RBI-specified Ratio (%)	≥6.75	>10.25	<6
Pre-merger Performance:			
Canara Bank	8.31 (G)	11.90 (G)	5.37 (L)
Syndicate Bank	9.31 (L)	14.23 (L)	6.16 (G)
Post-merger, Canara Bank	8.62 (↑F)	12.63 (↑F)	5.62 (↑A)
Pre-merger Performance:			
Union Bank of India	8.02 (G)	11.78 (G)	6.85 (G)
Andhra Bank	8.43 (G)	13.69 (L)	5.73 (L)
Corporation Bank	8.63 (L)	12.30 (G)	5.71 (L)
Post-merger, Union Bank of India	8.63 (↑F)	12.39 (↑F)	6.30 (↓F)

Note: 'G' = Gainer from merger; 'L' = Loser due to merger; 'F' = Favourable; 'A' = Adverse

1. In one set of merger involving Syndicate Bank and Canara Bank, from the point of view of Net NPA Ratio, Canara Bank is the better performer with 5.37% Net NPA Ratio and Syndicate Bank is comparatively poor performer with 6.16% Net NPA ratio breaking Risk Threshold, RT – 1 (of ≥ 6% < 9%). At the current level of performance, the amalgamated PSB (i.e., Canara Bank), in the post-merger period, is expected to have Net NPA Ratio of 5.62% (the increase from 5.37% to 5.62% is not desirable and therefore, the increase is represented by 'A' meaning, 'adverse') - higher than pre-merger Canara Bank's Net NPA Ratio of 5.37% but lower than that of Syndicate Bank of 6.16%.
2. In another set of merger involving Union Bank of India (with Net NPA Ratio of 6.85%), Andhra Bank (with Net NPA Ratio of 5.73%) and Corporation

Bank (with Net NPA Ratio of 5.71%), merger enables the amalgamated bank, Union Bank of India, to lower its Net NPA Ratio which is now breaking the RT – 1 (≥ 6% < 9%) to 6.30% (in the post-merger period; (the decrease from 6.85% to 6.30% is favourable and therefore, this reduction is represented by 'F' meaning, 'favourable') at the cost of two comparatively smaller merging banks viz., Andhra Bank and Corporation Bank.

On the lines of the above, performance based on other parameters and of other PSBs can be analysed. This is one way of analysis. But the purpose of merger plan is not just to maintain the current level of efficiency in the post-merger period. It is to achieve synergy benefits i.e.

- [(1 + 1) should be greater-than 2] or [(1 + 1 + 1) should be greater-than 3] in the case of variables/parameters likedeposits, loans and advances, interest income, non-interest income, net interest income, profit, Return on Assets (ROA), Return on Equity (ROE), etc., and
- [(1 + 1) should be less-than 2] or [(1 + 1 + 1) should be less-than 3] in the case of variables/parameters such as interest cost, non-interest cost, NPAs, Net NPAs, Gross NPA Ratio, Net NPA Ratio, etc.

Conclusion

In the light of the above analysis, it can be concluded that the decision of the government is a good move. However, the success of these mergers depends upon how efficiently the human resource of amalgamated PSBs function and work. The banks should try to obtain higher business and also to achieve economies in the costs of operations. Otherwise, the very purpose of mergers will be defeated. MA

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IMPORTANT BANKING UPDATES (September – December 2019)

Consolidation Plan for PSBs: The Government has unveiled a plan to merge 13 PSBs into 5 reducing the number of state-owned banks in a bid to create "Next Generation" financial institutions with stronger balance sheets and bigger risk appetite. The timeline of completing the mergers would be decided in consultation with the banks' boards.

Banks to be merged	Merged with
Dena Bank and Vijaya Bank	Bank of Baroda (materialized in April 2019)
Oriental Bank of Commerce (OBC) and United Bank of India (UBI)	Punjab National Bank (PNB)
Syndicate Bank	Canara Bank
Andhra Bank and Corporation Bank	Union Bank of India
Allahabad Bank	Indian Bank

Increase in RTGS Operating Hours: To increase the availability of the RTGS system, RBI decided to extend operating hours of RTGS. RTGS time window.

Open for Business	07:00 hours
Customer transactions (Initial Cut-off)	18:00 hours
Inter-bank transactions (Final Cut-off)	19:45 hours
IDL Reversal	19:45 - 20:00 hours
End of Day	20:00 hours

Free ATM Transactions – Clarification: RBI clarified that transactions which fail on account of technical reasons like hardware, software, communication issues; non-availability of notes etc., shall not be counted as valid ATM transactions for the customer. Consequently, no charges, therefore, shall be levied. Further, the non-cash withdrawal transactions (such as balance enquiry, cheque book request, payment of taxes, funds transfer, etc.) shall also not be part of the number of free ATM transactions.

Interest Subvention Scheme for Kisan Credit Card (KCC): RBI issued operational guidelines of the Interest Subvention Scheme for KCC facility to fisheries and animal husbandry farmers for the period 2018-19 and 2019-20 with the following stipulations:

- **Eligibility:** Short-term loans upto Rs. 2 lakh
- **Rate of interest charged:** 7% p.a during the years 2018-19 and 2019-20
- **Rate of interest subvention:** 2% per annum to lending institutions viz. PSBs and Private Sector Commercial Banks (for loans given by their rural and semi-urban branches only). Interest subvention will be calculated on the loan amount from the date of its disbursement / drawal up to the date of actual repayment of the loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year.
- **Additional subvention:** 3% p.a to farmers repaying both loans (short term crop loan and working capital loan for animal husbandry/fisheries activities) in time.
- **Mode/Platform:** The scheme is being put on DBT mode on 'In Kind/services' basis and all short term loans processed from 2018-19 are required to be brought on ISS portal / DBT platform.

16 – Points Key Performance Indicators (KPIs) to Push PSBs: Finance Ministry plans to kick-start to monitor the achievements of PSBs on 16 KPIs at the branch, state and national level. The banks will then be benchmarked against the PSBs average. If found lagging, specific action will be taken after consultation at various levels to crank up their performance. The 16 KPIs that the Ministry will be tracking include credit for infrastructure, farm sector, MSMEs, Stand-up India Scheme etc.

RBI Nod for Setting Separate Caps for Power and Renewable: Clubbing of power and renewable sectors under one umbrella dried up the capital availability for renewable companies. Now RBI has said that it has no objection to banks setting separate limits for renewable energy. The move to categorise renewable energy as a separate sector different from the power sector is being done so that funds would flow more to renewable energy projects.

Appraisal of Senior Management by Bank's Board: Banks' boards are allowed to appraise performance of the senior management – General Manager to Managing Director. The Government now proposes that the Board can appraise the MD directly. The Government also gave the freedom to banks to appoint Chief General Manager (CGM) if required. The concept of CGM is present in SBI.

Debt Waiver for Small Distressed Borrowers: The proposed waiver would be offered as part of "Fresh Start" provisions under the Insolvency & Bankruptcy Code (IBC). As per the IBC, there are various thresholds for "Fresh Start" including that the gross annual income of the debtor does not exceed Rs.60, 000. The aggregate value of the debtor's assets should not be more than Rs.20, 000 and that the aggregate value of the qualifying debts does not exceed Rs.35000.

RBI to Restart Export Credit Refinance (ECR) Facility: The impact of the removal of the ECR facility since February 2015 is evident from the rise in the maximum rate of rupee export credit by PSBs, though the repo rate continued to decline during this period. According to the EXIM Bank, a possible solution to the high cost of export credit is to lower the funding cost via refinance. Hence, RBI may restart the ECR facility to moderate the interest rate on rupee export credit and reverse the faltering trend in exports.

RBI Direction to Banks on Basic Savings Bank Deposit (BSBD): RBI has said that the banks should not impose any limit on number and value of deposits that can be made in a month on BSBD account which are designed primarily for the poor section of the society. Further bank should not ask for receipt or credit of money through any electronic channel. The account holders should be allowed minimum of four withdrawals in a month including ATM withdrawals free of charge.

Expansion of Digital Payment Ecosystem: The RBI has decided that all State/UTs Level Bankers Committees (SLBs/UTLBs) shall identify one district in their states/UTs on a pilot basis. The identified district shall be allotted to a bank with significant footprint which will endeavour to make the district 100% digitally enabled within one year so that every individual of the district to make or receive payments digitally in a safe, secure, quick, affordable and convenient manner.

Fourth Bi-Monthly Monetary Policy of RBI on October 4: Based on an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) decided to reduce the policy Repo rate by 25 basis points to 5.15% and consequently, the Reverse Repo rate reduced to 5.9% with immediate effect.

New Reporting Format for Bank Branch Details: The RBI has decided to put in place a new reporting system – Central Information System for Banking Infrastructure (CISBI) – to replace the MoF system. This has been done with the objective of being consistent with the needs of branch licensing and financial inclusion policies as well as the need for requisite coverage of additional dimensions and features. All the past information reported by banks has been migrated to CISBI and additional information should be reported in CISBI henceforth.

Revision of Compensation of Officials of Private and Foreign Banks: The RBI on November 04, 2019 reviewed the guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff of all private sector banks and foreign banks operating in India to reduce incentives towards excessive risk taking that may arise from the structure of compensation schemes and are aimed at effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement.

Banks to Reclassify Loans to HDIL as Fraud: Lenders to HDIL will have to reclassify their loans as fraud and will need to set aside more money for these advances as provisions in their balance sheet.

RBI Defends it Nod for Chanda Kochhar's Sacking: RBI told the Bombay High Court that its decision to grant approval to ICICI Bank for termination of appointment of Chanda Kochhar as MD and CEO was fair and not arbitrary.

RBI Operationalised NEFT system 24x7 from 16 December 2019. MA

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DIGITAL OBJECT IDENTIFIER (DOI)

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CMA Kewal Handa

Chairman &
Part-Time Non-Official Director
Union Bank of India

Shri Kewal Handa has been appointed as Chairman & Part-Time Non-Official Director of the Bank vide Ministry of Finance notification dated 06.07.2017. Shri Handa was the Managing Director of Pfizer Limited, India from 2005 to 2012. Prior to this, he has served as Executive Director - Finance, Pfizer Limited and as Managing Director of Wyeth Ltd from 2009 to 2012. Shri Handa has diverse experience in Finance, Commercial, Strategy, Business Development, Merger & Acquisition, Banking, Corporate Affairs and he has also experience in sectors like Engineering, Consumer and Project Finance in companies like Schrader Scovill, Hindustan Lever Limited (HLL), Vidyut Blades & State Industrial Investment Corporation of Maharashtra (SICOM). He has worked in the Domestic & Global Generic Businesses and has wide experience in markets like US, South East Asia, Africa, Bangladesh, and Sri Lanka. Currently, he also mentors, start ups and works in Social Sector. He is qualified Management Accountant and Company Secretary and has a Masters Degree in Commerce. He has completed the Pfizer Leadership Development Program from Harvard University and the Senior Management Development Program from IIM, Ahmadabad. He has also done a Certificate course on Marketing Strategy from Columbia Business School, New York. He was awarded the 'India CFO 2004 – Excellence in Finance in an MNC' by International Market – Assessment Group, the Bharat Shiromani Award in 2007 and the Pharma Leaders - Pharma Professional of the year 2010.

Q. Which are the key areas you would focus towards achieving the target of India becoming a $5trillion economy?

A. Five trillion economy would require a clear cut road map defining the strategy to achieve the same and breaking down this strategy into Action Plan. Clear cut goals and targets need to be setup for different strategies that will be pursued during the period. Strategy needs to define the reforms that need to be in place before achieving goals and targets. This type of detailed analysis will help in defining accountability and executing the plan. The above plan needs to be widely discussed and debated taking stakeholder into confidence. A separate Apex monitoring team needs to be setup to monitor the plan.

Q. The government has unleashed a number of institutional reforms: a monetary-policy committee, GST, the Real Estate Act, the Insolvency Act and various others. Do you think that these are going to make a real difference? And if so, how are they going to benefit the bank and the banking sector?

A. Today the government is caught between cyclic and structural challenges. This will require both measures for short term to medium – long term. Based on cyclical and structural challenges measure has to be tailored accordingly. Government has taken many right step-up to revive the economy however consumption has not yet picked up and demand in many sectors is very poor. Automobile industry and Real estate needs special focus to revive the demand and increase the investment.

Q. What are your thoughts on the "Mega Bank Merger Drive", a mega banking realignment by the government in order to streamline operation and size?

A. The merger of the public sector banks will have a very positive effect on the economy, from 27 public sector banks post merger to 12 number of banks. Government has also adequately now recapitalized the banks consequently. Banks now have sufficient liquidity. Settlements of large NCLT cases will help in reducing NPA'S and further strengthen the bank capital and liquidity. Some of these banks will now have an opportunity to be a Global bank.

Q. How worrying are the NPA levels in the recent times?

A. The NPA's have now gradually come down and most of the banks have also strengthen their Appraisal and Monitoring system and going forward I'm confident the banks will be in better position to control the NPA's.

Q. One of the landmark reforms made in the recent past was the enactment of the Insolvency and Bankruptcy Code Act. How much of a change has it brought to the promoters and banks?

A. The Insolvency and Bankruptcy Code Act is one of the significant reforms made by the government in India. This will bring discipline among the buyers and also help the bank to retrieve their stress assets. Going forward promoter can no longer do ever greening or take the Banks for granted. It's a landmark reforms which will change the way the banking operations will be done in future.

Q. The things like Artificial Intelligence, Blockchain and Robotics, are real buzzwords at the moment. Elucidate your views regarding the growing impact of Artificial Intelligence, Blockchain and Robotics on banking and financial services.

A. The Digital world is changing very fast and every bank is now looking to have a strong digital ecosystem. Artificial Intelligences, Blockchain and Robotics will have significant role in meeting the customer needs and focusing Banks services.

Q. There has been much discussion on ethics and integrity in the banking sector in the context of huge bank frauds reported, many of them from public sector banks (PSBs). How do you view this issue?

A. Better monitoring systems in place have enabled the bank to unearth frauds. In some cases where employees of the banks get involved, we take this very seriously and take appropriate action against the account holders and also the employees. Regular awareness program on ethics and integrity are conducted along with tighter control system to ensure that frauds are controlled.

Q. Small and Medium Enterprises in India are waking up to the power and benefits of digital lending. With loans and other things made easy, they can focus their energies on the business at hand. According to you, what more improvement required in this arena?

A. Going forward Banks are focusing on their profitability lending to MSME strengthening appraisal and monitoring system, evolving Digital eco-system and being more customer centric. This will enable Banks to be more competitive and improve their value to the stakeholders.

Q. Please suggest in what ways Cost & Management Accountants (CMAs) may offer their expertise more effectively to overcome challenges and roadblocks of the New-Age Banking.

A. Cost and Management Accountants (CMAs) have very important role to partner with banks to improve their efficiency and to help them identify their early stress assets. Banks need to strengthen their risk management processes. I would suggest that CMAs should prepare a white paper on how to partner with Banks and to be a part of the integral process. We as a Bank are ready to work with them and support them in this venture.

DIGITAL TRANSFORMATION - SMART CONTRACTS FOR TRANSACTIONS EXECUTED IN BLOCKCHAIN PLATFORMS

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Different viewpoints and misgivings are there about Smart Contracts which are embedded in Blockchain platforms and used for execution of transactions. Doubts have been expressed about the efficacy and legal enforceability of Smart Contracts particularly due to reported frauds in dealings of cryptocurrencies, which is the very first use case of Blockchain technology. Therefore, there is a definite need to demystify those hazy understandings so that this powerful technology can best serve interests of commercial, governmental and non-governmental organisations who are using Blockchain for digital transformation.

A Blockchain platform can facilitate economical and speedy execution of very many activities. Readers can refer the author's published paper[1] to know more about these. Just to quote a few random examples, Blockchain facilitates executing varieties of business transactions; identity management of citizens, delivering services to them, and conducting elections by governments, running an old age home, protecting IPR of an artist, and even charities and donations through crowd funding.

There is absolutely no scope of doubt that all these transactions must have to be executed in compliance with the related laws, regulations and / or laid down code of governance. Execution of those transactions must also comply with similar requirements of more than one country when the transacting parties transcend more than one sovereign boundary. Again, offer, acceptance and terms and conditions for the contract are to be duly pre-accepted and signed by and between parties to ensure legal enforceability.

Such a digitally executed agreement is called a Smart Contract. Those are to be processed using the Blockchain platform for offer, negotiation, acceptance and sign-off through a series of digitally self-initiated events. All related documentary evidences are stored in a chronologically sequenced digital library of the platform, which can be used for reference and retrieved in case any litigation is dragged to a Court for judicial remediation.

One can take, for more clarifications, the specific example of an Indian entity exporting manufactured goods to say Germany which will involve a series of legally binding transactions between the importer and exporter, their bankers, shipping line, insurer, quality control agency, ports, transport agents, etc. If such an end to end export-import activity, involving multiple transactions, is to be handled through a self-administered blockchain platform, there must be many digitally executed contracts for each sub-activity, a combination of which is called as Super Smart Contract. The system should enable users to self-initiate and close the process.

Exception to the legal condition for a binding contract, viz., 'No consideration No contract' may be there in cases of services by a government, e. g., issuing a birth certificate of a newborn baby or hosting convicted criminals for correction processes in a jail, or a University issuing a credential to a graduating student. But such types of transactions also have to be executed in compliance with some pre-informed governing principles and regulations, by virtue of which both the service provider and the recipient must agree to abide by certain regulatory conditions, violation of which will call for remediation through a legal process.

Keeping in view the above, a Smart Contract can be defined as a duly coded and embedded digital framework to enter a legally binding contract by and between two or more parties, subject to agreement of pre-negotiated and agreed terms and conditions. The Head Geek of Solar Winds said, "Smart Contracts are where the rubber meets the road for businesses and blockchain". Valerie Szczepanik, senior adviser for digital assets and innovation of the Security Exchange Commission, USA[2] said in June 2018 that "*Smart Contracts can help regulation.*" Her interactions with concerned people revealed a rising level of sophistication in management of cryptocurrency through Blockchain platforms.

She also suggested that, regulatory challenges can be solved in part by using a key feature of blockchain technology and added that *"It will be relatively easy to program these rules into smart contracts and DLT [distributed ledger] technology - but technologists need to talk to regulatory attorneys."* Readers may be aware that the other name of Blockchain technology is Distributed Ledger Technology (DLT) with distributed data storage management system (DDSM).

All features of Blockchain technology are also extended to the Smart Contract embedded in the platform. The following are some of the salient features of a Smart Contract:

- Pre-compliant with the concerned Laws and Regulations of related country(ies);
- Speed, reliability cost effectiveness, safety, security, immutability and transparency;
- Every agreement is digitally date and time stamped, verified, asserted and signed to ensure enforceability;
- Limited scope of conflicts, ambiguity, uncertainty, and leaving gaps which can otherwise lead to litigations;
- Built-in flexibility to modify the pre-coded terms and conditions after negotiation and agreement between parties, which can be captured as an amendment(s) to be hosted along with the main contract;
- Can be executed fast with concretised understanding without intermediation of one or more physical lawyers, yet leaving limited scope for ambiguity, uncertainty and conflicts; and
- In a multi-transactional environment, there can be a super set of several Smart Contracts.

The humanity is one and the world is its home. If Blockchain technology has to serve the ultimate cause of humanity, it should be developed and implemented following the principles of universal altruism. The definite need, therefore, is a set of global standards. Meanwhile monolithic MNCs such as IBM and Microsoft are developing 'Smart Contract Libraries' any unit of which can be adopted after needful modifications while developing an enterprise Blockchain platforms.

Such a functional Smart Contract serves as the backbone of Blockchain binding all parties in a transaction. One of the earliest examples of a Smart Contract was a collaboration between the blockchain startup called Wave and Barclays. They executed the first such contract in 2016. It was for a trade finance transaction for Ornua, an Irish agri-food entity of Seychelles[3]. But the payment had to be remitted through the traditional banking system, which should have been through the digital currency of the same platform, or any other digital currency of any other platform having interoperability. But that was not developed at that time.

Legal recognition of such Smart Contracts is essential for more and more successful commercial applications. South China Morning Post[4] reported about an announcement by the Supreme People's Court around September 2018, which stated the following: "*Internet courts shall recognize digital data that are submitted as evidence if relevant parties collected and stored these data via blockchain with digital signatures, reliable timestamps and hash value verification or via a digital deposition platform, and can prove the authenticity of such technology used.*" Because of this acceptance 'Internet Courts' of China, which have been set up for handling internet related legal disputes, will be in a position to recognizing digital data as evidences upon verification by methods that include among others blockchain, time and date stamps and digital signatures. Let us hope that similar recognitions will come soon from more and more countries. MA

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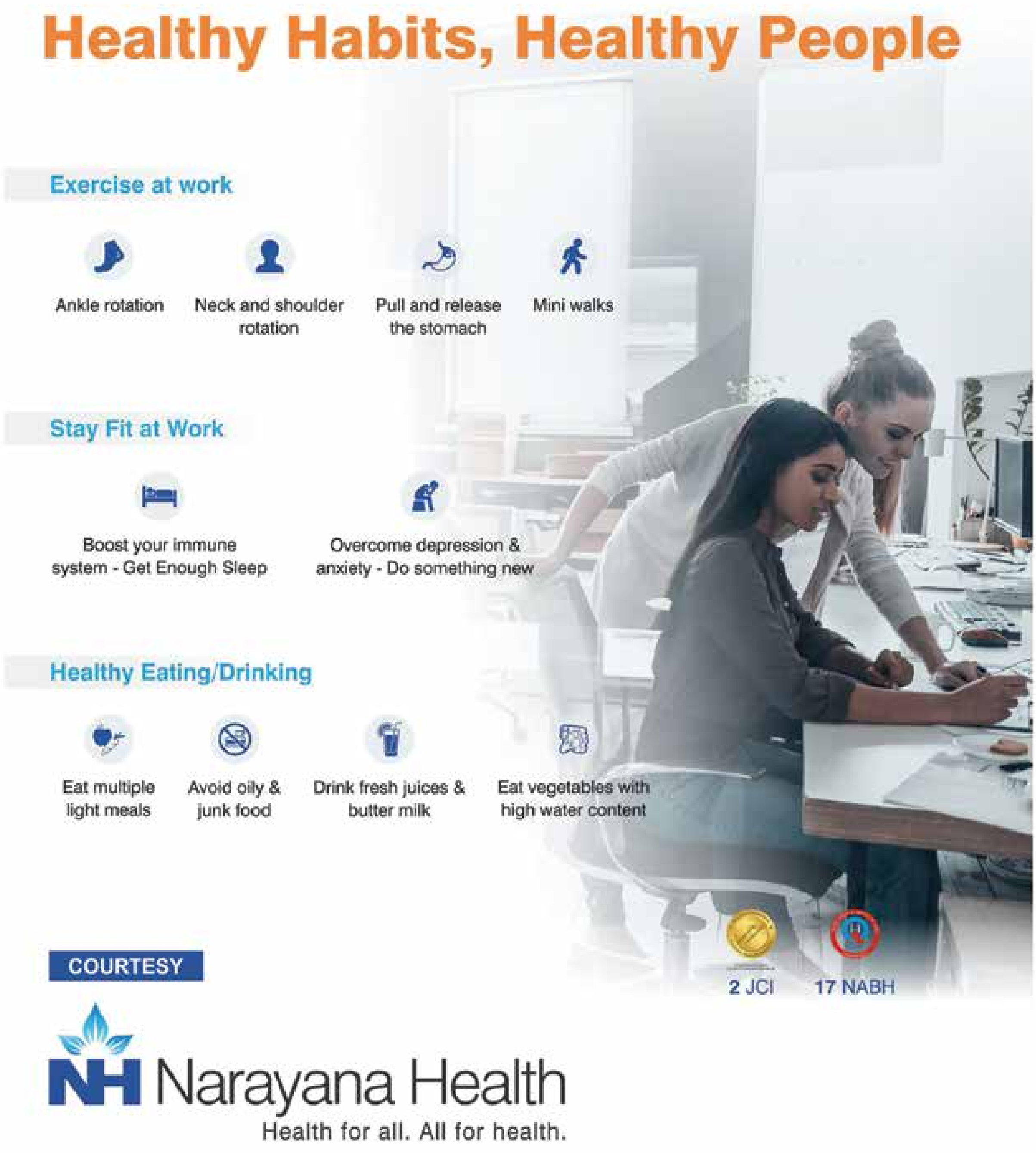
HEALTH TIPS


Healthy Habits, Healthy People
Exercise at work
Ankle rotation
Neck and shoulder rotation
Pull and release the stomach
Mini walks
Stay Fit at Work
Boost your immune system - Get Enough Sleep
Overcome depression & anxiety - Do something new
Healthy Eating/Drinking
Eat multiple light meals
Avoid oily & junk food
Drink fresh juices & butter milk
Eat vegetables with high water content
2 JCI
17 NABH
COURTESY
NH Narayana Health
Health for all. All for health.

A CASE STUDY OF BARABANKI DISTRICT (U.P.) IMPACT OF THIRD CROP ON FARMERS' INCOME

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Abstract

All these years we have known of poor plight of Indian farmers. While this is true, in some parts of UP, Punjab and now Bihar & MP, farmers have taken to third crop and increased their income. While doing an assignment, the author had visited some of these areas and collected crop cost and profitability data – most prominent and frequently visited area was Barabanki in UP, near Lucknow.

Background

As we all know, Indian farmers are normally harvesting two crops – Kharif (monsoon) & Rabi (winter) – annually. Traditionally these have been Paddy/ Rice or Maize in Kharif and Wheat or Potato in Rabi. Also, there are farmers who grow cash crops such as sugarcane, cotton, etc.

After Rabi harvesting, the farmers do not grow any crop till Kharif season. This can provide an opportunity for the farmer to grow a third crop and earn extra money. Of course, this is possible only if climatic conditions are suitable, water is available and other favourable factors exist.

This has been practised in some districts of Uttar Pradesh visited by me to study such a pattern and the impact on farmers' income due to this. Over the period of last 14 years, I visited districts of Moradabad, Rampur, Badaun, Bareilly, Sitapur and Barabanki. All these districts have been growing Mentha Arvensis (mentha) as third crop. Mentha, when distilled yields menthe Oil. This oil is used to manufacture Menthol.

Of these districts, this study focuses on Barabanki district which has maximum acre age being harvested with three crops.

For Barabanki, costs and margins for Rice, Wheat, Potato and Mentha were calculated. As has been observed, farmers who go for three crops generally grow Rice, Potato and Mentha.

About Mentha Arvensis

India is the largest producer of mentha arvensis in the world having a share of 80-85%. Other major producing countries are China, Brazil, US and Japan. World production hovers in the range of 35,000-60,000 MT. India consumes approx. 40% of global production. Within India, around 85% is spread out in Uttar Pradesh - Barabanki, Sambhal, Moradabad, Budaun, Rampur and Bareilly areas. The rest 15% is in Punjab, Madhya Pradesh and Bihar. In India it was introduced in 1954 by Regional Research Laboratory Jammu (now Indian Institute of Integrative Medicine).

The end product Mentha oil is extracted from the mint leaves by processing and steam distillation. Distilled mentha oil is brought into the specific markets by farmers/producers and sold to commission agents. Mentha processors, menthol manufacturers and exporters purchase the crop from the market as per requirements.

Mentha oil and its derivatives are extensively used in food, pharmaceutical, perfumery, and flavouring industry. Besides, natural menthol has cooling and soothing effect on skin and mucous membrane of the human body, making it a useful ingredient in pharmaceuticals and the cosmetics industries.

Methodology

To collect cost data, I visited about 6 to 7 large villages during visits in February – April annually. At these places, I used to meet farmers and agro input (seeds, fertilisers, agrochemicals, etc) traders. These traders could provide average data for the area based on their interaction with customers. Moreover, at these traders' shops, there always were about 6 to 8 farmers whom I used to interview. Also, I used to meet field force of agrochemical companies. The data so collected was further analysed to exclude extremes as these could be one off cases. In many cases, it was seen that meeting a farmer in isolation often was unproductive as he was not sure of end use of the data. If they were approached in a group, then there was healthy interaction and validation of data.

Cost Elements Considered:

- Indian farmers typically cultivate their own land. However, there are farmers who take land on rent and cultivate.
- Most farmers work on their farm and seldom employ labour.
- Some farmers have their own pump for drawing water. Many farmers bring pump to their field on rental basis.
- Other cost elements were seeds, tractor hire, pesticides, fertilizers & post harvesting costs.

For this study, rent for land has been ignored. Labour cost is considered including notional cost for self-employment. In case of water pump, rent and fuel for the same are considered in irrigation cost as overall cost of own pump is lower than hired pump.

The exercise was done for the following years: 2006 to 2009, 2011, 2015, 2017 & 2018 – 19.

Cost Format:

Particulars	UOM	Qty	Rs/UOM	Cost	Remarks
Seeds	kg				
Manure/Fertilisers-specify					
	Bags				
	kg				
	Bags				
Irrigation-thru power	No of times				
Irrigation-thru diesel pump	No of times				
Weedicides-specify					

Insecticides-specify					
Labour & Tractor charges					
Land preparation (incl Tractor)					
Planting					
Fertiliser application					
Weeding & inter-culture					
Harvest					
Handling after harvest					
Distillation Cost (Mentha Oil)					
Total cost of cultivation					
Revenue:					
Yield per acre	**kg**				
Crop sales					
By-product sales					
Total Revenue					
Profit					
Profit per kg					

Profitability

In case of Rice & Potato, the profitability depended on crop yield & product price. In case of menthe, the price is also influenced by Menthol made from alternate raw materials. Since Rice is supported by government through Minimum Support Price mechanism, the farmer is somewhat insulated from price fluctuations. For potato & mentha, this is not so. However, since the dip is not every year, over a period of few years, the farmer gets average prices and decent profit.

Some farmers prefer to grow only Rice & Wheat. Since both crops are having minimum support price, the farmers feel safer.

The profitability per acre for all three patterns are given hereunder:

A. Rice Potato & Mentha:

Year	Rice			Potato			Mentha			Total Profit
	Revenue	Cost	Profit	Revenue	Cost	Profit	Revenue	Cost	Profit	
2006	16,850	6,395	10,455	40,250	12,420	27,830	25,000	18,510	6,490	44,775
2007	29,350	7,324	22,026	57,500	12,984	44,516	25,500	15,220	10,280	76,822
2008	15,900	9,455	6,445	21,000	14,735	6,265	27,000	17,950	9,050	21,760
2009	28,160	11,010	17,150	37,500	23,965	13,535	25,500	18,843	6,657	37,342

2011	27,600	12,950	14,650	36,000	18,250	17,750	45,600	21,256	24,344	56,744
2015	36,250	14,700	21,550	56,250	29,100	27,150	38,500	21,050	17,450	66,150
2017	38,500	14,720	23,780	40,625	29,800	10,825	45,000	25,010	19,990	54,595
2018	41,750	16,620	25,130	60,000	30,500	29,500	62,500	25,850	36,650	91,280

B. Rice & Potato:

Year	Rice			Potato			Total Profit
	Revenue	Cost	Profit	Revenue	Cost	Profit	
2006	16,850	6,395	10,455	40,250	12,420	27,830	38,285
2007	29,350	7,324	22,026	57,500	12,984	44,516	66,542
2008	15,900	9,455	6,445	21,000	14,735	6,265	12,710
2009	28,160	11,010	17,150	37,500	23,965	13,535	30,685
2011	27,600	12,950	14,650	36,000	18,250	17,750	32,400
2015	36,250	14,700	21,550	56,250	29,100	27,150	48,700
2017	38,500	14,720	23,780	40,625	29,800	10,825	34,605
2018	41,750	16,620	25,130	60,000	30,500	29,500	54,630

C. **Rice & Wheat:**

Year	Rice			Wheat			Total Profit
	Revenue	Cost	Profit	Revenue	Cost	Profit	
2006	16,850	6,395	10,455	17,100	3,970	13,130	23,585
2007	29,350	7,324	22,026	20,400	4,384	16,016	38,042
2008	15,900	9,455	6,445	16,800	5,300	11,500	17,945
2009	28,160	11,010	17,150	22,600	6,027	16,573	33,723
2011	27,600	12,950	14,650	26,300	7,500	18,800	33,450
2015	36,250	14,700	21,550	37,000	13,250	23,750	45,300
2017	38,500	14,720	23,780	30,800	14,050	16,750	40,530
2018	41,750	16,620	25,130	32,800	15,800	17,000	42,130

Benefit of third crop

As can be seen from above tables, the additional crop of menthe gives the much needed additional income to the farmer. In costing parlance, it also signifies the most profitable product mix from the given finite resource of land. This extra income has seen many farmers buying tractors, building houses and improving the standard of living.

Barabanki, and certain other areas in our country have availability of suitable resources for menthe cultivation as also over the years, entire ecosystems have built around the crop, from roots cultivators, government research institute, to oil distillers to oil traders. In addition, with listing on commodity exchanges, Mentha Oil pricing has become much more transparent.

Farmers in other parts of country may find out some other crops suitable for third harvest, be it vegetables, fruits, lentils, etc. suitable for their area. This can help the farmer to improve their income as also standard of living. MA

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US$ 5 TRILLION ECONOMY BY THE YEAR 2024: IS A HERCULEAN TASK; REQUIRES 11% GDP GROWTH RATE TO ACHIEVE IT

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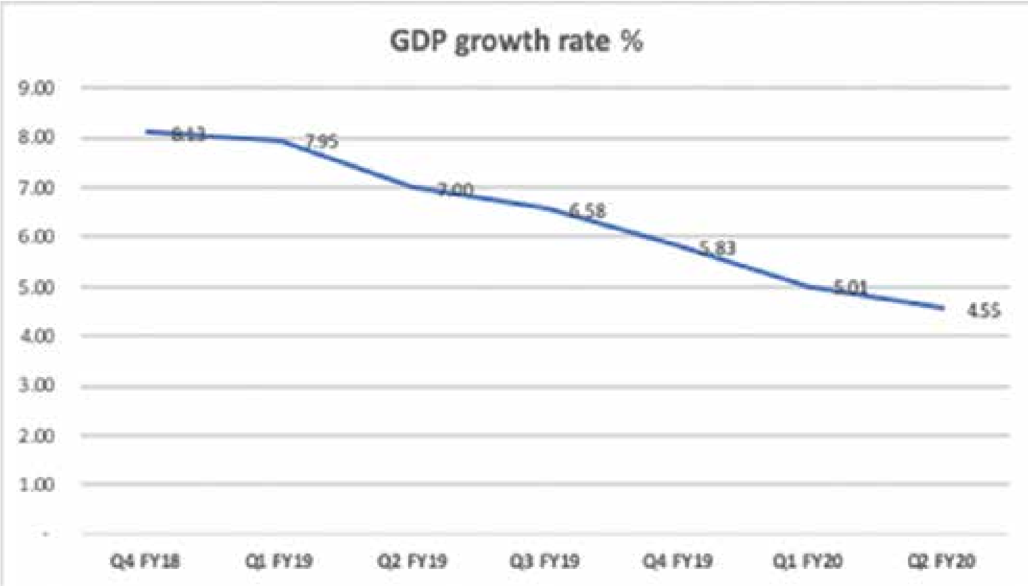
Abstract

To reach a US$5 trillion economy by the year 2024 from a current level of US$ 2.832 trillion at end of Q2 FY20, India need to grow GDP at a rate of 11% p.a. quarter on quarter basis in the balance period. This is definitely a herculean task. With avg. 4.78% growth rate so far in the current financial year, even achieving US$ 4 trillion economy is challenging, which requires 6.63% p.a. growth rate, quarter on quarter basis.

There are lot of buzz since several months for a US$ 5 trillion (tn) economy by the year 2024. Optimism, setting tough target and dreaming big are all good but the set target should be realistic and achievable based on facts and figures. Moreover, at a time when India's GDP growth has declined consistently since last 7 consecutive quarters from 8.13% in Q4 FY18 to 4.55% in Q2 FY20 (as per diagram 1).



[Diagram-1]

India's absolute real Gross Domestic Product (GDP) amount was US$ 2.726 tn at the end of calendar year (CY) 2018. India is the 7th largest economy as on end of CY 2018, after the table topper USA with US$ 20.494 tn, China US$ 13.608 tn, Japan US$ 4.971 tn, Germany US$ 3.997 tn, UK US$ 2.825 tn and France US$ 2.778 tn.

GDP growth data of top 7 global economy in last 31 years:

Country	GDP at the year 2018 (US$ tn)	GDP at the year 1987 (US$ tn)	GDP added (US$ tn)	Compounded Annual growth rate %
USA	20.494	4.855	15.639	4.76 %
China	13.608	0.273	13.335	13.44 %
Japan	4.971	2.533	2.438	2.20 %
Germany	3.997	1.293	2.704	3.71 %
UK	2.825	0.745	2.080	4.39 %
France	2.778	0.943	1.835	3.55 %
India	2.726	0.279	2.447	7.63 %

[Table-1]

As can be observed from the table-1, way back in the year 1987, India's GDP was US$ 279 Billion (bn), which was higher than of China's US$ 273 bn. China have grown 48.85 times since last 31 years to its current level of US$13.608 tn with a massive growth by US$ 13.335 tn and a dominant second position in global economy to India's meagre 8.77 times growth in the same period. India's real GDP growth has been on an average 7.63% per annum on a compounding basis in the last 31 years compared to China's 13.44% per annum in the same period.

Population growth in India has been 1.63% per annum on a compounding basis since last 31 years from 819.682 Million (mn) in the year 1987 to 1.353 bn in 2018. China's population growth in the same period have been much lower at 0.81% per annum from 1.084 bn in 1987 to 1.393 bn in 2018. As far as per capita income data is concerned, as can be observed from the table-2, India's per capita income was higher at US$ 340 compared US$ 252 of China in the year 1987. By the year 2018, India's per capita income rose to US$ 2,015 only compared to US$ 9,770 of China in the last 31 years.

Per Capita income of top 7 global economy in last 31 years:

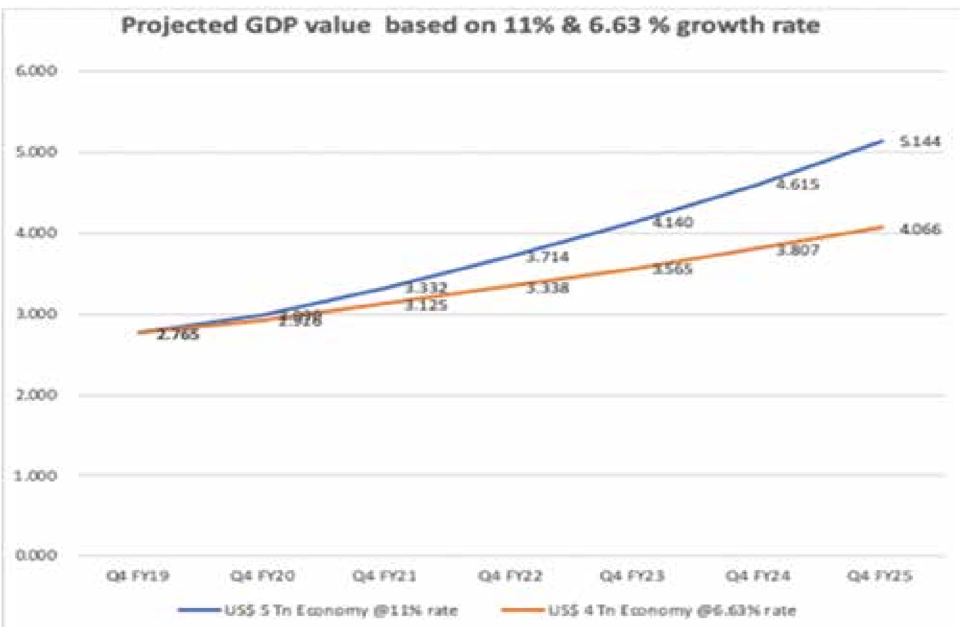
Country	Per capita income in the year 1987 (US$)	Per capita income in the year 2018 (US$)	Per capita income growth (US$)	Per capita income growth (times)
USA	20,039	62,641	42,602	2.13 times
China	252	9,770	9,518	37.77 times
Japan	20,745	39,287	18,542	0.89 times
Germany	16,614	48,196	31,582	1.90 times
UK	13,119	42,491	29,372	2.24 times
France	16,302	41,464	25,162	1.54 times
India	340	2,015	1,675	4.93 times

[Table-2]

India is the largest democracy in the world, and yet we have not taken full advantage of the democratic way of economic governance. India could have been a US$ 13 tn economy by now like China, had we managed our economic policies efficient way in the last 3 decades. Rather, we bow-down with policy paralysis, poor execution, leakage in the system and so on. Tax payer's money were not spent in a prudent way, rather we faced with numerous scams, non-performing assets (NPA) in the banking sector, mining ban, environmental license cancellation and so on. Although, we have improved ease of business ranking to 63rd globally but it is not enough to attract foreign direct investment in a massive way.

We applaud central government for streamlining process, control and emphasizing digitization to arrest leakage in various government departments. Setting Insolvency and Bankruptcy Code (IBC) is an excellent step in resolving NPA in the banking sector. All these steps are good but it has its side effects. Massive NPA amount over INR 9.5 tn in banking sector have derailed fresh bank loan approvals. Most of the officials in lending institutions are currently reluctant to sanction fresh loan proposals for project financing or working capital. During pre-Kingfisher airlines & pre-PNB scam era, loan from banks & financial institutions were easy. During this period, some promotes raised money heavily from banking system in the name of project finance, siphoned those excess funds and made default of these loans. Lenders had to do haircut, provided as NPA and ultimately went through IBC process to recover whatever possible from a new buyer or through the liquidation process. This is whose money? Millions of honest tax payers' money gone into few deceitful promoters' hand. Aftermath of this looting of public money through banking channel, this situation resulted into complete paralysis of lending. This is one of the reasons for slowdown of economy growth as very few fresh capital investments are happening by private sector enterprises as availability of bank loans becoming very difficult.

India is blessed with ample amount of mineral resources reserves such as coal (4th largest globally), iron ore & bauxite (each 5th largest globally), manganese ore (7th largest globally), chromite, copper, lead, zinc, nickel, natural gas, mineral oil, diamond, limestone and thorium (largest globally). Regulatory hurdles like land acquisition, environmental clearance, allocation of block, mining permit and so on are derailing the system and we are unable to explore fully these mineral reserves into productive usage. There is a huge opportunity to invest in mechanized mining for higher productivity, better environmental issues and enablers for fast track approval process. Productive usage of abundant availability of these minerals will help in GDP growth and employment generation.



[Diagram-2]

To reach a US$5 tn economy by the year 2024 from a current level of US$ 2.832 tn at end of Q2 FY20, India need to grow GDP at a rate of 11% p.a. quarter on quarter basis in the balance period (as per diagram-2). This is definitely a herculean task. Even to reach a US$ 4 tn economy by the year 2024, we need to grow GDP at a rate of 6.63% p.a. quarter on quarter basis. Country need support from everyone central government, state government, public sector enterprises, private sector entrepreneurs, bureaucrats, policy makers & lenders and so on. Above all, citizens need to save and invest in productive assets for this exponential growth trajectory to make our US$ 5 tn economy dream a come true. MA

Reference

1. *https://data.worldbank.org/*

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TAX TITBITS

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International Fiscal Organisation is a non-governmental non-profit international organisation providing an independent platform for study of international taxation laws. It holds periodical world conferences. The decisions taken in the last conference held at London in 2019 has for the first time published a report, so that the decisions taken, though not binding on the respective governments highlights the future of taxation.

Firstly, the concept of treaty override itself causes certain apprehensions as to whether it conforms to the understanding in Vienna Convention so as to require a review. So is the doctrine of substance over form and provisions of General Anti-Avoidance Rule (GAAR) as in India and many other countries upsets the consensus arrived in the treaties. These are sources of potential conflicts, which would require attention.

Secondly, it was found that there is yet no clarity in respect of taxation of digital services as an indirect tax. So is taxation of transaction conducted through satellite communication and transmission in space. Jurisdiction over space is going to be a source of major conflict between States. There is no answer for item in the Double Tax Avoidance Agreement.

Thirdly, a question, which had arisen is whether the indirect tax (GST) can legitimately fall on the supplier. If it were to be treated as a turnover tax, liability will be passed on to the consumers as against the present view that it should fall on the supplier. It is also a matter, which would need clarification so as to bring certainty in this regard. MA

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Down The Memory Lane

January 2010

Shri A.N. Raman, CCM, ICWAI on being elected as the new Vice President of SAFA at the 70th SAFA Assembly Meeting at Nepal.

From left to right: Shri Anil Sharma, Secretary, Chandigarh; Shri Balwinder Singh, CCM; Kapil Gupta, Chairman, Chandigarh Chapter; Karan Avtar Singh, IAS-Principal Secretary (Finance), Govt. of Punjab & Chief Guest; A. Venu Prashad, IAS-Commissioner Excise & Taxation, Punjab & Guest of Honour and Rakesh Bhalla, Vice Chairman, NIRC, on occasion of Seminar on GST organized by Chandigarh Panchkula Chapter of Cost Accountants.

Sitting from L-R on the dais on occasion of Investor Awareness Programme organized by South Orissa Chapter of Cost Accountants: Mrs. Anusuya Mahapatra, Area Manager, Stock Holding Corporation of India; Shri Pravakar Mohanty, Past President, ICWAI; Shri R.K. Sharma, DIG of Police, Southern Zone, Berhampur; Shri Suresh Chandra Mohanty, CCM, ICWAI and Shri N.C. Kar, Chairman, South Orissa Chapter of Cost Accountants, Berhampur.

Seminar on International Financial Reporting Standards(IFRS) on 29th January 2010. Shri G. Venkataraman, President , ICWA of India inaugurating the Seminar.

Down The Memory Lane

January 2000

From left are Shri D.C. Bajaj, Vice President, ICWAI; Shri Arun Jaitley, Hon'ble Union Minister for Information and Broadcasting; Shri Mahesh Shah, President, ICWAI and Shri R.J. Goel, Past President, ICWAI at New Delhi.

From left are Shri D.C. Bajaj, Vice President, ICWAI; Shri R.J. Goel, Past President, ICWAI; Shri Digvijay Singh, Minister of State for Railways and Shri Mahesh Shah, President, ICWAI at New Delhi.

From left are Shri Mahesh Shah, President, ICWAI; Shri Ram Jethmalani , Union Minister for Law, Justice and Company Affairs; Shri T.S. Krishnamurthy, Secretary, Department of Company Affairs and Shri J.K. Puri, Past President, ICWAI.

Shri Baba Saheb Vikhey Patil, Minister of State for Finance is seen discussing with Shri Mahesh Shah, President, ICWAI; Shri D.C. Bajaj, Vice President, ICWAI and Shri R.J. Goel, Past President, ICWAI at New Delhi.

January 1990

The Sothern India Regional Cost conference was held on 05 & 6th January, 1990 at Nani Palkivala Auditorium, Mani Higher Secondary School, Coimbatore

Inaugural Session (L to R) S/shri V. Kalyanaraman, Adviser, SAFA; J.K. Puri, President, ICWAI; P.S. Muthuswami, Director, T. Stanes & Co.ltd.; S. Ramanathan, Central Council Member; K. S. Ganapathy, Chairman, SIRC;G.K. Sundaram, Chairman, The Lakshmi Mills Co. Ltd.; A.N. Raman, Secretary, SIRC; K. Natarajan, Chairman, Coimbatore Chapter; M. Gopalakrishnan, Secretary, Coimbatore Chapter and Govt. Nominee, Central Council

Shri P.S. Muthuswami, Director, T. Stanes & Co Ltd. Lightening the lamp in the Inaugural Session. L to R: M. Gopalakrishnan, Secretary, Coimbatore Chapter; P.S. Muthuswami; J.K. Puri, President, ICWAI; K. S. Ganapathy, Chairman, SIRC; and V. Kalyanaraman, Adviser, SAFA.

Down The Memory Lane

January 1980

ICWAI-ICAI Joint Professional Programme on Cost and Financial Management held on January 4 & 5, 1980 at Hotel Oberoi Grand, Calcutta

Shri H.P. Ray Chaudhury (ICWAI), Shri S. Ganapathisubramanian (Faculty Member), Shri P.K. Bose (ICWAI), Shri S.K. Das Gupta (ICAI), Shri S.C. Bafna (ICWAI, Central Council Member), Shri N.K. Roy (President, ICWAI), Shri N.K. Bose (ICWAI, Central Council Member), Shri A.K. Chakraborty (ICAI) and Shri S.N. Ghose (ICWAI).

Seminar on "IMF, World Bank and their role in India" in Constitution Club, New Delhi on 24th January 1980

Dr. R.L. Varshney (Director, Indian Institute of Foreign Trade) addressing the gathering. Other in the picture are (from left to right) Shri B.S. Ramaswamy, IA & AS, FICWA (Additional Financial Advisor & Joint Secretary, Ministry of Finance-Defence Division, Government of India), Shri M.P. Gupta (Hon'ble Secretary, N.I.R.C. of I.C.S.I.) and Shri Ajit Nath (N.I.R.C. of I.C.W.A.I.)

January 1970

Inauguration of 22nd Chapter of the Institute: Cuttack Bhubaneswar Chapter of Cost Accountants on 10th January 1970

From L. to R.: Sri G.K. Abhyankar, President, I.C.W.A.; India; Sri C. Raghunadham, Vice-Chairman of the Chapter; Prof. R.N. Misra, Chairman & Principal; Hon'ble Sri Harihar Patel, Minister, Industries and Commerce, Orissa; Hon'ble Sri R.N. Singh Deo, Chief Minister, Orissa; Sri B.K. Shome and Sri N.K.Bose.

8th Annual Day Function of College of Accountancy & Management Studies, Cuttack on 10th January 1970

From L. to R.: Sri C.R. Misra (President, Students' Association), Padmabhusan Sri Radhanath Rath, M.L.A., (President for the Annual Day Celebration); H.E. Dr. S.S. Ansari, Governor of Orissa, Chief Guest and Sri G.K. Abhyankar, President, I.C.W.A.; India.

Source: *Extracted from the various issues of The Management Accountant Journal*

EASTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SERAMPORE CHAPTER

The Chapter on 1st December 2019 organized a half day seminar on "Recent Developments in the area of Direct and Indirect Taxes" at its CMA Bhawan. The welcome address to the seminar was given by CMA Ranjan Sanyal, chairman of the Chapter. The inaugural session was attended by CMA Ashis Banerjee, Regional Council Member, EIRC and past Chairman of the Chapter and CMA Arundhati Basu, Regional Council Member, EIRC. Both of them in their brief speech stated the importance of organizing such kind of seminars. Eminent Tax Professional Sri Vivek Jalan was the key note speaker at the seminar. Speaking on the occasion Sri Jalan observed that changes in the Income Tax and Goods and Services Tax are taking place frequently. Sri VivekJalan emphasized on organizing Data Analytics in different format for satisfaction of Higher Management and Department. The seminar ended with a formal vote of thanks from CMA Santanu Mukhopadhyay, Past Chairman of the Chapter. The webportal of the Chapter www.icmaiserampore.in was also launched which was inaugurated by senior founder members of the chapter, CMA Asish Banerjee (Sr.) and CMA Dinesh Bhattacharya. The students of the Chapter who successfully completed the computer training and soft skill development program were appreciated by certificates. The whole program was coordinated by CMA Sanjuckta Tarafdar Basu, Treasurer of the Chapter.Among others present in the seminar were, CMA Prabir Kumar Datta, immediate past chairman of the chapter, CMA Bibhas Saha secretary of the chapter and a host of CMAs.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BANKURA CHAPTER

The Chapter with EIRC organized a joint seminar on November 24, 2019 on the theme of SabkaBiswas (Legacy Resolution Scheme) held at Bankura. The seminar was presided by CMA Subhash Chandra Samanta, Chairman of the chapter. CMA Pallab Bhattacharya, Chairman, EIRC was the chief guest and CMA Arundhati Basu, Chairperson, Members in Industries Committee, EIRC and CMA Ashis Banerjee, Chairman, Chapters Co-ordination Committee, EIRC were distinguished Guests of Honor. The seminar started on lighting the lamp by the Chief Guest, CMA Pallab Bhattacharya followed by President, CMA Subhash Chandra Samanta, Guests of Honor, CMA Arundhati Basu and CMA Ashis Banerjee, Speakers CS Anindita Chatterjee and CMA Shyamalendu Bhattacharya, Past Chairman of EIRC CMA Bibekananda Mukhopadhyay, Past Chairman of Asansol Chapter CMA Madan Bhattacharya, Secretary CMA Gour Bandhu Gupta, Treasurer CMA Nibaran Sinhamahapatra, and student of Chapter Miss Swarnali Mukherjee. On delivery of speech of Chief Guest CMA Pallab Bhattacharya expressed his satisfaction on the performance of the chapter and assured to extend all possible help to this chapter. He advised to arrange more seminars jointly with EIRC and next seminar may be arranged in the Coming month of March 2020.CMA Arundhati Basu and CMA Ashis Banerjee, distinguished Guests of Honor expressed their satisfaction for arranging such a nice seminar and performance of the chapter in their valuable speeches. In 1st Technical session, Indirect Tax specialist CS Anindita Chatterjee delivered a nice speech on important concepts of GST and after the 2nd Technical Session was held in which veteran speaker; CMA Shyamalendu Bhattacharya threw tight on the Recent Developments in Direct Taxation under Income Tax Act, 1961. The joint seminar ended with vote of thanks given by CMA Gour Bandhu Gupta, secretary of the chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA RAJPUR CHAPTER

The Chapter organised a one day workshop on issues of the GST system in so far as they relate to the procedures and compliances of the Act. Convened by CMA S. N. Das, chairman of the chapter and CMA (Dr.) JharnaDutta, Associate Professor of Finance at BIMS, the workshop was conducted in association with BharatiyaVidyaBhavan Institute of Management Science (BIMS), Kolkata on November 30, 2019. CMA Manas Kumar Thakur, past president of the Institute , Dr. R.K. Patra, Principal of BIMS and Dr. G.V. Subramanian, Director, BVK were the main speakers. Shri Subir Ghosh, Deputy Commissioner, West Bengal, GST, CMA CS T.B. Chatterjee, An Entrepreneur and Expert professional on Indirect Tax, Shri Jaydeep Chatterjee, Deputy Commissioner, Central GST, Shri Nikhil Agarwal, renowned Tax Consultant were among eminent dignitaries present in the workshop.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SOUTH ODISHA CHAPTER

The Chapter organized an evening talk on "Recent amendments in Cost audit and filing of Returns" held at the chapter on November 27, 2019. CMA Prasanta Kumar Pani, chairman of the chapter, CMA Narasingha Chandra Kar, secretary and CMA S.S. Santholia as chief speaker on the topic occupied the dais. CMA Prasanta Ku Pani briefly introduced about the topic and about CMA S.S. Santholia to the audience. CMA S.S. Santholia elaborately deliberated on the salient features of companies (Cost Records and Audit rules 2014) as amended in detail.

NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

The Chapter organized a seminar on 23rd November 2019 at its premises. Secretary of the chapter, CMA Swapnil Bhandari welcomed the speakers and the participants.In the first session, key speaker was Prof. S.P. Garg, Management Professor, Mentor and Consultant. Book in Hindi titled "Aanandmay Safal Jeevan" written by him was also released on this occassion.In the second technical session, key speaker was CMA Suresh Agrawal. He explained in detail on the Topic "GST - Challenges and Resolutions".The program was conducted by CMA Swapnil Bhandari, secretary of the chapter. At the end of the program, CMA Harendra Kumar Pareek, Executive Member thanked speakers and the participants.

SOUTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

The Chapter organized a discussion programme in reference to the colloquium proposed in Bengaluru on 11th November,2019. CMA T.S.N. Raja assumed the role of the programme moderator. The discussion focused on the topic 'Liquidation Under IBC 2016'. The Chapter organized a four day workshop on Indian Accounting Standards from November 13, 2019 till November 16, 2019. Shri R.M. Deshpande, Executive Director, Nagarjuna Fertilizers & Chemicals Ltd. discussed about the DBT issues and remedies on November 16, 2019.In an effort to curb the menace of fake invoices and boost cash flow, the government has decided to restrict input tax credit under the GST to 20% of the eligible amount for an entity if its supplier has not uploaded relevant invoices detailing the payments made. On November 18, 2019 CMA Mallikarjuna Gupta explained in detail about Notification No 49/2019– Central Tax dated 9th Oct, 2019. On November 30, 2019, the chapter organized a programme on "How to make Most of Impending Bear Market".

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BANGALORE CHAPTER

The Chapter organized professional development programmes on Amendments to The Companies (Cost Records and Audit) Rules,2014 at its premises on 26th October 2019 and Kannada Rajyotsava - Cash Transaction under Income Tax Act,1961 at its premises on 9th November 2019. CMA Sreepada H.R.- Chairman, CMA Kumar H N – Secretary, CMA Girisk K – Practicing Cost Accountant, Sri. Sethuram S.N , CMA Manjula B.S – Vice Chairperson, CMA Vishwanatha Bhat - Treasurer SIRC were among eminent dignitaries present during the programme. A Colloquium on Liquidation under IBC, 2016 at its premises was organized on November 11, 2019. A Campus Placement of Consero Solutions India Private Limited was organized at its premises on November 11, 2019.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA MYSURU CHAPTER

The Chapter conducted a seminar on “Direct and Indirect Taxes” on November 16, 2019 at Hotel REGENTA Mysuru. CMA M Ashok Kumar, chairman of the chapter welcomed the gathering and told that in the present perspective it is very essential for professionals to update on Direct & Indirect Taxes. The seminar was inaugurated by CMA Niranjan Mishra, Chairman, Indirect Taxation Committee of the Institute. Mr.Kiran.S, I.R.S. Assistant Commissioner Income Tax, Circle-1 (1), Mysuru, informed about new changes in Direct Tax and its Impact on Industries.The first Technical Session was handled by Shri. Venkatesh S. Superintendent Central Tax (GST) Mysuru Rural Division, on Practical Issues relating to Annual Return & GST Audit. (GSTR - 9 & 9C).CMA Vishwanath Bhat, Treasurer SIRC, informed about Industry & Stakeholder’s View.The Second Technical Session was handled by Dr. B V Muralikrishna, Additional Commissioner E Audit, Commercial Tax, Karnataka, informed about New Returns Under GST & E Invoicing. CMA Trinesha R, secretary of the chapter proposed vote of thanks.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COCHIN CHAPTER

The Chapter jointly with The Institute of Company Secretaries of India, Kochi Chapter conducted a full day programme on LABOUR LAWS – LATEST CHANGES at Cochin 0n 7th Dec 2019. The programme was inaugurated by Shri. Ebin Viswanath V. , Regional PF Commissionor-II. The session was handled by Adv. C.B. Mukundan, Practicing advocate and Adv. Anil Narayanan, Practicing advocate.

The Managing Committee of the Chapter conducted an interactive session with Dr. CMA Jaganmohan Rao, President – SAFA (South Asian Federation of Accounts) at the Chapter on 11th Dec 2019. Chapter Chairman CMA Anil Xavier, SIRC Vice Chairman CMA Sankar P. Panicker , MC members and students were presented for the session.As per the invitation of the Principal Secretary, Govt. of Kerala, to be solicited by a collaborative contribution and cooperation of the eminent finance (CMA//CA/CS) fraternity of the state to the Government of Kerala's flagship programme "Global Investors Meet" ASCEND Kerala 2020 on December 14, 2019, at Kochi. An Interactive Round table Session was led by Sri. Pinarayi Vijayan, Hon'ble Chief Minister of Kerala. Chapter Chairman, CMA Anil Xavier and a team of 20 CMAs participated the programme.The aim of this programme was to facilitate a vibrant platform for Global, National and State -level fraternity to understand the investment potential of the state with a sharp focus on all-round sustainable economic development for an "Industrial Friendly Nava Keralam".The Chapter Chairman handed over a representation to the Chief Minister of Kerala.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

The Chapter organized a career awareness program for MBA students of Jai Sriram College of Technology, Tirupur on 21st November, 2019. A CSS training session conducted at the chapter for Intermediate oral students was concluded on 23rd November, 2019.As per HQ circular, Constitution Day Pledge taking ceremony was held at the chapter on 26th November, 2019.On 27th November, 2019, a PDP on "Risk Management and Valuation of Assets" was conducted at the chapter. A joint PDP with other Professional bodies was conducted on 30th November, 2019 on the topic SabkaVishwas Scheme, 2019 at Coimbatore. Dr.M.Periasamy IRS Jt.Commissioner, CGST & CE, Coimbatore was the Chief Guest. Sri P.V. Chandra Suresh, Supt. of CGST & CE, and CA Paul Thangam and CA Aravind Thangam were guest speakers.CMA Dr. P.V.S. Jagan Mohan Rao, President SAFA addressed the Chapter Members and Students on 18th December, 2019 and spoke on "International Challenges & Opportunities in Accounting". The chapter conducted revision course for December, 2019 term examination for Intermediate students on Direct Taxation on 2nd December, 2019 and for Foundation Students on Fundamentals of Accounting on 5th December, 2019 and exam tips with reference to Fundamentals of Business Mathematics to students of Satellite Centre at Dr.SNS Rajalakshmi College of Arts & Science, Coimbatore to enable the students to perform well in the ensuing examination. As advised by HQ, a Press Meet was arranged on 18th December, 2019 at the chapter. The Press Meet was conducted by CMA Dr. P.V.S. Jagan Mohan Rao, President SAFA accompanied by chapter chairman, vice chairman and past chairperson CMA Meena Ramji. One of the Chapter Satellite Centres, Hindusthan College of Arts & Science, Coimbatore was presented with "Best CMA Satellite Centre Award 2019". The Award was given by CMA Dr. P.V.S. Jagan Mohan Rao, President SAFA accompanied by the Chapter Chairman at a function arranged at the College on 18th December, 2019. He also presented best coordinator of CMA Satellite Centre Certificate to Dr.N.Kannan Associate Professor, Dept. of Commerce of the same College. The function was presided by Smt. Sarasuwathi Khannaiyann, Managing Trustee, Dr.Priya Sathishprabhu, Executive Trustee & Secretary and Dr.A.Ponnusamy, Principal of the College.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TIRUCHIRAPALLI CHAPTER

A special lecture program was organized by the chapter in association with Tiruchirappalli Chapter of Chartered Accountants on December 17, 2019. CMA Dr.Jagan MohanRao , President, SAFA was the Chief Guest and Resource person. CMA C. Subramanian , chairman of the chapter rendered welcome address .CMA K.Rajagopal ,SIRC Member introduced the Chief guest to the audience. CA SP. Ulagappan, Chairman, Tiruchirappalli Chapter of Chartered Accountants urged the members to have updated professional knowledge. In his address, the chief guest extensively dealt with the responsibilities and deep professional knowledge expected of Accounting professionals with reference to Companies Act-2013. CMA M.Venkataraman , Vice- Chairman, proposed vote of thanks. SAFA President had an interactive session with students of Seethalakshmi Ramasamy College and St.Josephs College. He also addressed Finance Executives of BHEL, Trichy.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA INDORE DEWAS CHAPTER

The Chapter is targeting to increase the branding of CMA by increasing the student admissions through career awareness programs and future in CMA course by CMA Aniruddh Gupta, chairman of the chapter. First and second seminar was taken by CMA Aniruddh Gupta, chairman of the chapter in Government Higher Secondary Girls School, Mhow.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AHMEDABAD CHAPTER

The Chapter organized an extended campus placement for June'19 pass out CMAs on November 12 and 13, 2019 at its premises.CMA Haren Bhatt, Chairman welcomed Chief Guest CMA AG Dalwadi-CCM, Office bearers, representatives of Companies & participant CMA's and gave information about chapter activities. CMA AG Dalwadi-CCM explained about Institute's vision for development of profession and opportunities for CMA's in practice and in service sector. CMA Malhar Dalwadi proposed vote of thanks. The Chapter organized Constitution Day pledge ceremony on November 26, 2019 at its premises.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BARODA CHAPTER

The Chapter organized Rashtriya Ekta Diwas (National Unity Day) at its office premises on October 31, 2019. The event was led by CMA Mihir Vyas, Secretary - Baroda Chapter, along with other employees and few CMA Students. The chapter read out Preamble to the Constitution on 26th November 2019 as per instruction from the MCA vide letter No. CDN-34011/2/2019 CDN-MCA dated 22nd November, 2019.With reference to the notification dated 12th July 2019 having subject 'CMA Career Counselling Drive: 2019 – 2020', they arranged career counselling sessions during the month of November 2019.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAVI MUMBAI CHAPTER

The Chapter organized a CEP on "Legal Compliances to start a business" on 15th December 2019 at Karmaveer Bhaurao Patil College, Vashi. The programme commenced with the introduction of CMA Ajay Mohan (speaker) by CMA Basant Kumar Das and emphasizing on the importance of legal compliance required for a new business and avoid fines and penalty for non-compliance. Speaker, CMA Ajay Mohan explained various legal compliances applicable to proprietorship firm/individual, partnership firm, LLP, private/public company, one person company. He also elaborated on merits and limitations of these forms of organization. The programme completed with felicitation of CMA Ajay Mohan by CMA B N Sapkal. CMA K R Jethani, MCM of the chapter gave vote of thanks to the speaker and audience.

DIRECT & INDIRECT TAXES UPDATES - DECEMBER 2019

DIRECT TAXES UPDATES

RECENT CIRCULARS/NOTIFICATIONS

- In exercise of the powers conferred by sub-section (1) of section 280A of the Income-tax Act, 1961 (43 of 1961) and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (22 of 2015), the Central Government, in consultation with the Chief Justice of High Court of Himachal Pradesh, Shimla hereby designates the Civil Judge-cum-JMIC (3), Shimla and Civil Judge-cum-JMIC(2), Hamirpur as Special Courts for the purposes of sub-section (1) of section 280A of the Income-tax Act, 1961 and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 within their respective jurisdiction ***(Notification No. 102/2019 / F. No 285/36/2019-IT (Inv.V) CBDT dt 4th December 2019)***
- In exercise of the powers conferred by the proviso to sub-section (1) of section 187 of the Finance Act, 2016 (28 of 2016), the Central Government hereby specifies that the persons who have made a declaration under sub-section (1) of section 183, but have not made payment of the tax and surcharge payable under section 184 and penalty payable under section 185 of the said Act, in respect of the undisclosed income, on or before the due date notified by the Central Government vide notification number S.O. 1830 (E), dated the 19th May, 2016, (as subsequently amended vide notification number S.O. 2476 (E), dated the 20th July, 2016), may make the payment of such amount on or before the 31st day of January, 2020, along with interest on such amount, at the rate of one per cent. for every month or part of a month comprised in the period commencing on the date immediately following the said due date as so notified and ending on the date of such payment. This notification shall be deemed to have come into force with effect from the 1st day of June, 2016 ***(Notification No. 103/2019/F. No. 370149/159/2019-TPL dt 13th December 2019)***
- CBDT in exercise of the powers conferred under 119 of the Act, hereby extends the due date for payment of tax deducted at source under section 194M during the month of September, 2019 and October, 2019 and the due date for furnishing the challan-cum-statement in Form 26QD for the same, from 31.10.2019 and 30.11.2019 respectively to 31.12.2019. Consequently, the due date of furnishing of the certificate of deduction of tax in Form 16D has also been extended for the tax deducted during the month of September, 2019 and October, 2019 to 15.01.2020 ***(Circular No31/2019 dt 19th December 2019)***
- The Union Cabinet approved a proposal to promulgate an Ordinance and to amend the Insolvency and Bankruptcy Code, 2016. Under the Amendments, the liability of a corporate debtor for an offence committed prior to the commencement of the corporate insolvency resolution process shall cease, and the corporate debtor shall not be prosecuted for such an offence from the date the resolution plan has been approved by the Adjudicating Authority, if the resolution plan results in the change in the management or control of the corporate debtor to a person who was not:(a) A promoter or in the management or control of the corporate debtor or a related party of such a person; or (b) A person with regard to whom the relevant investigating authority has, on the basis of material in its possession, reason to believe that he had abetted or conspired for the commission of the offence, and has submitted or filed a report or a complaint to the relevant statutory authority or Court ***(IBBI release dated 24th December 2019)***
- Clarification on voting on behalf of creditors in a class in the CIRP of Jaypee Infratech Limited ***(Circular No. IBBI/CIRP/JIL dt 6th December 2019)***

INDIRECT TAXES UPDATES

GST

- **Withdrawal of Circular No. 107/26/2019-GST dt. 18.07.2019**

  Circular No. 107/26/2019-GST dated 18.07.2019 wherein certain clarifications were given in relation to various doubts related to supply of Information Technology enabled Services (ITeS services) under GST. In order to ensure uniformity in the implementation of the provisions of the law across field formations, the Board, in exercise of its powers conferred by section 168(1) of the Central Goods and Services Tax Act, 2017, hereby withdraws, ab-initio, Circular No. 107/26/2019-GST dated 18.07.2019 ***(Circular No. 127/46/2019 – GST dt 4th December 2019)***
- ***Notification No. 63/2019 dt 12th December 2019***- for registered persons whose principal place of business is in the State of Jammu and Kashmir, the time limit for furnishing the details of outward supplies in FORM GSTR-1 of Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees

in the preceding financial year or current financial year, for each of the months from July, 2019 to September, 2019 till 20th December, 2019."This notification shall be deemed to come into force with effect from the 30th Day of November, 2019.

- ***Notification No. 64/2019 dt 12th December 2019*** - for registered persons whose principal place of business is in the State of Jammu and Kashmir, the time limit for furnishing the details of outward supplies in FORM GSTR-1 of Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for the month of October, 2019 till 20th December, 2019."This notification shall be deemed to come into force with effect from the 30th Day of November, 2019.
- ***Notification No. 65/2019 dt 12th December 2019***- the return by a registered person, required to deduct tax at source under the provisions of section 51 of the said Act in FORM GSTR-7 of the Central Goods and Services Tax Rules, 2017 under sub-section (3) of section 39 of the said Act read with rule 66 of the Central Goods and Services Tax Rules, 2017, for the months of July, 2019 to October,2019, whose principal place of business is in the State of Jammu and Kashmir shall be furnished electronically through the common portal, on or before the 20th December, 2019." This notification shall be deemed to come into force with effect from the 30th Day of November, 2019.
- ***Notification No. 66/2019 dt 12th December 2019***- the return in FORM GSTR-3B of the said rules for the months of July to September, 2019 for registered persons whose principal place of business is in the State of Jammu and Kashmir, shall be furnished electronically through the common portal, on or before the 20th December, 2019." This notification shall be deemed to come into force with effect from the 30th Day of November, 2019.
- ***Notification No. 67/2019 dt 12th December 2019***- the return in FORM GSTR-3B of the said rules for the month of October, 2019 for registered persons whose principal place of business is in the State of Jammu and Kashmir, shall be furnished electronically through the common portal, on or before the 20th December, 2019."This notification shall be deemed to come into force with effect from the 30th Day of November, 2019.
- ***Notification No. 68/2019 dt 13th December 2019***- In the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules), in rule 48, after sub-rule (3), the following sub-rules shall be inserted, namely:- "(4) The invoice shall be prepared by such class of registered persons as may be notified by the Government, on the recommendations of the Council, by including such particulars contained in FORM GST INV-01 after obtaining an Invoice Reference Number by uploading information contained therein on the Common Goods and Services Tax Electronic Portal in such manner and subject to such conditions and restrictions as may be specified in the notification. (5) Every invoice issued by a person to whom sub-rule (4) applies in any manner other than the manner specified in the said sub-rule shall not be treated as an invoice. (6) The provisions of sub-rules (1) and (2) shall not apply to an invoice prepared in the manner specified in sub-rule (4)."
- ***Notification No. 69/2019 dt 13th December 2019***- Seeks to notify the common portal for the purpose of e-invoice.
- ***Notification No. 70/2019 dt 13th December 2019***- In exercise of the powers conferred by sub-rule (4) to rule 48 of the Central Goods and Services Tax Rules, 2017, the Government, on the recommendations of the Council, hereby notifies registered person, whose aggregate turnover in a financial year exceeds one hundred crore rupees, as a class of registered person who shall prepare invoice in terms of sub-rule (4) of rule 48 of the said rules in respect of supply of goods or services or both to a registered person.This notification shall come into force from the 1st day of April, 2020.
- ***Notification No. 71/2019 dt 13th December 2019***- In exercise of the powers conferred by rule 5 of the Central Goods and Services Tax (Fourth Amendment) Rules, 2019, made vide notification No. 31/2019 – Central Tax, dated the 28th June, 2019, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 457(E), dated the 28th June,2019, the Government, on the recommendations of the Council, hereby appoints the 1st day of April, 2020, as the date from which the provisions of the said rule, shall come into force.
- ***Notification No. 72/2019 dt 13th December 2019***- In exercise of the powers conferred by the sixth proviso to rule 46 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules), the Government, on the recommendations of the Council, hereby notifies that an invoice issued by a registered person, whose aggregate turnover in a financial year exceeds five hundred crore rupees, to an unregistered person (hereinafter referred to as B2C invoice), shall have Quick Response (QR)code: Provided that where such registered person makes a Dynamic Quick Response (QR) code available to the recipient through a digital display, such B2C invoice issued by such registered person containing cross-reference of the payment using a Dynamic Quick Response (QR) code, shall be deemed to be having Quick Response (QR) code. This notification shall come into force from the 1st day of April, 2020.

Information Source-

Various internet websites including Income Tax Website, GST portal.

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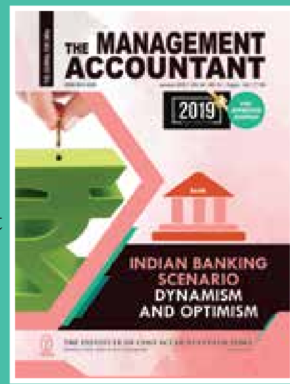
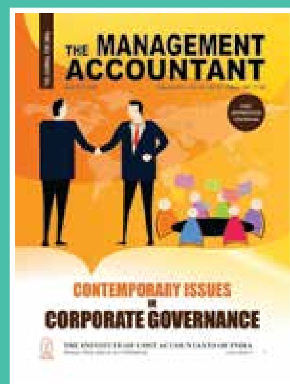
January - Indian Banking Scenario: Dynamism and Optimism



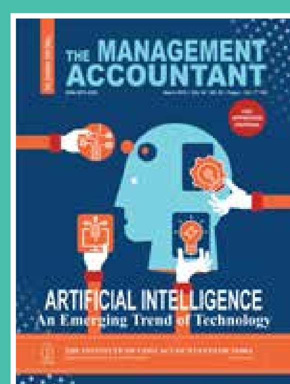
Banking sector play a very crucial role in the financial system of an economy. It facilitates the creation and maintenance of a robust payment system to meet the requirements of businesses, the government and general public. It also serves as a credit delivery mechanism, which can be accessed by those who are in need of funds. The Indian banking sector, at present is witnessing an IT revolution and is heading towards digitalisation. Right from opening an account, deposits, withdrawals, funds transfer, payments, till closing of an account, today, all can be done digitally and most importantly, at our own comfortable time & location. Most significant advantage is 24/7 access. ATM's has done a phenomenal change in our relationship with Banks. Further, we can now access money from any Bank ATM's. Today's CDM (Cash Deposit Machine) allows us to Deposit cash and add instant credit to our account without paperwork or queues.

February - Contemporary Issues in Corporate Governance



Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In India the need for corporate governance aroused because of the alarming level of scams that occurred since the emergence of the concept of liberalization, such as Harshad Mehta scam, UTI scam, Bansali scam and so on. These unruly scams shook the very conscience of the Indian Economy and the trust of gullible investors. The various initiatives have been taken in the past decades by the Ministry of Corporate Affairs and SEBI to find out those entrusted with the responsibility of governing shareholder wealth are adequately regulated and made accountable. From the past 15 years, many reforms has been made on the corporate governance framework - starting from Kumar Mangalam Committee (1999), introduction of Clause 49 in the listing agreement (2000), revision in Clause 49 on recommendations of the Narayana Murthy Committee (2006), issue of voluntary guidelines on corporate governance (2009), issue of guiding principles on corporate governance (2012) based on recommendation of the Adi Godrej Committee, enactment of the revised Companies Act (2013) and finally the new corporate governance norms by SEBI (2014). The recent amendments to Clause 35B and 49 of the listing agreement make Governance more effective and rigorous in protecting the interest of all stakeholders. The amended Clause 49 is applicable to listed companies but as per SEBI clarification, in future this clause will be applicable to non-listing companies also.

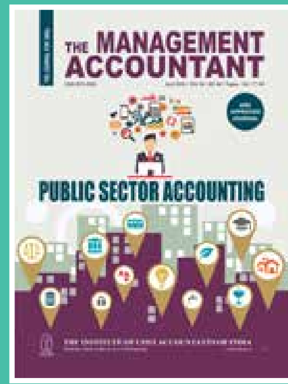
March - Artificial Intelligence – An Emerging Trend of Technology



The concept of Artificial Intelligence was first proposed by John McCarthy and other computer experts in 1956, at the University of Dartmouth seminar in the United States and that causes the birth of Artificial Intelligence (AI) (Jiaxin Luo et. al., 2018). AI refers to as the ability of a computer or a computer-enabled robotic system to process information and produce outcomes in a manner to the thought process of humans in learning, solving problems and decision making. In addition to that; the goal of AI systems is to develop systems which are capable of tackling complex problems in the ways similar to human logic and reasoning. AI is a cognitive science with rich research activities in the areas of image processing, natural language processing, robotics, machine learning etc. The applications of AI are vast; the researchers assimilate the ideas into computer science generally for applications in expert systems, human machine interactions, natural language processing, information retrieval, graphics and image processing, robotics, data mining and many more. AI is a very broad term and nearly omnipresent in one way or another in the technologies existing today. From the silicon chips in Calculators to Virtual Assistants like SIRI and Alexa to Driverless Cars, all are part of the broader terminology called Artificial Intelligence.

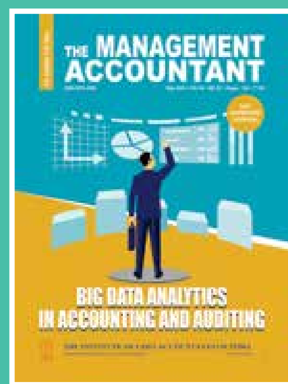
April - Public Sector Accounting

Reforming the language of public sector accounting is required in order to enhance the accountability and transparency of the government. This would result in better allocation of resources and would invoke a sense of responsibility in the institutions. Twelfth and thirteenth finance commission of India has also supported the implementation of International Public Sector Accounting Standards (IPSAS) for improving the government accounting systems. India, as a developing nation, has already established itself in the field of accounting and is in the transitioning towards the global accounting practices from the local ones. Under the given set of variations across economic and political subsystems of the states within the country, it still has a long way to go.



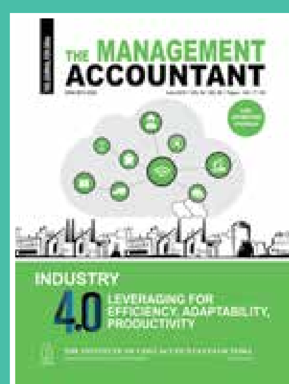
May - Big Data Analytics in Accounting and Auditing

Big data has brought a new dimension in various industries particularly in the financial sectors. In order to survive the competitive world, businesses are forced to use big data. The companies are coming out with newer products, complex trading strategies, innovative methods of payment and disbursement of loans etc. Big data together with technology, sophisticated analytics and machine learning techniques, helping the business enterprises to supplement human instincts and experience better decision making and gain a competitive edge. Volume, Velocity, Variety, and Veracity are 4 Vs of Big Data as its striking dimensions which are useful for any organisation only if it can be used to generate the fifth V viz. Value. In modern times Big Data has proved its utility in many areas of business management including accounting and auditing. Financial accounting information using big data can lead to better disclosure which in turn may enhance investor trust. Big Data can play a vital role in refining existing accounting standards and developing the needed ones.

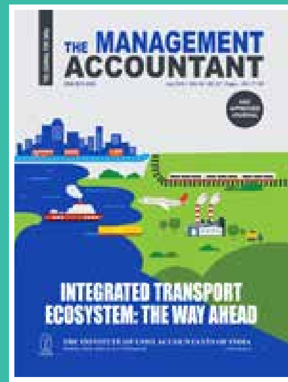


June - Industry 4.0 Leveraging for Efficiency, Adaptability, Productivity

The term "Industry 4.0" originates from a project in the high-tech strategy of the German government, which promotes the computerization of manufacturing. The German government established "Plattform Industrie 4.0" to support German SMEs by helping them understand and exploit Industry 4.0 strategies and opportunities, particularly in the areas of standardization and norms, security, legal frameworks, research, and workforce transformation. Industry 4.0 brings much more to the table than the conventional Computer Assisted Manufacturing, introduced during the third industrial revolution. Outcome of Industry 4.0 is to propagate the concept of Cyber-Physical Systems (CPS) based smart factories, which will be powered by futuristic technologies like artificial intelligence (AI), robotics, analytics, big data and industrial internet of things, resulting in highly digitized and connected production facility, relying on autonomous smart manufacturing with the ability to self-correct.

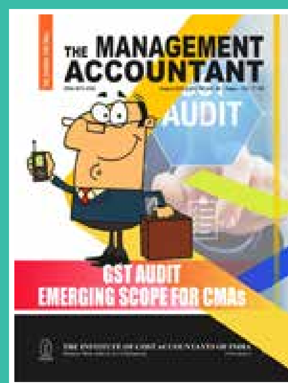


July - Integrated Transport Ecosystem - The Way Ahead



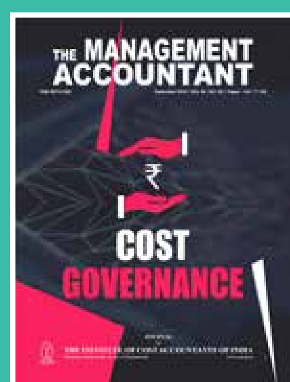
Integrated transport system refers to a multi-modal transport system where different modes of transport are efficiently linked with each other. This translates into the smooth movement of freight over various modes of transport like roads, railways, ports, coastal shipping, inland water and civil aviation. Different modes of transport differ in their capital intensity and technical and operational capabilities. The capacity of each mode of transport has to be developed to meet its specific demand viewed within the total demand for all modes of transport. India's logistics sector is highly de-fragmented and the aim is to reduce the logistics cost from the present 14% of GDP to less than 10% by 2022. Integration of transport systems is vital for reduction of logistic costs and strengthening economic growth. The efficiency of logistic system will also help in proper and timely distribution of agricultural produce to the market. Integrated or multi modal transport system enables to achieve efficient, faster, safer, cost effective and pollution free mobility and will create employment opportunities in local and rural areas.

August - GST Audit Emerging Scope for CMAs



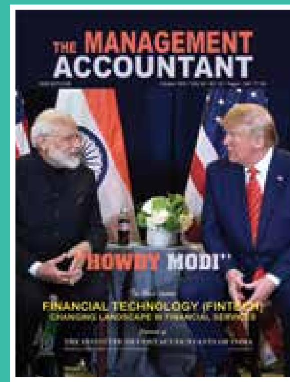
Goods and Services Tax (GST) is the biggest tax reform witnessed by India after independence. The GST law has created ample opportunities for Cost and Management Accountants (CMAs) by requiring them in maintenance of GST records, filing of return and GST Audit. Consequently, we must recognize that the responsibility of cost accountants has also been increased. The law has given the scope to certify the GSTR 9C or prepare necessary cost records in support of anti-profiteering measures, but all these activities are very much challenging. CMAs should ensure that they commence the GST audit concurrently and complete the GST audit along with the cost audit. This will facilitate the concerned organization to avail all the input credit of the relevant financial year and ensure that the consumption and inventory values are more accurate. CMAs must follow the guidelines prescribed by the Institute of Cost Accountants of India in this regard and the Cost Accounting Standards wherever necessary. They should carefully perform their duty to serve the nation and, make India fraud and corruption free.

September - Cost Governance



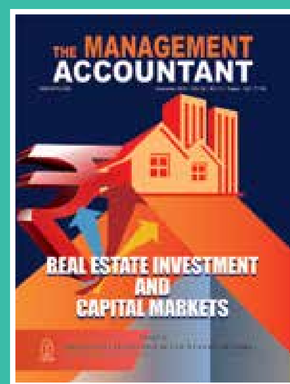
Cost Governance is all about monitoring of costs on a continuous basis and consistent evaluation of costs that leads the pathway to cost governance, which helps to control the utilization of resources by following certain set of policies, customs and prevailing laws. Cost Governance fosters cost competency. Good Cost Governance is conducive to successful economic development. Application of Costing Methods & Techniques helps to govern the Industry, Economy and Society at large and for the Capacity Building of the nation, Cost Governance will be a new horizon. Following the vision of Hon'ble Prime Minister of India, the Economic Survey 2018-19 unveiled strategic blueprint for Indian economy to reach US$5 trillion by 2024-25. The survey identified 'investment' as a key driver and suggested investment led growth model for India. Cost Governance can act as a powerful tool or weapon or as an 'Expressway' towards reaching the destination of USD 5 trillion economy by 2024-25.The survey also emphasized the need to bring change in economic thinking and mindset, stressed upon applying the principles of behavioural economics for desirable social change.

October - Financial Technology (Fintech) - Changing Landscape in Financial Services



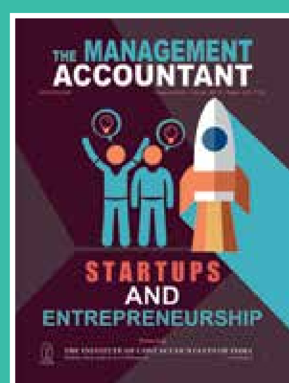
"Fintech" may be defined as digital based business that provides financial services. According to Financial Stability Board (FSB) of BIS "Fintech is technologically enabled financial innovation that could result in new business models, application and processes or products with an associated material effect on financial markets and institutions and the provisions of financial services." In India, the Year 2015, witnessed the emergence of fintech companies and growth of suitable fintech ecosystem. Presently, India is witnessing growth in the fintech, which is supported by favourable Government policies, positive attitude of investors, mass pool of talent and development of ecosystem in the form of incubation and innovation centres etc. Major Fintech Innovation in India is mobile & digital based payment system (Payment& Clearing System), Crowd funding, P2P lending & other digital lending (Lending & capital raising), Robo advice & smart contracts (investment management), Big data and artificial intelligence (data analytics & risk management). In this edition, we took a closer look at FINTECH and its impact on Sectors like MSME, Education, Banking, Accounting, Auditing, etc. To make the issue more productive and stimulating we added Special Articles related to a significant event of recent times, Howdy, Modi! held in Houston, Texas at US. The event highlighted the sharp shift in Indian diplomacy and the new levels of India-US bilateral relations. The US expressed its interest in exploring new avenues of cooperation with India and also sent out a very strong message that the US-led by Mr. Donald Trump is standing firmly with India in its fight against terrorism.

November - Real Estate Investment and Capital Markets



The Indian real estate sector has witnessed high growth in recent times and is expected to contribute 13 per cent of the country's GDP by 2025. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. Buyers and investors who were earlier undecided, are now actively looking for homes, as the overall real estate market in the country has seen an upward movement. The three major reforms in the recent past – the introduction of GST, the launch of RERA (Real Estate Regulation Act, 2016) and the grant of infrastructure status to affordable housing properties – have had a massive and positive impact on the industry. Today, the results of the RERA can be seen – it has increased transparency in real-estate deals, improved accountability of builders, which in turn has led to increased demand from buyers. GST has made it easy to do business in the country, seeing a marked increase in infrastructure developments and other real-estate projects. To make the November issue more productive and stimulating we have added Special Articles related to a significant event of recent times, Nobel award 2019 (Economic Sciences). Mr. Abhijit Banerjee, an Indian-origin economist and an academic professor, was jointly awarded the Nobel Prize in Economic Sciences this year along with his French-American wife Esther Duflo and American Economist Michael Kremer "for their experimental approach to alleviating global poverty.

December - Startups and Entrepreneurship



India is filled with creative startup energy, driven by technological innovations in healthcare, fintech, fashion, and several other sectors. This growth has produced entrepreneurial icons that succeeded in their goal, reaping in several benefits. Startup India, the flagship initiative of the government, launched in January 2016, with intent to build a strong ecosystem for the growth of startup businesses, to drive sustainable economic growth and generate employment opportunities. This motivation has inspired a lot of young minds to explore the entrepreneurial world and transform their 'out-of-the-box' ideas into flourishing business concepts. While established startup brands like *Ola, Paytm, Flipkart, Practo, Make My Trip* – to name a few have cemented their market space and are the trendsetters, new ventures continue to pop in at a constant pace. Taking a closer look at the Indian business eco-system, the year 2019 unfurled innovative business models as business leaders, conglomerates and the Government are coming together to embrace new thoughts. Simplifying reforms, affordable smartphones, heightened awareness about education are few of the prominent factors leading the 'new-age' revolution. The Commerce and Industry Ministry, GOI has proposed a host of measures such as tax incentives to promote budding entrepreneurs as part of the 'Startup India Vision 2024'. It aims at facilitating setting up of 50,000 new start-ups in the country by 2024, and creating 20 lakh direct and indirect employment opportunities.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apparel
Imperia
travel 360
The smart manager
TROUBLED TIMES.
TELLTALE SIGNS
domus
The Chartered Accountant STUDENT
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