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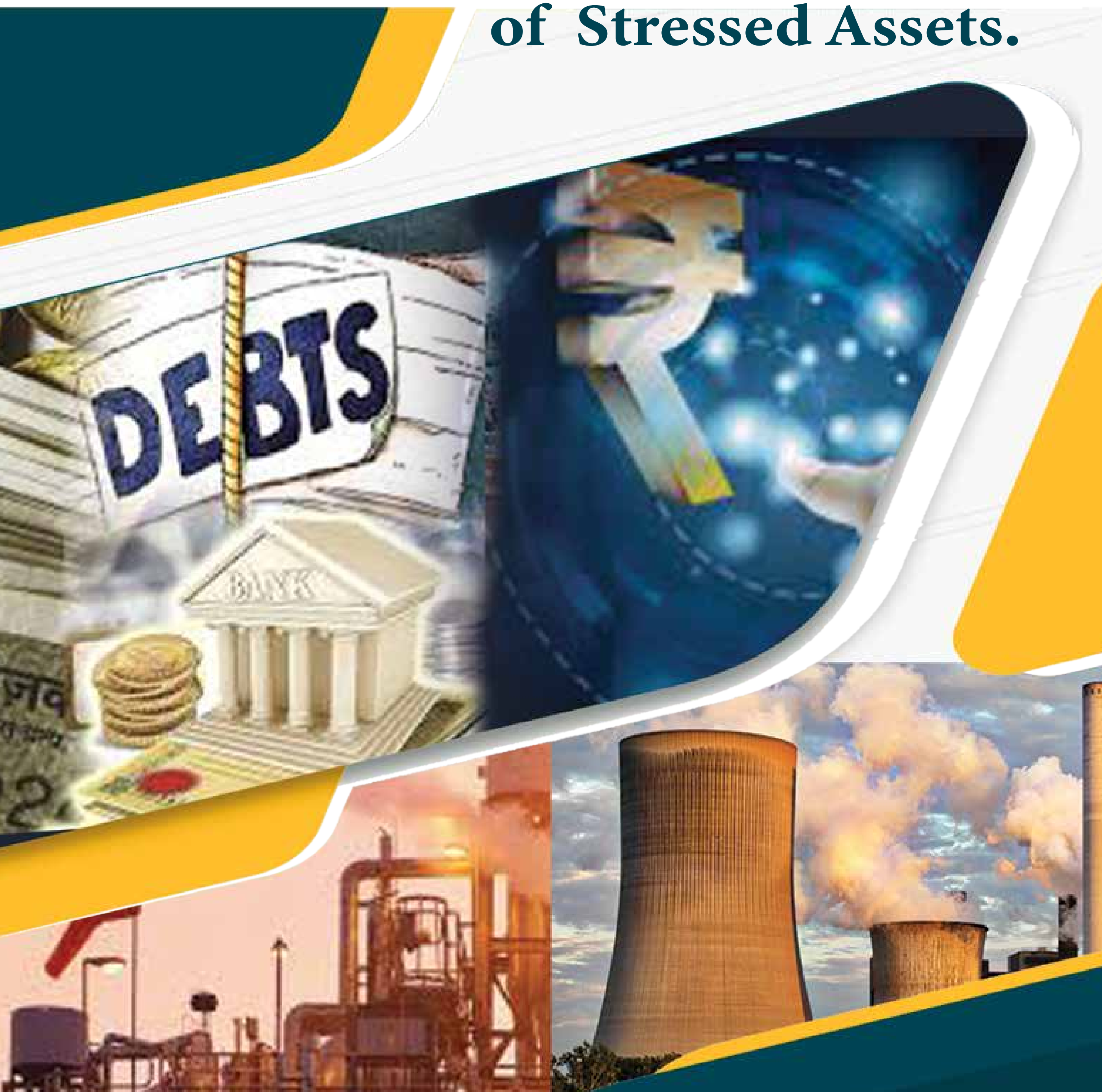
Effective Resolution of Stressed Assets.



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INDIAN INSTITUTE OF BANKING & FINANCE
Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.
E-mail : admin@iibf.org.in
Website : www.iibf.org.in

MISSION

The mission of the Institute is to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.

ध्येय

संस्थान का ध्येय मूलत: शिक्षण, प्रशिक्षण, परीक्षा, परामर्शिता और निरंतर विशेषज्ञता को बढ़ाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है ।

Printed by Mr. Biswa Ketan Das, **published by** Mr. Biswa Ketan Das on behalf of Indian Institute of Banking & Finance, and **printed at** Onlooker Press 16, Sasoon Dock, Colaba, Mumbai-400 005 and **published from** Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070. **Editor** Mr. Biswa Ketan Das.

Mr. Biswa Ketan Das
Chief Executive Officer,
IIBF, Mumbai

With great pleasure, pride and aspirations, we have entered the year 2022. Our past accomplishments, present promises and future aspirations have given us confidence to serve our members with best in class services and I believe the trust reposed by banking and finance fraternity on Indian Institute of Banking and Finance (IIBF) will always be our greatest source of inspiration to devote our sustainable efforts for developing and nurturing competent professionals in the field of banking and finance.

The COVID-19 pandemic has significantly increased the financial stress on borrowers. This in turn had severely impacted the long-term viability of many firms. Considering the developments in Indian landscape for managing the stressed assets, the theme of this issue of Bank Quest is "Effective Resolution of Stressed Assets". Benjamin Franklin has once said that "*Creditors have Better Memories than Debtors*". In today's perspective, creditors not only need to have strong memory in terms of developing preventive measures by strong monitoring of assets and identifying early signals where a standard asset may later slip to non-performing but also have a strong framework for effective resolution of stressed assets.

The first article under the theme of this issue is written by Dr. Hiteshkumar Thakkar, Assistant Professor, Gujarat National Law University and Ms. Krishna Agarwal, Student (2019-24 Batch) BA LLB (Hons.), Gujarat National Law University on "Pre-Packaged - Integration of Debtor Centric Model with Creditor in Control Model: Indian Insolvency Regime". This article proposes a mathematical model reflecting the benefits of pre-packaged insolvency over the Corporate Insolvency Resolution Process (CIRP) and had attempted to analyze the negative externalities owing to COVID-19.

The next article of this issue is authored by Ms. Naushaba Hasan, Assistant General Manager, State Bank of India in Hindi on "दबावग्रस्त आस्ति प्रबंधन में त्वरित चेतावनी संकेतों की भूमिका". This article discusses the significance of warning signs in stressed asset management.

This issue also features an article on "Banking Stability Index: Comparison of India vis-à-vis BRICS and SAARC Countries" written by Mr. Suvendu Sarkar, Assistant Adviser, Department of Supervision of Reserve Bank of India. The author has used five sub-indexes based on Capital Adequacy, Asset Quality, Profitability, Liquidity and Exposure to Foreign Exchange for factor analysis to form the composite Index. The author has attempted to analyse the relative position of India with its peer countries - BRICS and SAARC and concludes that in the post pandemic era, India has been least hit compared to the other two groups.

The next article of this issue is penned by Mr. Girish Mainrai, Chief Manager, Bank of India on "Digital Initiatives for MSME". The article discusses some of the important digital initiatives taken by the Government of India for Micro, Small & Medium Enterprises like TReDS, GeM, MSME Sambandh & others.

The country observed International Women's Day on 8th March 2022. To understand the factors affecting career progression of women employees in banking sector, we are carrying an article authored by Dr. Tania Saritova Rath, Associate Professor, Xavier Institute of Management on "Career Progression of Indian Women Bank Managers: Role of Preference". The results of exploratory factor analysis done by the author identifies two main factors named as "Propellers" and "Preference". According to the author, career "propellers" were found to predict career progression for Indian women bank managers. The author also concluded that "Preference" has been hitherto an unexplored factor in Indian context that highlighted Indian women bank managers' perspective towards promotion and progression.

This issue also features "Legal Decisions Affecting Bankers" by Mr. Prakhar Galaw, Advocate, High Court of M.P, Principal Seat at Jabalpur.

IIBF has taken several initiatives to encourage researchers in the area of banking & finance. Under one of its schemes, "Macro Research", the Institute invites research proposals from academicians and bankers to undertake research in identified areas, with funding support from the Institute. We are carrying a summary of the Macro Research Report (2018-19) on "Sustainability of Cashless Banking in Unorganized Retail Sector: A comparative study of two districts of Telangana" by Dr. Archana Srivastava & Dr. Rishi Kumar, BITS-Pilani Hyderabad Campus.

This issue also features a Book Review on "Stock Market Wisdom - Lessons from a Lifetime in Capital Markets" written by Mr. T. S. Anantharaman, Former Chairman, CSB Bank and reviewed by Mr. Shaleen Mittal, Manager (Analytics), Accenture Solutions Pvt. Ltd.

I hope the onset of spring rejuvenates each one of us with new zeal and brings more reasons to cherish life on professional and personal fronts.

Biswa Ketan Das

Pre-Packaged - Integration of Debtor Centric Model with Creditor in Control Model: Indian Insolvency Regime

Dr. Hiteshkumar Thakkar*

Ms. Krishna Agarwal**

Abstract

The ***Insolvency and Bankruptcy Code, 2016 (IBC)*** *aims to maximize the value of the assets.* ***COVID-19*** *can be seen as a negative externality in the system which has arisen due to the endogenous factors within the company, more extremely unidentified exogenous factors that have ultimately led to its inefficiency in terms of competition and innovation. The IBC through a formal framework provides a room for mutual bargain between the creditors and debtors. Additionally, the pre-packaged insolvency process introduced by the Ordinance in 2021 specifically limits itself to the MSMEs and default threshold amount of 10 lakhs onwards. The research paper advocates for the adoption of* ***Pre-packaged Insolvency Resolution Process (PPIRP)*** *across all enterprises which will shift the dynamics from creditors-in-control to debtors-in-possession. In pre-packaged insolvency the value of the business might remain same or increase whereas there is a high probability of value erosion after the initiation of Corporate Insolvency Resolution Process (CIRP) due to the inefficient resolution and time taken for resolution. Through* ***Law and Economic analysis*** *and the occurrence of several exigencies, the researchers claim that pre-packaged insolvency is efficient as it will decrease the costs involved and the time taken for the resolution. The researchers have also come out with the method of implementation of pre-packaged insolvency after a comparative analysis of the laws present in US, UK and Singapore.*

Introduction

In a market economy, for a company to sustain, it is imperative that it steers its way against the shackles of competition with demanding and novel innovations as ignoring this might make the company unviable. COVID-19 can be seen as a negative externality i.e., internalization of costs is hampered, this has adversely arisen the endogenous factors within the company, more extremely unidentified exogenous factors due to COVID-19 that have led to its inefficiency in terms of competition and innovation. It is rationally expected that these companies will start earning normal profits after the effects of COVID-19 subsides eventually. Therefore, due to the unprecedented circumstances of COVID-19, companies which are though viable are not able to perform well due to negative contingencies and externalities.

So an important question is raised: *What policy should be opted which stands on the true spirit of Insolvency Bankruptcy Code of maximization of values for the benefits of all the stakeholders in it?* The President promulgated the Ordinance of the Insolvency and Bankruptcy (Amendment) Ordinance, 2021 which provided the alternative insolvency resolution process for corporates classified as Micro, Small and Medium Enterprises (“MSMEs”).[1]The alternative resolution process is in the nature of pre-packaged insolvency in the wake of unprecedented crisis.

It is important to note that the IBC stresses on the approach of value maximization of assets which is

*Assistant Professor, Gujarat National Law University.

**Student (2019-24 Batch) BA LLB (Hons.), Gujarat National Law University.

[1]The Insolvency and Bankruptcy (Amendment) Ordinance, No. 3, 2021 (India).

reflected in the upgradation of ranking of India from 111 in 2017 to 47 to 2020 in the Global Innovation Index.In catena of judgments, the approach of the Court is to promote and incentivize settlement amongst the creditors and debtors. This is in consonance with some of the essential features of IBC as asserted by Hon'ble Supreme Court in "***Babulal Vardharji Gurjar v. Veer Gurjar Aluminum Industries Pvt. Ltd. & Anr. [CA No. 6347/2019]"*** i.e. (a) CIRP not being adversarial, should promote the interests of the Corporate Debtor (b) A right is set up for the application of IBC after the commission of default (c) It seeks to provide a viable position for corporate debtors and is not merely a "money-making legislation".

Litigation and Court procedure is to be considered a 'transaction cost' which shall be reduced/eliminated at all possible steps. The role of Adjudicating Authorities (AA) against the dispute of Insolvency in India was expounded in "***Univalue Projects Pvt. Ltd. v. The Union of India & Ors. [W.P. No. 5595 (W)/2020 with C.A.N. 3347/2020]"*** which stated that NCLT (National Company Law Tribunal) and NCLAT (National Company Law Appellate Tribunal) have to take into account the principles of natural justice along with regulations and provisions of IBC and the Companies Act, 2013. At the same time, the stringency of the formal procedure taken by Adjudicating Authorities can be seen in "***Bank of Baroda on behalf of the Committee of Creditors of Veda Biofuel Ltd. v. Mr. Sisir Kumar Appikatla, RP for Veda Biofuel Ltd. & Ors. [CA(AT)(Ins) No. 579/2020]"*** in which the Committee of Creditors (CoC) has approved the resolution plan with an overwhelming majority of 96.3% of a resolution applicant who was not disqualified by Section 29A of IBC. However, AA held that the resolution applicant being a former MD was taking undue advantage of the process and hence the plan was quashed. IBC prescribes the maximum time period of 180/270 days; it is hardly followed. Most of the cases do end up taking much more than 180/270 days in their disposal.

Thus, the transaction costs accrued due to litigation can be reduced through mutual bargain amongst the creditors and the debtor which will ensure achievement of maximum possible utility for both the parties. It will also reduce the involvement of time cost as settlement generally takes place speedier than the court procedure. Hence, the objective of the provision permitting withdrawal of the application is dual. On one hand, it ensures that the social cost of a particular case remains the least and on the other hand, it reduces burden on the Tribunals. Less burden on the tribunals will ensure that more cases get disposed of within the prescribed time frame. Due to COVID-19, the formal framework present in IBC has become more gruesome and hence, this paper seeks to resolve this issue.

The article, *firstly* stipulates a mathematical model reflecting the benefits of pre-packaged insolvency over the CIRP. *Secondly,* it seeks to analyze the negative externalities owing to COVID-19 which has compelled the present discourse. *Thirdly,* the provisions of IBC are analyzed (in particular- Section 12A) against the backdrop of which pre-packaged insolvency was needed to be adopted through various case-laws. *Fourthly,* the key provisions of the pre-packaged insolvency process introduced by the Ordinance in 2021 are analyzed. *Fifthly,* the implementation of pre-packs is discussed in light of different jurisdictions- US, UK & Singapore. *Lastly,* the researchers drawing from the result of mathematical model and jurisprudential development of IBC in India have given recommendation for the adoption of pre-packaged insolvency to all the enterprises and not specifically limiting to the MSME sector so that one may combat the negative externalities in the system.

Model

Let's assume that before initiation of CIRP, high value business is $\overline{\boldsymbol{V}}$ and debt is **D**. Therefore, $\overline{\boldsymbol{V}} > \mathbf{D}$. Whereas, due to the CIRP process value has eroded to $\underline{\boldsymbol{V}}$ such that, $\underline{\boldsymbol{V}} < \mathbf{D}$.

According to the IBC, the time taken to complete the entire process is either t + 180 days or t + 270 days. However, generally, it has been observed that time taken is more than t + 270 days.[2]

Whereas, in the prepackaged process, let's assume high value business is $\overline{\boldsymbol{Vp}}$. The debtor with support of creditors can come out with a resolution. Hence, in prepackaged mechanism, the value of business remains the same, that is the high value business remains the same. Hence, $\overline{\boldsymbol{Vp}} > \mathbf{D}$. Moreover, the time taken in pre-packaged mechanism is t+120 days and Base Resolution Plan (BRP) is better than Best Alternate Plan (BAP) or vice versa, subject to the approval by the Adjudicating Authority (AA). In the prepackaged mechanism, if Swiss challenge occurs then the value of business $\overline{\boldsymbol{Vp}}$ will increase, which will be beneficial for both debtor and creditors.

The current CIRP provides creditors in control model. The dominant power is given to creditors which may have the probability of value erosion of the business due to more time taken i.e., more than t+270 days and no guarantee of resolution in composition prepacked time taken t+120 days and BRP opportunity cost BAP. So, AA approved resolution either BRP or BAP based on principle of fair value.

Whereas, the Prepackaged plan provides debtor an opportunity to resolve insolvency internally and proposed BRP. The debtor has opportunity to put the house or business in order. In fact, it is one-time opportunity for a debtor. Thus, it provides debtor in possession model which can resolve the problem of insolvency as compared to creditor in control model.[3]

India has opted for a mix model of debtor in possession model and creditor in control model to ensure appropriate trade-off between available alternatives. The suitable decision will be taken by involved stakeholders based on opportunity cost and restructuring benefit. Therefore, the implementation of prepackaged mechanism with the existing CIRP framework across all enterprises will certainly improve ease of doing business rank and the resolution framework

Effects of COVID-19: Negative Externality

Due to COVID-19 induced market stress, the President of India had promulgated an Ordinance on June 5, 2020 which seeks to suspend Corporate Insolvency Resolution Proceedings from 25 March, 2020 for a period of six months to one year which was later extended to one year.

The MSMEs were hard hit due to COVID-19 pandemic which were earlier grappling with the adverse after-effects of the introduction of GST and demonetization. The MSMEs contribute approximately 30-35% of GDP wherein 99% by the micro enterprise, 0.52% by the small enterprise and 0.01 by the medium enterprise.

Section 16 of the Micro, Small, Medium Enterprises Development Act, 2006 implies that if the buyer doesn't pay the requisite amount to the supplier, the buyer is required to pay the amount in addition to the compound interest to the supplier at three times the Bank rate notified by RBI. Another important step taken by the Government is the amendment of the definition of MSMEs which lowers the apprehension in the MSMEs that they won't be able to avail the benefits of different packages of Government due to lower threshold limit. Therefore, the investment has been increased to 1 crore rupees for micro enterprise, 10 crore rupees for small enterprise and 50 crore rupees

[2] Singh, R., & Thakkar, H. (2021). Settlements and Resolutions Under the Insolvency and Bankruptcy Code: Assessing the Impact of Covid-19. The Indian Economic Journal, 69(3), 568-583.

[3] Deb, S., & Dube, I. (2020). Insolvency and Bankruptcy Code 2016: revisiting with market reality. International Journal of Law and Management.

for medium enterprise. Along with that the turnover has been augmented to 5 crore rupees for micro enterprise, 50 crore rupees for small enterprise and 250 crore rupees for medium enterprise. According to the new definition, there won't be any difference between the manufacturing and service sector that existed under MSMED Act, 2006.

The COVID-19 Regulatory Package was issued by RBI on 27 March 2020 and 23 May 2020 which has both increased the moratorium by three months respectively which will prevent MSMEs from being burdened by the responsibility to pay off their debts which may have arisen due to the unprecedented circumstances of COVID-19. The Resolution Framework 2.0 permitted the restructuring of the MSME account whose plan will be finalized by the lending institution and borrower. The existing loans to MSMEs classified as standard may be restructured subject to conditions as specified in the August 6, 2020 RBI notification of MSMEs - Restructuring of Advances. The borrowing entity is required to be GST registered unless exempted and the aggregate expenditure should not exceed Rs. 25 crores as on March 1, 2020.

RBI has further brought out certain modifications to its Restructuring Version 2.0 vide circular dated 4th June 2021. The eligibility conditions for restructuring of MSME account as per RBI circular has been increased from Rs. 25 crore rupees to Rs. 50 crore rupees as on 31 March, 2021.

Additionally, RBI also directed that the "*asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan*."

COVID-19 as a negative externality has affected the economy adversely and a proper policy framework is needed to facilitate internalization of costs. The economic activity has been halted due to COVID-19 and some have compared the global recession to the Great Depression which happened in the 1930s. The International Monetary Fund (IMF) has projected that the Indian economy will contract by approximately 10.3%. The GDP reflected the decrease by 23.9% in Q1 of 2020-2021 as compared to growth of 5.2% in Q1 2019-2020. In the survey's history, the Business Assessment Index of Q1 in 2020-2021 has decreased to the lowest point of all time. In May 2020, due to the lockdown, the unemployment rate was approximately 21.73% which has decreased to approximately 6% in September 2020. The table below reflects the unemployment rate during the adverse months of COVID-19 in India.

Months (2020)	Unemployment Rate
January,2020	7.22 %
February, 2020	7.76 %
March, 2020	8.75%
April, 2020	23.52 %
May, 2020	21.73%
June, 2020	10.18%
July, 2020	7.4%
August, 2020	8.35%
September, 2020	6.67%
October, 2020	7.02%
November, 2020	6.5%
December, 2020	9.06%

Table 1: Unemployment Rate (Jan- Sep 2020)[4]

Further, in the contemporary times, a problem arose due to COVID-19 when there was dearth of resolution applicants who were willing to submit

[4]Statista Research Department, 'Impact on Unemployment Rate due to coronavirus (COVID-19) lockdown in India from January 2020 to January 2021', Statista (Web Page, February 2021) <https://www.statista.com/statistics/1111487/coronavirus-impact-on-unemployment-rate/>.

their resolution plans which neither maximized the value of assets or relieved the stress. Plus, another factor that needs to be taken into account is that after the initiation of CIRP, the shift is from 'debtor in possession' to 'creditor in control' where instead of Corporate Debtor, the fate of the company lies in the hand of Insolvency Professional which raises both the direct and indirect costs that is directly proportional to the time period for which the corporate debtor is insolvent. Currently in India, there exists both court-supervised [(a) CIRP in IBC (b) Section 230 of the Companies Act] and out of court settlement options [(a) RBI Prudential Framework (b) Informal options] for resolving the insolvency. During COVID-19, the efficacy of all these four options is put in question as the interests of some of the stakeholders are being compromised which is not leading to maximization of value. So, an equilibrium was sought to be developed between both the formal and informal means through pre-packaged insolvency.

At this juncture, it is also pertinent to evaluate Section 12A, IBC which allows the withdrawal of the CIRP application if 90% of votes is reached by the CoC. Also, Rule 8 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, allows the withdrawal of the application by the financial creditors, operational creditor or the corporate debtor before its admission. Whereas Regulation 30A in IBBI (Insolvency Resolution Process for Corporate Persons) (Second Amendment) Regulations, 2019, says that the application of the withdrawal can be made before the constitution of CoC or after the constitution of CoC provided that reasons must be provided if the Expression of Interest (EOI) has been invited.

The Insolvency and Bankruptcy Ordinance, by virtue of Section 4 of the Ordinance has increased the threshold limit from Rs. 1 lakh to Rs. 1 crore. However, this step has attained mixed reviews as in many cases one can find that MSMEs are itself operational creditors for claims less than one crore and therefore, to recover such claims, they have to be dependent on civil courts which will augment the burden on the courts[5]. Even, in "***Pioneer Urban Land and Infrastructure Ltd. & Anr. v. Union of India & Ors*** (2019 SCC Online 1005)", the Hon'ble Supreme Court of India has stated that the low default threshold in case of IBC is required so that the small enterprises can also avail benefit under the Code, by invoking the CIRP, let alone the larger institutions. This has some way defeated the purpose of IBC[6]. At the same time, amendment in Section 4, IBC may prevent MSMEs from any sort of frivolous claims which may arise during COVID-19. Although, the recent enactment of Pre-packaged Insolvency Resolution Process (PPIRP) provided confidence to the involved stakeholders in the MSMEs sector, in case default of Rs. 10 lakh or more will be addressed as per the rules and regulation of PPIRP.

Overview of Section 12A, IBC

IBC did not hitherto contain any provision for withdrawal of the application. "Rule 8 of The Insolvency and Bankruptcy (Adjudicating Authority) Rules 2016 allows the NCLT to permit withdrawal of application on request before admission."In "***Swiss Ribbons Pvt Ltd. v. UOI"***, the Hon'ble Supreme Court of India has held that before the constitution of CoC after the appointment of IRP, a party can also directly approach NCLT under Rule 11 of NCLT rules for withdrawal or settlement. However, earlier there was no provision for withdrawal post admission of CIRP application, the scope of these rules was very

[5]Jha, & Sahni, 'Government's Covid-19 insolvency relief may be a double-edged sword'. The Economic Times. (Web Page, May 2020) <https://economictimes.indiatimes.com/small-biz/legal/governments-covid-19-insolvency-relief-may-be-a-double-edged-sword/articleshow/76103653.cms?from=mdr>.

[6]Kattadiyil. (2020, May), 'Pandemic Priorities: Increased insolvency threshold and its economic impact', (2020) 9(5) International Journal of Multidisciplinary Educational Research 11.

restricted, hence, they did not prove to be beneficial in this aspect.

In the case of "***Lokhandwala Kataria Construction Private Limited v. Nisus Finance and Investment Managers LLP",*** when the NCLAT refused to exercise Rule 11 of NCLT Rules, 2016, the Hon'ble Supreme Court using Article 42 of the Indian Constitution set aside the NCLAT order and permitted a settlement between the corporate debtor and the creditors.

In the case of "***Uttara Foods and Feeds Private Limited v. Mona Pharmachem",*** Hon'ble Supreme Court of India held that it is pertinent to amend the rules to incorporate inherent powers to the tribunal which will prevent unnecessary appeals through recourse of Article 142 of the Indian Constitution.

In view of the above Hon'ble Supreme Court Judgments Section 12A, IBC was inserted via amendment which allows withdrawal of application with "approval of 90% voting share of CoC". This has to the read in conjunction with "Regulation 30A of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 which states that the application for withdrawal under Section 12A, IBC has to be submitted to the IRP/RP before issuance of invitation for EOI under Regulation 36A. This implies that the application filed could be withdrawn before the issue of invitation for EOI."

At the same time, a question is raised on the acceptance of withdrawal application after EOI or acceptance of Resolution Plan by the CoC.

NCLAT in the case of "***Navaneetha Krishnan v. Central Bank of India, Coimbatore & Another"*** has held that the withdrawal application by an applicant can be considered even during the stage of liquidation. However, the Court did not specify if it can also be withdrawn after the issuance of EOI by the Resolution Professional (RP).

Further in the case of "***Satyanarayan Malu v. SBM Paper Mills Ltd***."NCLT Mumbai allowed one-time settlement for which CIRP application was withdrawn, during the stage where after the acceptance of Resolution Plan by CoC, it was pending before the NCLT for approval.

In "***Vimal Chandrunwal v. Brilliant Alloys Private Limited",*** NCLT Chennai stated that "*Regulation 30A envisages that an application for withdrawal under Section 12A shall be submitted to the RP before the issue of invitation for EOI under Regulation 36A*", thereby dismissing the application. The Hon'ble Supreme Court allowed a settlement and set aside the order of NCLT, Chennai providing that the Regulation 30A when read with Section 12A contains no such stipulation. The Hon'ble Supreme Court in the case of "***Brilliant Alloys Pvt. Ltd v. S Rajgopal"*** which was reiterated in "***Swiss Ribbons & Anr. v Union of India & Ors",*** stated that "*Regulation 30A (1) is not mandatory but is directory for the simple reason that on the facts of a given case, an application for withdrawal may be allowed in exceptional cases even after issue of invitation for expression of interest under Regulation 36A*."

In light of catena of judicial decisions, it is reflected that Regulation 30A has been used by AA to allow withdrawal applications even after issuance of invitation of EOI. Hence, Regulation 30A was amended in July, 2019 specifying the process for withdrawal of applications, before & after the constitution of CoC. It also provided for withdrawal before the issuance of EOI and after the issuance of EOI, stating necessary reasons for the same. The discretionary power lies with the Adjudicating Authority, hence Section 12A, IBC cannot be used arbitrarily, as NCLT/NCLAT can set aside the withdrawal/ settlement under Section 60, IBC.[7]

Concerns raised against Section 12A, IBC

An application under Section 12A can only be filed by a person who filed an application under Section 7, 9 and 10 of the IBC. The NCLT in "***Anurutan Textiles v. Sarveshwar Creations"*** has dismissed the application of Section 12A as it wasn't filed by the applicant. Further, this mechanism cannot be availed of by the Resolution applicant. At the same time, a strong apprehension is raised that the 90% threshold as stipulated in Section 12A makes the provision redundant. This 90% of voting is in consonance with the BLRC report which says that "*all key stakeholders will participate to collectively assess viability. The law must ensure that all creditors who have the capability and the willingness to restructure their liabilities must be part of the negotiation process. The liabilities of all creditors who are not part of the negotiation process must also be met in any negotiated solution.*" Whereas, Section 30(4) of the IBC provides that the resolution plan may be accepted if 66% of the votes are present of financial creditors in the committee of creditors.So, a question is raised if the threshold of 90% of voting shares is very high? The relevance of this question can be adjudged through the data given below and the COVID-19 circumstances.

Period	CIRP Withdrawal under Section 12A, IBC	Approval of Resolution Plan	Commencement of Liquidation
Jul - Sep 2018	26	32	83
Oct - Dec 2018	36	13	78
Jan - Mar 2019	27	14	73
Apr - Jun, 2019	31	26	96
Jul - Sep, 2019	43	33	155
Oct - Dec, 2019	43	40	150
Jan - Mar, 2020	46	36	135
Apr - Jun, 2020	21	20	25
Jul - Sep, 2020	12	22	68
Total since 2016	299	277	1025

Table 2: CIRP Statistics[8]

From the above data, it is reflected that the commencement of liquidation is greater than the approval of the Resolution plans after the initiation of CIRP. Further, the withdrawal using Section 12A, IBC is higher than the approval of the Resolution Plan. During COVID-19, the dependency on Section 12A, IBC won't be a viable option as the threshold of 90% is too high to be achieved and the companies are already in the position of being commercially unviable.

Let's assume if 'A' reflects that the course of IBC is leading to resolution and if 'B' reflects that company is saved from bankruptcy and is in the state of insolvency. Then **P(A|B) * creditor's cost > P (~A|B) * debtor's cost**. Wherein P(A|B) reflects the probability that resolution is successful when the company approaches the mechanism to make it viable and P (~A|B) reflects that the Pre-Packs are successful thereby making the company viable. Here, the creditor's cost is directly proportional to the

[7]Thakkar, H. (2021). "NPAs Legislations in India: Law & Finance Series", Himalaya Publishing House.

[8]Insolvency and Bankruptcy Board of India, 'The Quarterly Newsletter of Insolvency and Bankruptcy Board of India' (Newsletter, September 2020) <https://ibbi.gov.in/uploads/publication/411436dab58c1265aacb015b6b43a215.pdf >.

time and the cost undertaken for the CIRP. Moreover, the limited expertise of the Insolvency Professionals (IPs) also add on to the cost. Whereas the debtor's cost may be low that is present in restarting the company. But as the value erosion is less, adopting pre-packaged insolvency will be sufficient to make the companies viable which is the objective of IBC.

Pre-packaged Insolvency Resolution Process (PPIRP)

The Insolvency and Bankruptcy (Amendment) Ordinance was promulgated on 4th April, 2021 to introduce Pre-Packaged insolvency process for MSMEs as provided under Section 7 of the MSMED Act. Section 54A of the IBC Code provides that the application for initiation of pre-packaged insolvency process can be initiated when a default is committed as per Section 4 of the IBC. Certain conditions are however attached which are as follows:- (a) No Pre-packaged insolvency process or CIRP should have taken place in the last three years; (b) CIRP should not be in process; (c) No liquidation order should have been passed as per Section 33 of the IBC; (d) Section 29A of the IBC is not applicable; (e) The unrelated financial creditors have proposed a name for the appointment of insolvency professional after following the due process; (f) A declaration has to be provided by the majority of the partners and directors of the corporate debtor which approves the initiation of pre-packaged insolvency; (g) A special resolution of three-fourths of the total number of partners should approve the initiation of the pre-packaged insolvency. The corporate debtor is also required to take the approval of 66% of the unrelated financial creditors for filing the application of the pre-packaged insolvency.

Section 54C(5) of the IBC provides that the pre-packaged insolvency process will be initiated when the application is admitted as per Section 54C(4)(a). Section 54E provides that on the commencement of the pre-packaged insolvency process, the AA is supposed to declare a moratorium, appoint a resolution professional, and also cause a public announcement for the initiation of the pre-packaged insolvency process.

Interestingly, in the pre-packaged insolvency process as per Section 54H, the management of the affairs of the corporate debtor will continue to vest in the Board of Directors which will seek to protect the value of the property. However, a CoC will be constituted within 7 days after the pre-packaged insolvency commencement date. The CoC is empowered to vest the management of the affairs of the corporate debtor to the Resolution Profession if there exists 66% of the voting shares which is subsequently approved by the AA. Such decisions can be taken if there has been gross mismanagement by the corporate debtor or if the affairs have been managed in a fraudulent manner.

Section 54G provides that the corporate debtor is required to submit the base resolution plan within two days after the commencement of the pre-packaged insolvency process which shall be presented to the CoC as per the requirements of Section 54K. Section 54K(4) provides that the plan may be approved by the CoC if no rights of the operational creditors are impaired. If there are any discrepancies in the base resolution plan, then the Resolution Professional may invite prospective resolution applicants to submit a resolution plan. The CoC is required to select a resolution plan which are presented to it. The selected resolution plan has to be subsequently approved by the AA within 30 days as per the requirements laid down in Section 54I.

Section 54D mandates that the pre-packaged insolvency has to be completed in 120 days after the commencement of the same. This implies that in 90 days the resolution plan has to be approved by the

CoC and if no resolution plan is submitted within the stipulated time, the RP may file an application for the termination of pre-packaged insolvency process.

Therefore, the pre-packaged insolvency process may be closed if (a) resolution plan has been approved within 120 days; (b) on the expiry of 90 days when no resolution plan is submitted to the AA; (c) on the rejection of resolution plan by the AA; (d) on termination of the pre-packaged insolvency process by the AA after the CoC has approved the same with 66% of the voting share; (e) when the resolution plan does not result in the change of management, where the AA has vested the management of the property of the corporate debtor with the RP according to Section 54 of the IBC. Moreover, the application PPIRP of M/s GCCL Infrastructure Projects Ltd. stands admitted under Section 54C of the Code in 14 September, 2021. It has begun new era of PPIRP for MSMEs and possibly in near future it can be incorporated to even beyond MSMEs, which will provide competition, as well as trade-off between CIRP and pre-packaged as hybrid model.

Implementation of Pre-Packaged Insolvency During Covid-19

The framework of the pre-packaged insolvency in the preceding section highlights that India has adopted a hybrid framework of pre-packaged insolvency. The researcher has done a comparative analysis of three jurisdictions namely - USA, UK and Singapore vi-a-vis the pre-packaged insolvency process initiated in India after the promulgation of the Ordinance in 2021.

USA

The USA Model is often referred as debtor-in-possession wherein reorganization of the corporation, partnership or sole proprietorship is the primary aim. The entire process is monitored by the US Trustee where the debtor-in-possession has to satisfy certain mandatory requirements such as disclosing monthly income, operation expenses, payment to employees, setting up new accounts etc. failing to do this will either dismiss the application or conversion of the case to another model. During the process, a committee of creditors is also constituted which ordinarily consists of unsecured creditors. However, the constitution of the committee of creditors varies if there is insufficient representation and no active involvement of the creditor in case of small businesses. For the resolution, only the debtor is allowed to file the reorganization plan within 120 days of the filing of the petition whether voluntary or involuntary (after the order is entered). This may be extended further depending on the case. If the debtor fails to propose a viable plan or gather acceptance for it, the creditors or the committee of creditors may propose a plan, and the plan which is more viable may be accepted if there is a conflict of interest. In some situations, under Chapter 11 even the liquidation plans are allowed if it is economically advantageous. The confirmation of the plan discharges the debtor and new contractual rights and interest are created. The acceptance of such a plan is confirmed when the impaired class of either claims or interests holds ⅔ in amount and are more than ½ in number. A non-impaired class is deemed to have accepted the plan and subsequently a class of claims or interests who don't receive or retain the property is deemed to have rejected the plan. After the reorganization plan, it is bound by the respective bankruptcy court to all the stakeholders based on commercial expediency.

UK

The statement of Insolvency practice 16 has defined pre-packages as "*pre-packaged sale' refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment*." Thus, we see that in the

UK, pre-packaged insolvency is more concerned with sale rather than reorganization which is contrary to the main objective of IBC. An insolvency practitioner is appointed which plays an important role as an advisory. Unlike the USA, prepackaged insolvency is developed as a matter as a practice rather than having its base in statutes. After the acceptance of the option pre-packaged by the board of directors, the administrator gets the external values and statement of affairs is prepared to prepare a "newco" plan. The various offers are evaluated, and depending on the efficiency, a new company may buy the assets of the existing company which is in a hostile condition. After eight weeks, Insolvency Professional will call the CoC meeting to see the outcome of hostile company status and is liquidated.

Singapore

In Singapore, Pre-pack is defined as "*involving a plan that was pre-negotiated and agreed between the debtor and its major creditors before formal court proceedings commence, whereupon the Pre-Pack 'is then presented to the court for approval*"[9]. One can see that this is similar to USA Chapter 11 which requires court's approval contrary to UK pre-packs. Section 211 of the Companies Act of Singapore, allows the approval of the compromise put forth by the company or its creditors even without a formal meeting giving a wide discretionary power to the court.

Thus, after comparing, one can see that in IBC Pre-packs, the approval of court should be mandated such as that of NCLT as it provides a major flexibility in case of restructuring and this will also prevent any potential abuse to the minority dissenters. Plus, the mode of pre-packs and the definition of pre-packs is varying from one jurisdiction to another as can be seen in the UK, USA, Singapore.

With regard to India, it is important to note that till now the pre-packaged insolvency process is limited to the MSMEs. It can neither be regarded as an informal process nor a formal process. The pre-packaged insolvency process initiated in India is a hybrid process which blends both the creditor-in-control and debtors-in-possession model. The rigor and discipline of the CIRP is still present in the pre-packaged insolvency process. This proves to be beneficial in the uncertain during times of COVID-19, where a strong apprehension could be raised about the efficacy and implementation of pre-packs in India. It is required that the pre-packs should be finely tuned with the spirit of IBC.[10]

However, there are several issues in the present framework of pre-packaged insolvency introduced in India. Firstly, there might be challenges with respect to the timely completion of the pre-packaged insolvency process in 120 days. Secondly, the introduced pre-packaged insolvency process still mandates the approval of the AA which might further delay the approval of the resolution plan due to high pendency in the tribunals.[11] The Swiss Challenge process after the invitation to the prospective resolution applicants may be cumbersome as due to the ongoing pandemic, less number of resolution plans might be available which will adequately balance all the stakeholders. Moreover, the present ordinance limits the application of the pre-packaged insolvency process to the MSMEs.

The researcher believes that such benefits should also be extended to other enterprises. However, at the same time, a legitimate concern can be about the continuous experimentation during these times which may further augment the problem of insolvency in India by raising the ex-ante costs. So, a safer approach could be tuning Section 12A of IBC in a

[9]Wee, 'Whither the scheme of arrangement in Singapore: More Chapter 11, less scheme?' SSRN (Article, February 2017) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2922956>.

[10]Singh, R. & Thakkar, H. (2021). Settlements and Resolutions Under the Insolvency and Bankruptcy Code: Assessing the Impact of Covid-19. *The Indian Economic Journal*, *69*(3), 568–583.

[11]Rowchoudhary, R, & Mohitee, R. (2021). Pre-Packaged Insolvency Process for MSMEs. *Mondaq.* https://www.mondaq.com/india/insolvencybankruptcy/1132276/pre-packaged-insolvency-process-for-msmes

way that may implement the spirit of pre-packaged insolvency.

This can be done by reducing the voting threshold as done in Chapter 11 of USA where the class of either claims or interests holds ⅔ in amount and are more than ½ in number for accepting the plan or the threshold of 66% voting rights should be opted for as in the case of acceptance of the Resolution Plan. This will balance the interests of the corporate debtor and the promoters of the company who have more skills and information for making the company efficient which came in hostile state due to negative contingencies of COVID-19. A further approach that can be opted in IBC, is making sub-provisions of different types of sectors. For instance, the MSMEs were affected drastically as the COVID-19 surged in India when India was already experiencing a crunch in demand wherein the MSMEs had to tackle both the supply shocks and the labor shocks[2] (Singh, 2020). To curtail this, the Government has amended IBC via Ordinance by increasing the threshold of default from 1 lakh to 1 crore with the increase in ambit of the definition of MSME in MSMED Act, 2016. So, in MSMEs, the voting threshold for withdrawal of CIRP can be lesser than those of other companies. This is said in the view of the gravity of the problem in MSME and the potential risk associated when one opts for a more informal process. The discretionary powers as present in Singapore can be made robust wherein proper guidelines and conditions are made which states the instances in which the application under Section 12A may not be accepted which is still absent in the IBC. Further, allowing the withdrawal of the application will help to prevent unemployment as the company will have an option to withdraw the CIRP when the company is in the initial stage of distress. Therefore, given the nascent stage of IBC and adverse effects of COVID-19, it is appropriate that the 'pre-pack' applicability in MSMEs for 10 lakh default size, along with applicability all enterprises required, are continued which can take into account the value maximization of all the stakeholders.[12]

Conclusion

Pre-packaged insolvency proves to be an efficient process for making the companies viable which have been grappled by the negative externalities present in the system due to COVID-19. India, while combating COVID-19 has resorted to the higher degree of Pigouvian Model which has severely affected the employment, supply chains and production. Owing, to the uncertainty prevalent in the system, the demand of the people was also drastically diminished. Further, the competitiveness present in the market, added an extra burden on the Companies.

Presently, there is a dearth of adequate numbers of Resolution Applicants and at the same time, questions are raised against the efficiency of Insolvency Professionals. The normal CIRP as incorporated in the IBC will not prove to be efficient in this miserable situation. The researchers as an alternative have then revisited Section 12A, IBC which might serve as a 'middle pack'. The high voting threshold of 90% was not viable to be dependent upon. The solution of pre-packs can help India to reduce the negative externalities and ensure that Marginal Benefits are greater than Marginal Cost. This is because the time and costs involved in the resolution will be less which will not lead to value erosion.

Pre-packaged insolvency proves to be an efficient method as the high value of business will be at least equal to or higher than the previous high value of business (V_p) and the time taken is t+120 days whereas in the case of normal CIRP, the high value of

[12]Das, A., Agarwal, A. K., Jacob, J., et al. (2020). Insolvency and Bankruptcy Reforms: The Way Forward. Vikalpa, 45(2), 115-131.

business is $\underline{V} < \mathbf{D}$, and the time taken is more than t+270 days. This clearly supports the contention that debtor in possession model due to pre-packaged insolvency is more efficient than the creditors in control model of CIRP.

The next question is raisedabout the procedure of implementation of pre-packs in India. For this the researchers have done a comparative analysis of laws present in the United States, United Kingdom and Singapore to suggest some policy measures so that the apprehensiveness and uncertainty prevalent in the public regarding pre-packs is reduced.

Therefore, it is suggested that the pre-packaged insolvency process may be extended to other enterprises, by keeping in view the model proposed by the researchers.

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   Words to be emphasised should be limited in number and italicised. Capital letters should be used only at the start of the sentences or for proper names.

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दबावग्रस्त आस्ति प्रबंधन में त्वरित चेतावनी संकेतों की भूमिका

नौशाबा हसन*

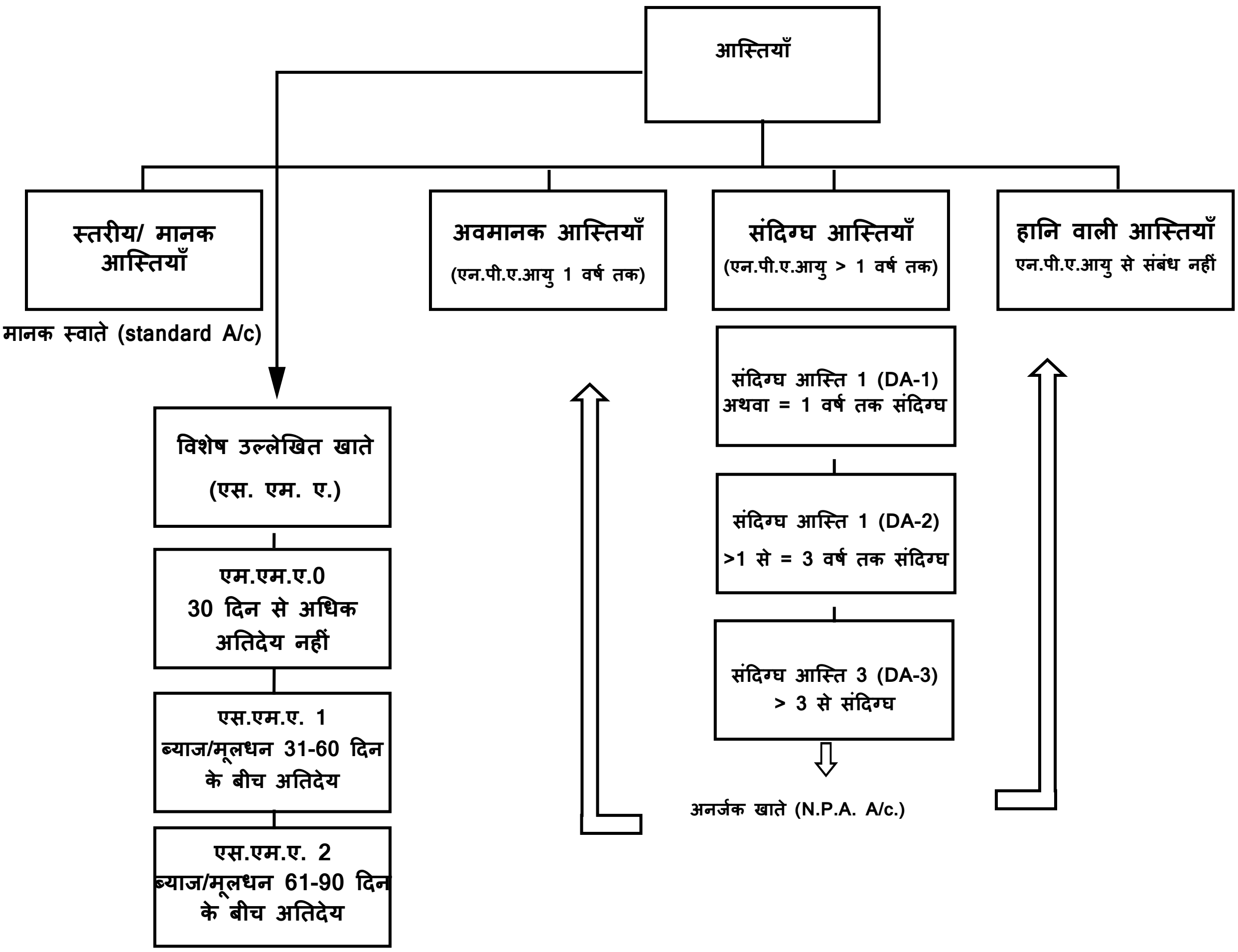
बैंकिंग किसी भी अर्थव्यवस्था में सर्वाधिक जोखिम से भरा व्यवसाय माना जाता है क्योंकि इसमें जनता का धन दांव पर लगा होता है और यह अत्यधिक लीवरेज्ड भी होता है। बैंक ऋण किसी बैंक और ऋणी के बीच मात्र एक संविदा (कांट्रेक्ट) नहीं होता है बल्कि यह जनता का धन होता है जिसमें से ऋण प्रदान किया जाता है और जिससे जनता का सामान्य कल्याण जुड़ा होता है। समस्त पणधारियों के हित में यह अनिवार्य होता है कि ऋणी लिए गए ऋण का नियमित रूप से भुगतान करें अन्यथा इससे कई समस्याएं पनपने लगती हैं। ऋण के समय से भुगतान ना करने पर जो सबसे विकट स्थिति उत्पन्न होती है वह है एन.पी.ए. अर्थात दबावग्रस्त आस्तियों एवं अनर्जक खातों की।

बैंकिंग उद्योग में अनर्जक आस्तियां उन आस्तियों को माना जाता है जिनसे किसी प्रकार की आय या लाभ प्राप्त नहीं होता है। इन आस्तियों को एन.पी.ए. अथवा गैर-निष्पादक आस्तियां भी कहा जाता है। अनेक ऐसे कारक हैं जो एक संतोषजनक ढंग से चल रहे खाते को असंतोषजनक खाते में परिवर्तित कर देते हैं, जिससे उस खाते में न तो ऋण की किश्तें वसूल हो पाती हैं और न ही बैंक को ब्याज प्राप्त हो पाता है। एन.पी.ए. संकट क्रेडिट को महंगा और दुर्लभ बना रहा है जो लगातार और धीरे-धीरे भारतीय अर्थव्यवस्था को खोखला कर रहा है। अनर्जक परिसंपत्तियों की समस्या बैंकिंग उद्योग के लिए कैंसर जैसी भयावह बीमारी के समान है। एन.पी.ए. के दुश्चक्र से न केवल बैंकों की लाभप्रदता पर प्रतिकूल प्रभाव पड़ता है बल्कि पूंजी पर्याप्तता, निधियों के पुनर्निवेश तथा आय-सृजन पर भी विपरीत असर होता है। बैंकों के स्वस्थ होने का सबसे अच्छा संकेत उसके गैर-निष्पादित आस्तियों (एन.पी.ए.) के स्तर से ज्ञात होता है। आम तौर पर एन.पी.ए. का कम होना बैंकों की सुदृढ़ क्रेडिट मूल्यांकन प्रक्रियाओं को तथा एन.पी.ए. का अधिक होना उसकी कमजोर लाभप्रदता को जाहिर करता है। अत: किसी भी बैंक की आर्थिक सेहत को मापने के लिए यह एक महत्त्वपूर्ण पैमाना है तथा इसमें वृद्धि होना किसी बैंक की सेहत के लिए चिंता का विषय होता है। अंतरराष्ट्रीय प्रथाओं के अनुरूप तथा वित्तीय प्रणाली से संबंधित श्री एम. नरसिंहम समिति द्वारा की गई सिफारिशों के अनुरुप भारतीय रिजर्व बैंक ने चरणबद्ध रूप में बैंकों के अग्रिम संविदा के लिए आय-निर्धारण, आस्ति-वर्गीकरण और प्रावधान करने के विवेकपूर्ण मानदंड लागू किए हैं। यह वर्गीकरण निम्नानुसार हैं।

दिन-ब-दिन बढ़ता एन.पी.ए. बैंकिंग उद्योग के लिए एक गंभीर चुनौती बन गया है, ऐसी स्थिति में एन.पी.ए. प्रबंधन बैंकों के लिए कोई विकल्प नहीं अपितु एक आवश्यकता बन चुका है। बैंकों से यह अपेक्षित है कि नए एन.पी.ए. स्लिपेज को रोकने वह एक मज़बूत ऋण निगरानी प्रणाली विकसित करें। किसी भी ऋण निगरानी प्रणाली के निम्नलिखित चार सूत्र होते हैं जो एन.पी.ए. के नियंत्रण, जोखिम-निर्धारण व अनुवर्ती कार्यवाही करने में बैंकों को सक्षम बनाते हैं।

*सहायक महाप्रबंधक, स्टेट बैंक ऑफ इंडिया।

आस्तियों / खातों का वर्गीकरण



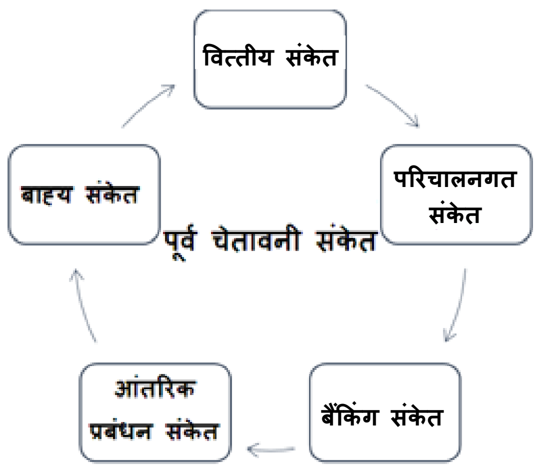
त्वरित चेतावनी संकेत - Early Warning Signals (ई.डब्ल्यू.एस.)

त्वरित चेतावनी संकेत (ई.डब्ल्यू.एस.) किसी संस्था द्वारा निर्देशित वह संकेत होते हैं जो किसी दबाव अथवा चूक की पहचान बिलकुल प्रारंभिक अवस्था में ही करते हुए उस संस्था को तत्संबंधी रक्षोपाय करने में सहायता करते हैं। व्यापक रूप से चिन्हित ई.डब्ल्यू.एस. उच्च प्रबंधन को संस्था के हित में निर्णय लेने में सक्षम तो बनाते ही हैं, साथ ही किसी भी नकारात्मक संभावना/ जोखिम के विषय में सचेत भी करते हैं। पूर्व चेतावनी संकेतों के एक महत्वपूर्ण

संघटक के रूप में Red Flagged Account (आर.एफ.ए.) को भी परिभाषित किया गया है। एक आर.एफ.ए. वह खाता होता है जिसमें एक या अधिक ई.डब्ल्यू.एस. की मौजूदगी से किसी बड़ी चूक का अंदेशा होने लगता है। एक बैंक के स्तर पर आर.एफ.ए. के लिए थ्रेशहोल्ड एक्सपोज़र 500 मिलियन रुपए रखा गया है। समग्र निगरानी समाधान के रूप में आर.एफ.ए. तथा ई.डब्ल्यू.एस. का उद्देश्य बैंकों को केवल प्रारंभिक चेतावनी में सर्वोत्तम प्रथाओं को लागू करने में सहायता करना ही नहीं होता है वरन यह तंत्र बैंकों को लंबी अवधि में संपत्ति की गुणवत्ता में सुधार के लिए अपनी क्रेडिट-नीति, उत्पाद पोर्टफोलियो और उधार प्रक्रियाओं को बेहतर बनाने (फाइन-ट्यूनिंग) करने में भी सहायता करता है।

आर.बी.आई. के अनुसार बैंक अक्सर त्वरित चेतावनी संकेतकों को अनदेखा करते हैं और धोखाधड़ी के शिकार हो जाते हैं। चिंतनीय बात तो यह है कि ऐसे खातों में वसूली में ढील के चलते बैंकों के पास इन खातों को एन.पी.ए. चिन्हित कर देने के अलावा कोई अवलम्ब शेष नहीं रह जाता है। सुस्त समाधान व्यवस्था के चलते हमारे देश में वसूली की स्थिति चिंताजनक है जिससे देश की कारोबारी सुगमता की रैंकिंग पर नकारात्मक असर पड़ा है। यदि बैंक की लाभप्रदता को होने वाली परिणामी क्षति को नियंत्रित करना है तो दबाव के प्रारंभिक संकेत मिलते ही दबावग्रस्त आस्तियों से निपटने की कार्यवाही प्रारंभ कर देनी चाहिए। बैंकरों को प्रारंभिक चेतावनी संकेतों के प्रति सचेत रहना चाहिए क्योंकि उनकी अनदेखी करने से चूक की संभावना बढ़ जाती है अत: बैंकों को थ्रू-लोन कोवेनेंट्स, वर्धित संपार्श्विकों, और/या अधिक रिस्क प्रीमियम जैसी घाटाजन्य चूक को काबू में रखने के पर्याप्त उपाय तत्परतापूर्वक करते रहने चाहिए। यदि समय रहते इस तरह के प्रारंभिक-उपचारात्मक उपाय नहीं किए गए तो वसूली की क्लिष्ट विधिक एवं गैर-विधिक कार्यवाही से इतर कोई कार्य कर पाने के लिए बहुत विलंब हो जाता है और अन्ततोगत्वा ऋण खाता डूबत खाते में परिणीत हो जाता है। ऐसी किसी भी अप्रिय स्थिति से बचाव करने त्वरित चेतावनी संकेत (ई.डब्ल्यू.एस.) एक महती भूमिका निभा सकते हैं।

अधिसूचना क्रमांक भारिबैं/2014-15/590/ डी.बी.एस./सी.ओ./सी.एफ.एम.सी./बी.सी-सं. 007/23.04.001/2014-15, दिनांक 7 मई, 2015 के माध्यम से भारतीय रिज़र्व बैंक ने कुछ त्वरित/ पूर्व चेतावनी संकेतों की सूचना दी है जो बैंक अधिकारियों को आसन्न जोखिम एवं धोखाधड़ी के सम्बन्ध में सावधान करेंगे। इन पूर्व चेतावनी संकेतकों को मुख्यत: पांच भागों में बाटा जा सकता है:



वित्तीय संकेत

1. उत्पाद एवं बिक्री में तीव्र गिरावट, लाभ तथा मार्जिन में कमी, दीर्घकालिक कार्यशील पूंजी चक्र
2. मालसूची को बढ़ाकर दिखाना; गोदाम के निरीक्षण को टालने का अनुरोध
3. बार-बार बैंक-गारंटी का उपयोग करना तथा साख-पत्र का न्याग्मन
4. वर्ष-दर-वर्ष बिल रहित राजस्व में वृद्धि

5. माल में उल्लेखनीय बदलाव जो बिक्री में हुई वृद्धि की तुलना में गैर-आनुपातिक रूप से अधिक हो
6. प्राप्य राशियों में उल्लेखनीय बदलाव
7. अन्य चालू आस्तियों में गैर-आनुपातिक वृद्धि
8. कुल बिक्री(%) के रूप में कार्यशील पूंजी उधार में उल्लेखनीय वृद्धि
9. कुल बिक्री में वृद्धि के बिना स्थिर संपत्तियों में वृद्धि
10. तुलनपत्र में भारी नकद और समकक्ष राशियों के बावजूद उधार में वृद्धि
11. उधार खातों में बड़े नकद आहरण

परिचालनगत संकेत

12. मूल बिल प्रस्तुत न करना
13. स्टॉक लेखा-परीक्षा रिपोर्ट में उजागर मुद्दों, गलत स्टॉक-विवरणियों और अन्य नियंत्रण-विवरणियों के प्रस्तुतीकरण में अनुचित देरी
14. प्रोजेक्ट के दायरे में बार-बार बदलाव व लेबर समस्या
15. इन्वेंटरी का कम/ज्यादा बीमा लेना, अधिक मूल्य वाले चेकों का बाउंस होना
16. T.A.N. और अन्य ब्योरा रहित इन्वायस
17. सांविधिक देयताओं एवं परिचालनगत ऋणदाताओं के बिलों के भुगतान में विफलता
18. लेखा-नीतियों में बार-बार परिवर्तन
19. प्रोजेक्ट की लागत का तत्संबंधी मानक लागत से काफी अलग होना

बैंकिंग संकेत

20. बैंकों/ विविध देनदारों और अन्य सांविधिक संस्थाओं के नकदी ऋण/ ओवरड्राफ्ट खातों, सावधि ऋणों, देय किश्तों, साख पत्र/ बैंक-गारंटी में अनियमितता अर्थात विविध ऋण-प्रसंविदाओं को पूरा करने में असमर्थता
21. ब्याज-भुगतान के लिए अतिरिक्त सुविधाओं हेतु आवेदन
22. एक ही संपार्श्विक को एक से अधिक उधार देनेवालों को प्रभारित करना
23. मास्टर एग्रीमेंट, बीमा कवर जैसे महत्वपूर्ण दस्तावेज़ छिपाना
24. बिक्री से मिलनेवाली राशि को बैंक के माध्यम से न भेजना
25. आपस में जुड़ी पार्टियों के बीच लेन-देन हेतु साख-पत्र
26. असंबंधित पार्टियों को बड़ी राशि वाले R.T.G.S. भुगतान
27. खाते को एक बैंक से दूसरे बैंक में ले जाना
28. बारंबार तदर्थ मंजूरियां, अत्यधिक लीवरेज
29. सामान्य प्रयोजनों के लिए बार-बार ऋण-अनुरोध
30. बैंक-गारंटी/साख-पत्र को जारी करने के onerous नियम
31. मर्चेंटिंग कारोबार में, बैंक को 'Import Leg' के बारे में नहीं बताना
32. संपार्श्विक संपत्ति के स्वामित्व पर विवाद
33. बकाया ऋण राशि की अदायगी हेतु अन्य बैंकों से फंड लेना
34. शाखा से अधिक दूरी पर स्थित यूनिट का वित्तपोषण

आंतरिक प्रबंधन संकेत

35. उधार ली गई राशि का निवेश कर सहयोगी कंपनी खोलना
36. प्रबंधन में बार-बार परिवर्तन, प्रमोटर के शेयर में कमी
37. आपस में जुड़ी कंपनियों के पास बहुत अधिक बकाया का होना

38. आपस में जुड़ी पार्टियों में अत्यधिक लेन-देन

39. वार्षिक रिपोर्ट में वस्तुगत असंगतियाँ

40. वार्षिक रिपोर्ट के अंदर महत्वपूर्ण भिन्नताएँ

41. वस्तुगत प्रतिकूल सूचनाओं का खराब प्रकटीकरण

बाह्य संकेत

42. बिलों के अतिदेय होने की प्रवृत्ति

43. आयकर /बिक्रीकर विभाग द्वारा छापे

44. नकारात्मक मार्केट रिपोर्ट, बाह्य रेटिंग/ रेटिंग परिप्रेक्ष्य में गिरावट

45. R.O.C. सर्च रिपोर्ट में पाई गई देयताओं को वार्षिक रिपोर्ट में न दर्शाना

46. 'Claims not acknowledged as debt, अर्थात न्यायायिक मामले आदि।

इन चेतावनी संकेतों के सन्दर्भ में बैंकों को निर्देशित किया गया है कि वे:

- ✓ प्रारंभिक चूक के नियंत्रण, वितरण और कम करने की मजबूत व्यवस्था करें। सभी संवेदनशील क्षेत्रों में चार आंखों वाले सिद्धांत का पालन, बिना किसी ढील के अनिवार्य रूप से करें।
- ✓ बाजार आसूचना (मार्केट-इंटेलिजेंस) पर भरोसा करें।
- ✓ कारोबारी विश्लेषण के टूल विकसित करें।
- ✓ संस्थागत 3 'सी' - सी.एफ.आर. (सेंट्रल फ्रॉड रजिस्ट्री), सी.आर.आई.एल.सी. एवंक्रेडिट ब्यूरो का व्यापक प्रयोग करें।
- ✓ ऋण (क्रेडिट) संबधी 5 'सी' – कैपेसिटी, कैपिटल, कोलेटरल, कंडीशन और कैरेक्टर का पालन करें।
- ✓ निरंतर सतर्कता, मजबूत आंतरिक नियंत्रण एवं अनुपालन की संस्कृति को अपनाएं। लोगों के जोखिम को नियंत्रित करने के लिए ज्ञान कौशल के विकास को ट्रेनिंग आदि के माध्यम से संस्थागत रूप प्रदान करें।
- ✓ भारतीय रिज़र्व बैंक के विनियमों का सच्ची भावना के साथ अक्षरश: अनुपालन करें।

बैंकों में ई.डब्ल्यू.एस. प्रणाली का नियमन

भारतीय रिज़र्व बैंक ने बैंकों को सूचित किया है कि वे ऋण-जोखिम प्रबंधन एवं त्वरित सूचना प्रणाली लागू करने हेतु निम्नलिखित प्रक्रियाएं अपनाएं:

- ❖ क्रेडिट रेटिंग स्कोरिंग के जरिए प्रारम्भिक जोखिम का प्रबंधन
- ❖ वैज्ञानिक आधार पर जोखिम मूल्य का निर्धारण अर्थात आई.टी. आधारित एक त्वरित चेतावनी सूचक ढांचे की स्थापना एवं
- ❖ प्रभावी ऋण समीक्षा प्रणाली एवं पर्यवेक्षण द्वारा प्रारंभिक चेतावनी सूचकों की पहचान।

प्रारंभिक चेतावनी सूचक ढांचा एन.पी.ए. के प्रारंभिक लक्षणों को सूचना-प्रौद्योगिकी की सहायता से प्रारंभ में ही पकड़ कर उपचारात्मक कार्यवाही का मार्ग सुगम करता है। प्रारंभिक चेतावनी समाधान (Early Warning Solutions) के निर्माण के लिए बैंकों को एक प्रभावी तंत्र अपनाने की आवश्यकता होती है जिसमें बैंक के मौजूदा डेटा स्रोत का बिग-डाटा एनेलिटिक्स एवं सूचना प्रबंधन प्रणाली की सहायता से आवश्यक विश्लेषण कर एक प्रभावी समाधान प्रणाली निर्मित की जाती है। इस प्रक्रिया में निम्नलिखित चरण सम्मिलित होते हैं:

1. **पोर्टफोलियो संवर्गीकरण**: पहले चरण में शाखा में ऋण-संवर्गीकरण के आधार पर ई.डब्ल्यू.एस.का चयन किया जाता है। उदाहरणार्थ व्यैक्तिक खंड के ऋण के ई.डब्ल्यू.एस. कोर्पोरेट वित्त से बिलकुल अलग होंगे, तदानुसार उन्हें चिन्हित किया जाना।

2. **आंकड़ों का विश्लेषण**: विभिन्न स्रोतों से उपलब्ध डाटा/आंकड़ों के आधार पर ई.डब्ल्यू.एस. का प्रसंस्करण एवं उससे चाही गयी जानकारी निकालना।

3. **शीघ्र चेतावनी उत्प्रेरक** (Trigger): विविध सूचनाओं के आधार पर किसी ग्राहक के प्री-डिफॉल्ट संव्यवहार की जानकारी के आधार पर ई.डब्ल्यू.एस. ट्रिगर को परिभाषित करना।

4. **सम्मिश्र जोखिम सूचकांक** (Composite Risk Index) का निर्धारण:विभिन्न उत्प्रेरकों का संगठन कर एक प्रभावी निगरानी सूची निर्धारित करना जो एक रिस्क इंडेक्स बनाने में सहायक हों

5. **जोखिम न्यूनीकरण कार्य-योजना** (Risk Mitigation Action Plan) लागू करना।

ई.डब्ल्यू.एस. एप्लीकेशन के प्रयोग से शाखा प्रमुख/ क्षेत्र अधिकारी/ रिलेशनशिप मैनेजर को किसी भी ट्रिगर की स्थिति में ई-मेल अलर्ट और एस.एम.एस. प्राप्त होता है जिस पर कार्यवाही कर योग्य संकेतों का निवारणात्मक उपचार किया जा सकता है। बैंकों को नियमित रूप से ई.डब्ल्यू. एस. संबंधी डैशबोर्ड अंत-प्रयोगी को उपलब्ध कराया जाना चाहिए ताकि वे आवश्यकतानुसार विविध फिल्टर्स का प्रयोग करते हुए प्रखंड/शाखा/क्षेत्रवार सूचना प्राप्त कर दबाव के प्रारंभिक लक्षणों पर त्वरित अनुवर्ती कार्यवाही प्रारंभ कर सकें।

प्रारंभिक चेतावनी समाधान की कार्यविधी

किसी भी ऋण खाते के जीवनकाल में तीन अवस्थाएं होती हैं: ऋण स्वीकृति, ऋण चुकौती/वसूली एवं ऋण-खाते का बंद होना। एक प्रभावी ई.डब्ल्यू.एस. प्रणाली इन तीनों अवस्थाओं के सामानांतर चलते हुए ऋण खातों को मानक बनाये रखने में सहायक होती है-

1. **पहचान एवं पकड़**: ऋण स्वीकृति एवं ऋण संवितरण प्रक्रिया में बैंक द्वारा निर्धारित विभिन्न ई.डब्ल्यू.एस. की सहायता से किसी त्रुटि या चूक की समय रहते पहचान एवं किसी भी डिफ़ॉल्ट की अवस्था में सावधान करने हेतु ट्रिगर का निर्धारण किया जाता है।

2. **निगरानी एवं उपचारात्मक उपाय**: यह अवस्था ऋण की चुकौती के दौरान चलने वाली महत्वपूर्ण प्रक्रिया है जिसकी सहायता से ऋण-चुकौती में किसी भी चूक को पकड़ कर अनुवर्ती कार्यवाही की जाती है।

3. **प्रारंभिक चेतावनी निष्कासन**: ऋण-खाते के बंद हो जाने पर सूचकों को खातों से हटा लिया जाता है।

त्वरित चेतावनी संकेतों की सुधारात्मक कार्यवाही में भूमिका

बैंक-ऋण और जोखिम का चोली-दामन का साथ होता है, किन्तु एन.पी.ए. के भय से ऋण ना देना किसी भी सूरत में न्यायसंगत नहीं है। "परहेज इलाज से बेहतर है", यह कथन बढ़ते एन.पी.ए. पर भी अक्षरश: सत्य बैठता है। त्वरित चेतावनी सूचकों के आधार पर किसी भी दबावपूर्ण स्थिति में समयानुकूल हस्तक्षेप करना बैंक का दूसरा स्वभाव होना चाहिए। इसी प्रकार, समय पर बकाया का भुगतान करना किसी उधारकर्ता से उम्मीद किया जाने वाला स्वाभाविक व्यवहार होना चाहिए। वस्तुत: उधारदाता और उधारकर्ता दोनों में इस प्रकार के व्यवहार पनपने चाहिए जिससे एक ऐसी ऋण संस्कृति का सृजन किया जा सके जो एक सुरक्षित और मजबूत बैंकिंग व्यवस्था व कारोबार को लेकर एक जीवंत माहौल के अनुकूल हो तथा जिससे एक मजबूत और आघात-सहनीय बैंकिंग प्रणाली का निर्माण हो सके। ज्ञातव्य रहे कि कोई भी खाता रातोंरात एन.पी.ए. नहीं होता। एन.पी.ए. होने से पहले ऋणकर्ता के क्रियाकलापों से काफी संकेत मिलते हैं, जिन्हें बड़ी सावधानी से समझना और उस

पर अनुवर्ती कार्यवाही करना बैंकों के लिए अनिवार्य होता है। त्वरित चेतावनी संकेत मिलने पर बैंकों कोनिम्नलिखित तरीकों से अनुवर्ती कार्यवाही प्रारंभ कर देनी चाहिए:

1. चेतावनी संकेतों का ए.बी.सी. विश्लेषण किया जाना चाहिए और राशि के अनुसार शीघ्र वसूली की संभावनाओं को देखते हुए कार्यवाही प्रारंभ कर देनी चाहिए। ऋण-प्रबंधन में '3R' सुधारात्मक रणनीतियों: Rectification अर्थात दबाव की स्थिति का ही निराकरण, Restructuring अर्थात ऋण खाते की शर्तों का पुनर्निर्धारण व Recovery अर्थात वसूली प्रक्रिया को प्रभावी ढंग से लागू किया जाना चाहिए।

2. आस्ति की सुरक्षा के लिए सबसे महत्वपूर्ण नियम है "अपने ग्राहक को जानें।" ऋण प्रबंधन में ग्राहक को समझना एवं जानना पहला सिद्धांत होता है, इस हेतु आवश्यक है कि बैंक-स्टाफ ऋणी के साथ लगातार संपर्क बनाए रखें एवं उनकी निवर्तमान गतिविधियों की जानकारी रखें। ई.डब्ल्यू.एस. की स्थिति में ग्राहक से तुरंत संवाद कर स्थिति में सुधार करने का परामर्श देना चाहिए। इस सन्दर्भ में S.M.A.-0, S.M.A.-1 व S.M.A.-2 खातों को लेकर विशेष सतर्कता बरतना वांछनीय है।

3. उधारकर्ता और मुख्यत: इरादतन चूककर्ताओं से व्यक्तिगत संपर्क कर ऋण-भुगतान सुनिश्चित करना चाहिए और यदि ग्राहकभुगतान ना कर पाए तो निश्चित अवधि में खाते को दुरुस्त करने का वचन-पत्र लेना एवं ऋण अनुस्मरणपत्र भी भिजवाना चाहिए।

4. बड़ी शाखाओं में 2 या 3 अधिकारियों को मिलाकर छोटी-छोटी समितियां बनाई जानी चाहिए जिससे एक अधिकारी की जगह कई अधिकारी उसका अनुश्रवण कर सकें।

5. ऋण-वसूली के लिए वसूली कैम्प लगाये जा सकते हैं, आवश्यक हो तो वसूली हेतु बाह्य एजेंसियों की सहायता एवं फैक्टरिंग सेवाएं आदि भी ली जा सकती हैं।

6. त्वरित चेतावनी सूचकों की पहचान हेतु आंतरिक एवं बाह्य लेखा-परीक्षा का उपयोग करना चाहिए।

7. सिबिल के माध्यम से आवश्यक सूचनाओं का उपयोग कर बैंकों को दबावपूर्ण आस्तियों को कम करने के प्रयास करने चाहिए। एकल ऋणियों एवं ऋणियों के समूह के लिए विवेकपूर्ण जोखिम मानदंड, पर्याप्त जोखिम मानदंड और अप्रतिभूत जोखिमों की निरंतर निगरानी ई.डब्ल्यू.एस. से मिले ट्रिगर के आधार पर की जानी चाहिए। चूक की संभावना (पी.डी.), लॉस गिवन डिफॉल्ट (एल.जी.डी.) और एक्सपोज़र एट डिफ़ॉल्ट (ई.डी.) का अनुमान लगाने के मॉडल आंतरिक रूप से तैयार किए जाने चाहिए।

8. कर्मचारियों को इस बात के लिए प्रोत्साहित किया जाना चाहिए कि यदि उन्हें किसी खाते में गंभीर ई.डब्ल्यू. एस. लग रहे हैं तो वे ऐसा लगने के कारणों सहित उसके बारे में बैंक की मुखबिर नीति (Whistle Blower Policy) के तहत उचित प्राधिकारी को रिपोर्ट करें जिससे किसी संभावित फ्रॉड/धोखाधड़ी को रोका जा सके।

9. अन्य सुझाव :

   ✓ दबावग्रस्त आस्तियों की शीघ्रता से पहचान हेतु 2014 में भारतीय रिज़र्व बैंक द्वारा विशेषकर बड़े ऋणों हेतु चेतावनी प्रणाली को व्यवस्थित करने के उद्देश्य से स्थापित सेंट्रल रिपोजिटरी ऑफ इन्फोर्मेशन ऑन लार्ज क्रेडिट्स (C.R.I.L.C.) का उपयोग करना चाहिए जिसमें भारतीय रिज़र्व बैंक ने 5 करोड़ रुपए से अधिक के समस्त ऋणों की एक

वृहद डेटाबेस सूचना तैयार की है। C.R.I.L.C. डाटा में प्रत्येक ऋण की स्थिति मौजूद होती है इससे यह पता चलता है कि खाता सही तरीके से संचालित हो रहा है, पहले एन.पी.ए. हो चुका है या एन.पी.ए. होने वाला है। इस डेटाबेस से बैंकों को पूर्व चेतावनी संकेतकों के रूप में यह भी पता चलता है कि उधारकर्ता कीस्थिति तनावपूर्ण है और कुछ समूह के उधारकर्ता देर से चुकौती करने के आदी हैं।

- ✓ क्रेडिट रेटिंग ऋण जोखिम का मापक है तथा ई.डब्ल्यू.एस. ऋण जोखिम के सूचक, अत: बैंकों को जोखिम प्रबंधन तंत्र के साथ आंतरिक क्रेडिट मूल्यांकन को भी सुदृढ़ बनाना चाहिए। बैंकों को क्रेडिट रेटिंग एजेंसियों एवं आंतरिक रेटिंग में संतुलन बनाते हुए त्वरित निगरानी सूचकों का सही उपयोग सुनिश्चित करना चाहिए।
- ✓ स्वतंत्र रूप से पब्लिक डोमेन में उपलब्ध उधारकर्ता का ट्रैक-रिकार्ड, कानूनी विवादों में शामिल होने, बिजनेस पर पड़े छापे, सरकारी एजेंसियों द्वारा की गई प्रतिकूल टिप्पणियों, प्रस्तुत की गई जानकारी/डाटा की R.O.C. जैसे अन्य स्रोतों से अधिप्रमाणन (Validation), विभिन्न क्रेडिट सूचना कंपनियों (सी.आई.सी.) की सूचनाओं एवं बाज़ार-तंत्र से सूचना प्राप्त करने आदि का विशेष ध्यान रखा जाना चाहिए। किसी संभावित धोखाधड़ी से बचने हेतु रिज़र्व बैंक द्वारा स्थापित केंद्रीय धोखाधड़ी लेखागार (Central Fraud Registry) जो एक केंद्रीकृत सर्चेबल डाटाबेस है की सहायता भी ली जा सकती है।
- ✓ वैज्ञानिक आधार पर जोखिम मूल्य निर्धारण एवं त्वरित सूचना संकेतों की उत्पत्ति हेतु बैंकों को विभिन्न स्त्रोतों यथा फर्मोग्राफिक ब्यूरो, कॉर्पोरेट कार्य मंत्रालय (M.C.A.) प्रिंट एवं दृश्य मीडिया आदि से प्राप्त जानकारी के आधार पर स्वचालित अधिग्रहण मॉडल और स्कोरकार्ड आदि का प्रयोग भी सुनिश्चित करना चाहिए।

बैंकों द्वारा त्वरित चेतावनी संकेत अपनाने के लाभ

प्रारंभिक चेतावनी सूचकों (ई.डब्ल्यू.एस.) को बैंकों के आस्ति-प्रबंधन में एक मज़बूत कड़ी के रूप में देखा जाता है, जिसके निम्नलिखित लाभ होते हैं:

- ❖ विभिन्न संस्थाओं से उपलब्ध आंकड़ों से पता चलता है कि प्रारंभिक चेतावनी सूचकों का भली-भाँती संज्ञान लेते हुए अनुवर्ती कार्यवाही करने से संभावित ऋण हानि आकस्मिकता में 15-20% की कटौती की जा सकती है तथा इससे नए एन.पी.ए. स्लिपेज पर भी लगाम लगती है।
- ❖ ई.डब्ल्यू.एस. मज़बूत ऋण निगरानी की पहली कड़ी हैं। जो संस्थाएं ई.डब्ल्यू.एस. संबंधी निर्देशों का गंभीरता से पालन करती हैं उनकी जोखिम वाहन क्षमता अधिक होती है साथ ही उन्हें पूंजी एवं इक्विटी पर उच्च प्रतिलाभ दर भी प्राप्त होता है।
- ❖ ई.डब्ल्यू.एस. की सहायता से पोर्टफोलियो की नियमित निगरानी होती है जिससे आस्तियों की गुणवत्ता को बनाए रखने में मदद मिलती है।
- ❖ संपार्श्विक आस्ति के वर्तमान मूल्य व उसकी तुलना में बकाया शेष की जानकारी अद्यतन रहती है।
- ❖ चूंकि खातों में भुगतान नियमितीकरण सुनिश्चित किया जाता है अतएव एक्सपोज़र एट डिफ़ॉल्ट में कमी आती है।

❖ पूंजी का बेहतर उपयोग किया जा सकता है साथ ही ग्राहक के निरंतर संपर्क में बने रहने से व्यवसाय के नए द्वार भी खुलते हैं।

निष्कर्ष: जो संस्था एन.पी.ए. के जोखिम से डर कर रुक जायेगी, वह प्रतिस्पर्धा की होड़ में पीछे रह जायेगी, लेकिन यदि वही कोई संस्था अति-आशावादी बनकर विविध चेतावनी संकेतों की अनदेखी कर निर्णय लेती जाती है तो वह अभिमन्यु के समान जोखिम के चक्रव्यूह और हानि की गर्त में फंसती ही चली जायेगी। बैंकिंग के वर्तमान परिवेश में ऋण-जोखिमों से बचना तो असंभव है, लेकिन त्वरित चेतावनी सूचकों को रणनीतिक रूप से कार्यान्वित कर दबावग्रस्त आस्तियों की तीव्रता को न्यूनतम तो किया ही जा सकता है। बैंकों द्वारा लाभप्रदता में अपेक्षित वृद्धि, कुशल आस्ति-प्रबंधन तथा आम जनता के विश्वास को सुदृढ़ करने हेतु जोखिम की भली-भांति पहचान कर उन्हें चिन्हित करने की दृष्टि से ऋण-प्रबंधन का अपना विशिष्ट महत्व है, जिसमें त्वरित चेतावनी संकेत महत्वपूर्ण भूमिका का निर्वहन निभाते हैं। अत: इनसे सम्बन्धित गतिविधियों अर्थात ई.डब्ल्यू.एस. अनुपालन को एक बार की जाने वाली प्रक्रिया ना मानते हुए एक सतत एवं निरंतर चलने वाली प्रक्रिया के रूप में अपनाना चाहिए ताकि यह ऋण-खातों में किसी भी संभावित जोखिम या चूक के बारे में हमें प्रारंभिक अवस्था में ही सजग कर सके।

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Banking Stability Index: Comparison of India vis-à-vis BRICS and SAARC Countries

Suvendu Sarkar*

This study focuses on constructing a Banking Stability Index using Financial Soundness Indicators (FSIs) published by IMF. The individual five sub-indexes based on Capital Adequacy, Asset Quality, Profitability, Liquidity and Exposure to Foreign Exchange are aggregated using factor analysis to form the composite Index. The comparative position of the India is analysed with its peer countries - BRICS and SAARC. There is a sign of a moderate fall in stability of the banking sector in recent periods perhaps due to the rise in the NPA on account of the pandemic situation. None of the 12 countries under consideration is found to be extremely stable in comparison to the group.

Introduction

The interest of researchers in the financial system's stability and systemic risk has been continuously increasing since the global financial crisis of 2008. The exact meaning of systemic risk is ambivalent. It may be decided differently by different people and various definitions have been attempted so far. The European Central Bank, for example, once defined Systemic risks as "risk due to which financial instability becomes so widespread that it impairs the functioning of a financial system to the point where economic growth and welfare suffer materially."

Financial Stability Board (FSB) was established at Basel in April 2009 with the aim of maintaining esatiability across the financial systems of the world. Many Central Banks across the globe also gradually started measuring the system risk in its own way after the crisis and regularly publishes Financial Stability Reports (FSR) for its own economy. RBI also started to evaluate the systemic risk since July 2009 and regularly publishes half yearly FSR since then.

Banks, being the largest stakeholder in the financial system, hold most important position in any systemic risk analysis including RBI's FSR. Though, shadow banking activity has gained attention of various Central Banks across the world as well as International Organisations (e.g. World Bank, IMF etc.) In recent years, it may be reiterated that stability of banking system is still the key indicator of sound financial system. In India, banking sector is still the predominant financial intermediation available to public and the major channel for mobilization of domestic savings. Banking sector is also the key player in payment systems in India. The total Asset under Management (AUM) for all mutual fund houses (around 41) together is only approximately 15% of total assets of all banking system in India (including Scheduled Commercial Banks, Regional Rural Banks and Scheduled Urban Co-operative Banks). Therefore, the stability of the banking system is still the core to financial stability in India.

Banks, in its course of business, do take certain types of risk, e.g. credit, liquidity, market, operational risks etc. Monitoring the banking sector's performance through the risk indicators is crucial for measuring the stability of banking system. Therefore, the target of

*Assistant Adviser, Department of Supervision, Reserve Bank of India.

this study is to assess the primary indicators affecting the stability and trying to establish an aggregate '*Banking Stability Index'* and compare the level of stability in India vis-à-vis BRICS and SAARC countries via a cross-country analysis using the index and its components.

Peer comparison is one of the most widely used and accepted methods of performance analysis used by professionals and analysts. Because the entities in a peer group share similar traits the comparison makes sense and provide an opportunity to improve. However, when we talk about country as a whole, finding the countries with similar traits and attributes might be difficult. India is the member of two well known groups of developing countries - (i) South Asian Association for Regional Cooperation (SAARC) and (ii) Brazil, Russia, India, China and South Africa (BRICS). As these organisations were formed to promote the welfare of the people of the member states, strengthen collective self-reliance, promote active collaboration and mutual assistance in various fields, and cooperate with international and regional organizations, it will be interesting to know the relative position of India amongst the other member states in terms of banking stability parameters. It may also provide an opportunity to self assess the areas which might need attention to improve the stability indicators.

Past Studies

Creating stability index for financial system has always been an interesting topic for the researchers. Way back in 1977, a numerical index on bank vulnerability was developed based on factor analysis technique by the Federal Reserve Bank of New York *(Goodhart, 2011)*. In 2003, the International Monetary Fund (IMF) proposed a set of 39 individual financial soundness indicators (FSIs) to track and monitor the financial stability across the globe. They were divided into two sets - "Core set" and "Encouraged set" FSIs for the purpose of financial stability level tracking *(San Jose, et al., 2008; Gadanecz, Jayaram, 200*9).The core set of FSIs have been used in this article to form the desired index.

Numerous authors have used various methodologies and techniques to form the index time-to-time. Most of the major economies across the world have its own domestic financial stability index. Apart from researchers, various financial corporation/banks also created its own set of indexes, e.g. Bloomberg Financial Conditions Index (available since 1991), Citi Financial Conditions Index (since 1983), Deutsche Bank Financial Conditions Index (since 1983) and Goldman Sachs Financial Conditions Index etc.

In Indian context, the first such attempt was probably made by *Saibal Ghosh (2011)*. Using the data from RBI's publication *Statistical Tables Relating to Banks in India* and *Report on Trend and Progress of Banking in India,* the index was created using three main indicators – (i) Loan-loss provisions (LLP) to total asset ratio, (ii) CRAR and (iii) Return on Asset. The variables were normalized prior to forming the index and then inverse Euclidean distance formula was applied to form the final index.

Rabi N. Mishra et. el. (2013), used composite measures from RBI's Supervisory Department's CAMELS approach (Capital, Asset Quality, Management, Earnings, Liquidity and Systems). Here also the indicators were normalised to assume values between 0 and 1. For each of the indicators, a weighted average for the banking sectors was derived using the weights "the ratio of individual bank's asset to the total assets of the banking system". Then the composite measure of each dimension were calculated as a weighted average of standardised ratios used for that particular dimension, where the weights are based on the marks assigned for assessment for CAMEL rating. The ratios which were negatively related with the risk, one's complement (1 - ratio) was used for calculation of the composite index. Finally, based on the individual composite indices for each dimension, the *Banking Stability Indicator (BSI)* was constructed as a simple average of the above five sub-indices from CAMEL.

The study by *Indrajit Roy et. el (2015*) was more comprehensive in nature. They used indicators from various sectors - Banking, Forex Market, Debt Market and Equity Market and created a *Financial Stress Index* for India as the weighted average of the indicators, weights being taken as percentage variation explained by the factors from Principal Component Analysis (PCA).

The article by *Rachita Gulati* et. el. (2019) was published more recently and they used both the techniques from above two papers. Indicators were selected using CAMEL approach and after standardisation, the aggregation was done using the weights calculated by employing PCA approach.

Table 1: IMF's Core Financial Soundness Indicators

Category Types	Indicators	Short Name
Capital adequacy	1. Regulatory capital to risk-weighted assets (%)	CRAR
	2. Regulatory Tier 1 capital to risk-weighted assets (%)	Tier 1 Ratio
Asset quality	3. Non-performing loans to total gross loans (%)	GNPA Ratio
	4. Non-performing loans net of provisions to Capital (%)	NNPA Ratio
	5. Sectoral distribution of loans to total loans (%)	Sectoral GNPA
Earnings and profitability	6. Return on assets (%)	RoA
	7. Return on equity (%)	RoE
	8. Interest margin to gross income (%)	1M_to_G1
	9. Non-interest expenses to gross income (%)	NIE_to_GI
Liquidity	10. Liquid assets to total assets (%)	LA_toTA
	11. Liquid assets to short-term liabilities (%)	LA_to_STL
Exposure to Foreign Exchange	12. Net open position in foreign exchange to capital (%)	NOPF_to_Capital

The studies discussed above all constituted indexes are for one single country and represents the stability of the domestic economy and comparison of the index vis-à-vis other financial parameters of the economy. However, in the area of cross country analysis of the stability index, the author found only two published articles. *Vadim Arzamasov et. e. (2014)* used IMF's *Financial Soundness Indicators (FSI*s) and *Resilience of the Economy index (ER)* published by IMD Business School, Switzerland.The financial stability index was formed using linear regression and panel analysis method where FSIs were considered as independent variables and ER as dependent variable for 48 countries. Various models were compared and it was found that the best model contains "*Return on Assets*" and "*Regulatory Capital to Risk-Weighted Assets*" as financial stability predictors.

The only other study in the cross-county domain was published by *Kristína Kočišová (2015)* for European Union (EU) countries. Using the IMF's FSIs as indicators for banking stability, the standardised indicators were aggregated with equal weights to construct the index and comparing the position of EU economies, especially the countries which joined the European Union in 2004.

In the present article FSIs published by IMF has been used to form the index in the similar line asin the above article by *Kristína Kočišová (2015),* however, to aggregate, the weights have been derived using the factor analysis.

Data and Methodology

Data Preparation

The Financial Soundness Indicators (FSIs) were developed by the IMF, together with the international community, with the aim of supporting macro-prudential analysis and assessing strengths and vulnerabilities of financial systems. As a part of its effort to promote global financial stability, IMF mooted a Coordinated Compilation Exercise (CCE), to develop a country's capacity to compile Financial Soundness Indicators (FSIs). On behalf of India, RBI agreed to participate in CCE for FSIs on regular basis. Accordingly, RBI started half-yearly submissions on trial basis from March 2009 onwards for Core FSIs and the moved to full quarterly submission, with additional encouraged FSIs, from September 2011 onwards.

The FSIs are published by IMF on its official website regularly and it is available to the researchers across the globe. The list of core FSIs for *Depositor Takers'* are given in *Table-1*. While comparing the index across the countries, it is mandatory that the underlying indicators are comparable i.e. definitional uniformity should be prevalent. FSIs credibly satisfy this criterion because IMF publishes *'FSI Guide'* time-to-time to cover definitional aspects of the indicators and countries are advised to follow the same.

The capital adequacy related indicators are based on *'Basel Accords'* which are uniformly followed across the globe by the member countries. As per the FSI guide, loans are classified as non-performing when payments of principal and interest are past due by 90 days or more, or interest payments corresponding to 90 days or more have been capitalized, refinanced or rolled over. In addition, Non-Performing Loans (NPLs) should also include those loans with payments less than 90 days past due, but for which evidence exists to classify them as non-performing, such as if the debtor files for bankruptcy. Measures related to earnings and profitability is based on accounting standards followed by each country. '*Liquid Assets'* are defined as assets that are readily available to an entity to meet a demand for cash. In the Guide, liquid assets comprise (1) currency; (2) deposits and other financial assets that are available either on demand or within three months or less; and (3) securities that are traded in liquid markets (including repo markets) that can be readily converted into cash, with insignificant risk of change in value under normal business conditions. Also, the detailed methodology for calculating *'Net open position in foreign exchange'* has been provided in the guide. It is advised that *Deposit Takers'* net open position should be calculated in accordance with *'Basel Committee on Banking Supervision (BCBS)'* guidelines.

The above indicators are used for SAARC as well as BRICS countries, 12 countries in total (India being the common). The data is available on IMF website from 2011 onwards and the same has been used on annual frequency up to 2021 (e.g., the figure as on 2019 refers to the yearend figure of December-2019). However, the data for the latest year 2021 is either as on June-2021 or September-2021 depending upon the availability of the data at the IMF website. No country had submitted data as on December-2021 at the time of preparation of this article. The data pertains to all *Deposit Takers'* for any country. For India, it consists of data from Scheduled Commercial Bank, Regional Rural Banks and Scheduled Urban Co-operative Banks.

Methodology

Constructing a single index to indicate the level of stability of the banking system is possibly a very difficult task. It is tried here to construct the index with the available FSI data.

Step 1: In the literature, all the indicators are normalised to have the same variance before aggregation. There are two kinds of normalisations available in literature - (i) Statistical normalisation, which converts each indicators to a common scale with an average of zero and standard deviation of one. (ii) Empirical normalisation, where indicator is compared to its limit values (minimum and maximum) in the dataset.

In Statistical normalisation, the standard deviation of the indicator is the scaling factor. Therefore, an indicator with extreme value will intrinsically have a more influence on the aggregated indicator. Moreover, the normalised values will have negative as well as positive values both with limits may be beyond [-1, 1]. In Empirical normalisation, the approximation of the index value limits to 1 (max) and 0 (min). With the target of creating a stability index which will assume values between 0 and 1, 'zero' being the lowest stability and 'one' being the highest stability, the empirical normalisation is chosen for this analysis. The formula is as below.

$$R_n = \frac{R_{yn} - Min_y(R_{yn})}{Max_y(R_{yn}) - Min_y(R_{yn})}$$

Where: R_n is the normalised value for a ratio/indicator in year 'n'; R_{yn} is the value of the indicator in period 'n' for the country 'y'; 'n' assumes values between 2011 and 2021. 'y' represents the 12 countries discussed above.

Thus, normalised values are calculated using the indicators among the countries for each period separately.

Step 2: The normalised values of the indicators are adjusted in such a manner that higher the value represents more stability for the economy. The details are given in *Table-2.* As overall GNPA Ratio is used as one of the components of the *Index*, Sectoral GNPA Ratio is omitted in the final index. Sectoral GNPA Ratio adds-up to overall GNPA Ratio.

Step 3: Separate five sub-indexes are created by taking simple average of the individual indicators. *Capital Adequacy* sub-index is formed by averaging of CRAR and Tier 1 Ratio and so on. *Exposure to Foreign Exchange* sub-index is simply the ratio *NOPF_to_Capital*.

Step 4: Now comes the most difficult part of aggregating the individual sub-indexes to construct the final composite index. In the literature *(e.g. Illing and Liu, 2003; Maliszewski, 2009)* there are multiple methods of assigning weights to sub-indexes - (i) expert judgment, (ii) standardization (variance-equal weights), (iii) the size of the market segment, (iv)coefficients of the first factor from factor analysis, (v) estimation of a logit model (vi) estimation of a VAR model, (vii) estimation of a backward-looking IS curve etc.

Table 2: Impact of Indicators on Banking Stability Index (BSI)

Indicators	Impact	Adjustment
CRAR	Positive	None
Tier 1 Ratio	Positive	None
GNPA Ratio	Negative	(1- normalised value)
NNPA Ratio	Negative	(1- normalised value)
Sectoral GNPA	Not used in the indicator	
RoA	Positive	None
RoE	Positive	None
IM_to_GI	Positive	None
NIE_to_GI	Negative	(1- normalised value)
LA_to_TA	Positive	None
LA_to_STL	Positive	None
NOPF_to_Capital	Negative	(1- normalised value)

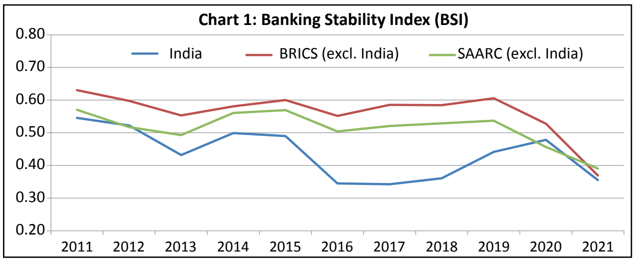
Here in this study the method of '*coefficients of the first factor from factor analysis'* has been adopted. Factor analysis is run on the pooled data from 2011 to 2021 and the coefficients of the first factor are used as weights. However, since our aim is to construct an index with limits [0, 1] and the summation of the factor weights may go beyond 1, the share of the individual factor weights in total weight are used such that $\sum W_i = 1$.

Finally, the *Banking Stability Index (BSI)* is constructed using the same weights for all the years. For each country separate index value is calculated for each year 2011 to 2021.

Empirical Findings and Discussions

The author decided to refrain from mentioning index values for the countries individually except India. It is not the objective to put any country in bad or good light is respect of the *Banking Stability Index*. Almost all the countries are having its own form of *Stability Index* and has potential to compare own country's index with other peer countries. Therefore, the position of India is compared with average Index value of SAARC (excluding India) and BRICS (excluding India) countries.

There are some data gaps in the FSI data at IMF website. Data for *Maldives* is not available for the year 2011. The indicators for *Nepal* are available only from 2016 onwards. Bhutan and Afghanistan have not provided data for last two years - 2020 and 2021. Hence the average Index is calculated for the SAARC countries subject to above limitations.



The weights derived from the factor analysis are given below for five sub-indexes.

Sub-Index	Weight
Capital Adequacy	0.24
Asset Quality	0.10
Profitability	0.10
Liquidity	0.16
Exposure to Forex	0.40
Total	**1.00**

The final composite *Banking Stability Index (BSI)* is given in the *Chart-1*.

The average *BSI* for BRICS (excl. India) countries has been highest among the three since last eleven years under consideration except for the latest period. The BSI for India has been the lowest since 2013 onwards except for the year 2020. Though, it may be noted that the difference of the *BSIs* is not considerable from each other and it hovers broadly in the range of 0.35 to 0.60 throughout last eleven years. As on 2021, the *BSI* for SAARC (excl. India) countries is 0.39, for BRICS(excl. India)countries 0.37 and for India, it is 0.35.

Upto the year 2015, the *BSI* of India was almost at similar level and co-moving with SAARC countries. Then a sharp fall in 2016 may be attributed to the *Asset Quality Review (AQR)* process initiated by Reserve Bank of India to identify the hidden stress in the loan portfolios of banks. This exercise elevated the NPA position in the Indian Banks and consequently due to increased provision requirements profitability was also affected.

A detailed inspection at the sub-indexes level indicates that India's position has been much better in terms of *Sensitivity to Foreign Exposure* and *Capital Adequacy* compared to other three sub-indexes in recent years. Capital Adequacy of Private Banks and Foreign Banks have always been much more than the prescribed regulatory threshold except few instances like *Lakshmi Vilas Bank*. The CRAR of Public Sector Banks (PSBs) has been a concern since last few years, however, *Government of India*, being the owner of these banks, has always been vigilant about the capital position of the PSBs. As per the notification of *Ministry of Finance* on PSBs, over the last five Financial Years (up to FY 2018-19), PSBs have been recapitalised to the extent of ₹3.19 lakh crore, with infusion of ₹2.5 lakh crore by the Government and mobilisation of over ₹66,000 crore by PSBs themselves. Moreover, during FY 2019-20, the Government of India (GoI) has again infused ₹70,000 crores.

The *BSI* is created here using the empirical standardisation approach where standardisation is achieved within the countries under consideration, separately for each year. Thus, the *BSI* value of 'one' doesn't recommend that the country is absolutely stable and similarly the 'zero' doesn't point out that the country is almost unstable, rather, it may be interpreted as the comparative position in respect of the countries under consideration. As discussed earlier, since there is no clear parameter for quantifying the stability, it may be defined as the comparative position of one country or a bank (in case the index is formed on bank-level data domestically for a single country) with respect to the benchmark set by best possible observed indicator values for the entities under consideration (country/bank).

Concluding Remarks

With respect to the best possible benchmark set by twelve SAARC and BRICS countries, India's banking system is 35% stable as on 2021. However, it also may be noted that banking system of the BRICS countries excluding India are on an average 37% stable and SAARC countries excluding India are on an average 39% stable as on 2021. There is no country which is extremely stable (80% or more) with respect to the set benchmark.

India's stability position was almost at similar level of SAARC countries prior to *Asset Quality Review (AQR)* exercise initiated by RBI during 2015-16. Though the exercise caused a sharp fall in the index in 2016 it should not be taken as a negative sentiment towards India's banking system as the hidden problem in asset quality may raise stability concern in future. After the exercise, the asset quality in Indian banking system is more transparent and it is a good sign for future.It is also prominent that the index has started to pick-up slowly after 2016.

Capital Adequacy is the strongest point for India which keeps the bar high. It is also evident that the timely capital infusion by the *Government of India* has kept the PSBs well capitalised which certainly makes the banks more stable.

It is also evident that in the post pandemic era, India has been least hit compared to other two groups. The BSI has been reducing significantly for BRICS and SAARC countries since last two years bringing them almost at par with India in 2021. On the contrary, India has shown slight improvement in BSI (from 0.44 to 0.48) during 2019-2020 before falling to 0.35 in 2021. The improvement in BSI of India during 2019-2020 may be attributed mainly to two factors - (i) ban on fresh NPA classification by Honorable Supreme Court of India in 2020 which was lifted subsequently on March 23, 2021. (ii) various timely action on liquidity measures by the RBI during the pandemic e.g. Targeted long-term repo operations (TLTRO) etc. Overall, India has managed the financial system well during the pandemic compared to the other two groups which brought the BSI of the three entities very close to each other in 2021. India has been able to reduce the gap with the comparable groups during the pandemic period. Moreover, the current BSI of 0.35 for India is more than 0.34 during 2016 and 2017, the period of *Asset Quality Review (AQR).* The effect of pandemic on BSI has been less than the effect of AQR. This also confirms our earlier discussion that AQR exercise has been fruitful to the banking system forthe long term.

The BSI could also be compared with the developments in the real sector as well as other financial market indicators of each economy separately, but this is outside the scope of this article.

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Digital Initiatives for MSME

Girish Mainrai*

Introduction

Micro, Small and Medium Enterprises (MSME) contribute to the economic growth of the country in several ways, hence forming a part of the priority sector. It contributes to employment generation and this sector is second only to agriculture, creating nearly 12.5 million jobs every year. MSME also contributes handsomely to the tune of about 38% of our country's GDP and more than 40% of exports of the country. Inherent characteristics of the sector like a low capital requirement, the flexibility of operation, integration opportunities attract new budding entrepreneurs for setting up new ventures. It contributes significantly to the total volume of production as well as in the number of enterprises. Their predominant presence in the rural and semi-urban area not only arrests migration but also helps in the utilization of local resources. This in a way alleviates regional imbalance by fostering growth and employment generation.

MSME acts as a cradle of entrepreneurship converting job seekers to potential job creators. The sector though limited in scale as compared to large industries serves as a crucial element in their operations. Large industries are heavily dependent on SMEs (Small and Medium-Sized Enterprises) for their supply of raw material, semi-finished and finished goods. As highlighted above, MSMEs are vital for the economy but they face many challenges. With the advent of information technology, digital initiatives have made inroads in every sector. Information technology is prevalent in every sphere of life. MSME is no exception where it has the potential of disrupting business models and processes. Technology can be utilized to reduce the cost of production and improve efficiency. MSMEs face a host of problems like delay in sale realization, product marketing, procurement, access to finance, etc. IT has the potential to act as a panacea to many of the issues faced by MSMEs. The thrust of the Government on IT initiatives is well known in the form of the Digital India campaign touching every sphere of governance. MSME is an important sector where the Government has launched several digital initiatives to increase their efficiency and their access to finance and markets.

These initiatives also help in increasing the ability of indigenous MSME units to increase their competitiveness.

Let us discuss some of the important digital initiatives launched by the Government of India for MSMEs.

1. **TReDS** - Trade Receivables Discounting System.
2. **GeM** - Government e-Marketplace.
3. **MSME Samadhan** - Delayed payment monitoring system.
4. **MSME Sambandh** - Public procurement process.
5. **Other initiatives**.

TReDS - It is a mechanism for financing trade receivables by RBI to enable MSMEs to manage their cash flows on time. Finance is crucial for MSMEs for running their operations and a major chunk of it is stuck in the form of receivables. SMEs face not only delay in payments but also face the risk of default from their buyers. With this backdrop, RBI launched

*Chief Manager, Bank of India.

this initiative for ensuring the timely realization of bills/ invoices for MSMEs and eliminating credit risk faced by them. MSMEs as a part of their business, generate receivables, which on delay in realization lead to problems for them. TReDs offers an alternative for these problems by offering a non-cumbersome process for discounting their bills and invoices. The other feature of this is that it is an automated process involving no physical intervention thus reducing cost in the entire process.

Let us now look in detail at the process involved in this system.

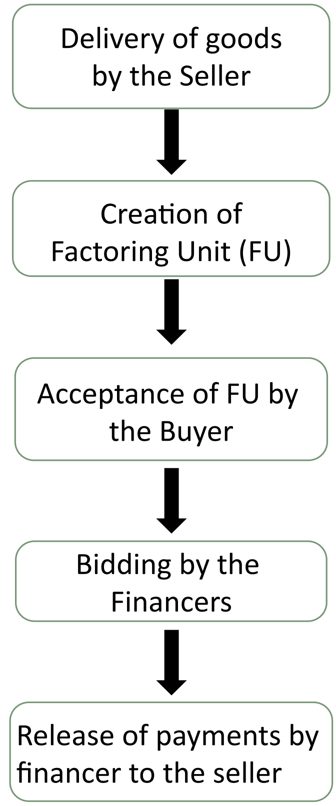
Participants - There are three parties in TReDS,

1. **Suppliers:** MSME units that supply either goods or services to their clients.
2. **Buyers:** They are the clients of which produce goods and services from MSMEs. These can be corporates, public sector undertakings Government departments, etc.
3. **Finances:** Include both banks and NBFCs, which provide invoices/bill discounting.

TReDS acts as a platform for bringing all the participants for facilitating the financing of receivables.

Process Flow - Following steps are involved in a typical transaction on TReDs:

1. MSME seller, based on the purchase order of the buyer, delivers goods accompanied with the invoice. The transaction may involve a bill of exchange depending upon the trade practices between the two parties.
2. The seller creates a factoring unit which is an acronym for details of invoices/bills of exchange on the platform.
3. Acceptance of the factoring unit by the buyer.
4. Bidding for discounting of invoices/bills by the financers.
5. Payment is released by the financers to the seller based on mutually acceptable terms. The transaction gets completed by payment from the buyer on the due date.



TReDS offers a win-win proposition to all the participants as enumerated below.

Sellers - TReDS offers a number of benefits to the sellers like it reduce dependency on a single financer. The seller can get the best bid for their bill through competitive price discovery without recourse to them. The administrative cost for bill realization is also reduced. The seller can also manage their liquidity and operations efficiently.

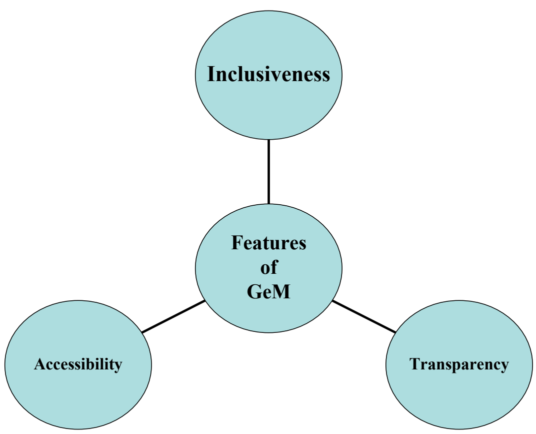
Buyers - Through TReDS, buyers can negotiate with vendors efficiently. Thus, reducing the cost of input for buyers. TReDS ensure better cash management for buyers also through an extended credit period. Buyers also get uninterrupted supplies by ensuring cash flow to vendors.

Financers - Apart from aiding to the achievement of priority sector lending targets, financers can acquire new customers at a low cost through TReDS. Relying on KYC through the automotive process, the platform reduces operation costs for banks.

To sum up, TReDS offers advantages to all participants by bringing transparency to the whole process. Through its paperless and hassle-free operations, it also offers a cost advantage to all participants.

Presently three players RXIL, M1Exchange and Invoicemart are operating TReDS and providing discounting of receivables to MSMEs. All registered companies with turnover exceeding Rs. 500 crores and all CPSEs are now mandated to onboard the TReDS platform as per the directions of Ministry of MSME. As per Annual report of Ministry of MSME for the year 2021-22, 21,643 companies have registered on the TReDS platform.

GeM Portal - Government e-Marketplace was launched by the Ministry of Commerce on the 9th of August, 2016 for facilitating the procurement of goods and services by Government organizations. It was launched to eliminate deficiencies in the procurement process through integrating different guidelines, thus bringing transparency to the entire process. It brings sellers, buyers, and service providers on one platform offering accessibility and wider options to all participants. GeM also brings consistency to the procurement process. It seeks to eliminate malpractices through a fair and open, transparent & competitive process. Apart from fairness and openness, another significant characteristic of GeM is inclusiveness in accepting all Government buyers and sellers on the same platform.



The platform offers distinct advantages to sellers and buyers which are as under:

Advantages to buyers - It offers ease of buying as it through wide options for procurement which is difficult in case of physical process. The other advantage is efficient procurement through price comparison from multiple suppliers. GeM in collaboration with banks offers an integrated system for online transactions. GeM also assists in monitoring by maintaining data of suppliers and payments.

Advantages to sellers - MSMEs get direct access to Government departments which is cumbersome otherwise. The suppliers get access to a wide market. GeM offers special provisions for MSMEs and start-ups, thus fostering entrepreneurship. It promotes MSME business by allocation of mandatory targets for procurement from the GeM portal to all Government departments and CPSE (Central Public Sector Enterprises). It offers transparency to sellers as they are given reasons for rejections on the portal. The sellers can offer dynamic pricing as it can change based on market conditions.

Tools - GeM offers these advantages through the following tools:

a) **E-bidding** - Buyers make electronic bids for goods and services full.

b) Reverse e-auction sellers make an electronic bid for goods and services which they are willing to provide.

c) **Demand aggregation** - It allows Government departments to aggregate demand leading to efficiency in procurement. Buyers can negotiate better through the economics of scale.

d) **Tracking of Payments** - Apart from special provisions mentioned earlier, the platform ensures timely payment to MSMEs through tracking of payments.

According to GeM portal, 75,6160 MSME sellers and service providers have on boarded the portal contributing to 56.59% of the order value as on 01-03-2022.

MSME Sambandh - While GeM is a portal for facilitating procurement from MSMEs, Sambandh is a public procurement monitoring portal. It was launched on the 8th of December, 2017 by the Central Government for monitoring progress against mandatory targets allotted to all Government departments and PSEs. Public procurement policy mandates 25% of annual procurement either of goods or services from MSMEs by Central Ministries, departments CPSE including 4% from MSME owned by SC/ST & and 3% from those owned by women entrepreneurs. The portal shares factsheets on public procurement by the Government departments and CPSEs. As per Department of MSME, procurement from MSMEs under Sambandh has reached Rs. 34,145.58 crores benefiting 1,58,008 MSMEs, as on 01-03-2022.

MSME Samadhan - One of the critical issues faced by MSMEs is a delay in payments for goods and services rendered by them. According to the MSMED Act of 2006, buyers have to make payments to MSMEs within 45 days of acceptance, else they have to pay interest to the supplier. The buyer is liable to pay compound interest with monthly rests at three times the Bank Rate as notified by RBI on the due amount. For providing a platform for complaints, MSME Samadhan was launched by Ministry of MSME on 30th October, 2017. Once the complaint is filed online it is automatically registered with MSEFC (Micro and Small Enterprises Facilitation Council) after 15 days of filing. MSEFC is established by State/UT which undertakes action on the application registered on the portal. To summarize, this initiative of the Government for MSMEs, acts for dealing with the issue of delayed payments of the MSMEs. As per the Department of MSME, 10,156 applications are mutually settled and 13,342 cases disposed by MSEFC as on 01-03-2022.

Other initiatives - The other initiative of the Government includes 'My MSME' and 'MSME Sampark'.

My MSME - It is basically an information portal that gives MSME access to various mobile apps and links useful for MSMEs.

MSME Sampark - Launched on 27th of June, 2004, it is a job portal that seeks to match the requirements of job seekers and job providers. The job seekers are trainees/students of MSME technologies centers across India. The recruiters are mostly MSMEs and reputed national and multinational companies.

Conclusion

MSME is an important sector that helps in the growth and development of the economy through employment generation and job creation. Realizing its importance, this sector was included in the priority sector for giving a fillip to lending to this sector. Although, there is no doubt about the importance of the sector yet MSMEs face a lot of challenges as a part of their business. These range from the availability of finance, markets accessibility, complaint resolution framework to access to Government departments. Their problems have multiplied during COVID-19 for which the Government has initiated several remedial measures for overcoming this situation. For the problems mentioned above, Government has launched many initiatives particularly through the digital medium which becomes essential even more during this post COVID era. Digital initiatives offer ease of operation, fairness, and faster delivery. These initiatives range from improving cash flow to complaint resolution mechanisms for MSMEs. TReDS, as discussed earlier, can help MSMEs in managing their finance efficiently. Another big issue faced by this sector is finding a suitable marketplace for their product. GeM opens the doors to a Government market which is difficult to access otherwise. A similar measure to improve market access is MSME Sambandh, which monitors public procurement by Government departments and CPSEs. MSME Samadhan was launched to assist complaint resolution for issues related to MSMEs. There are other digital initiatives like My MSME and MSME Sampark which though very simple in concept can be very useful for MSMEs. The essence of these initiatives can be captured in words of N. Chandrasekharan, Chairman, Tata Sons who said "Going digital is no longer an option, it is the default".

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BANK QUEST THEMES

The themes for "Bank Quest" are identified as:

1. April - June, 2022: Embedding ESG (Environmental, Social and Governance) into Banks' strategy
2. July - September, 2022: Fintech challenges for Banking Industry
3. October - December, 2022: Growing importance of co-lending in Financial Intermediation
4. January - March, 2023: Increased footprints of Financial Planning and Wealth Management
5. April - June, 2023: Competence based Human Resources Management in Banks
6. July - September, 2023: Digital disruption - Challenges and Opportunities

Bank Quest Articles - Honorarium for the Contributors

S.No.	Particulars	Honorarium Payable
1	Invited Articles	₹7000
2	Walk-in Articles	₹4000
3	Book Review	₹1000
4	Legal Decisions Affecting Bankers	₹1000

Career Progression of Indian Women Bank Managers: Role of Preference

Dr. Tania S. Rath*

Introduction

The benefits of women's economic participation are well documented. Globally, women are regarded as next emerging economy constituting the 'Third Billion' (Boozand Co, 2012). The study has placed India at 115th rank out of 128 countries surveyed. India was categorized as 'at the starting gate' as against Argentina, Brazil, Germany, Italy, South Africa, and USA who are categorized as 'on path to success'. China described as 'having its own path' whereas Japan as 'taking the right steps'. MENA (Middle East and North Africa) countries were with India being categorized as 'at the starting gate'.

According to Gender Gap Report of World Economic Forum (2021), India ranked at 140th position (out of 156 countries surveyed), as against 112th in 2020. India's rating continued to decline. The Female Labour Force participation rate declined to an all-time low of 16.1% in 2021, as against 28% in 2018. This picture of India was despite increasing higher education rate for women in the country both technical and professional (Pande and Moore, 2015).

The need for empirical career research that explore the career enactment in non-western under-studied national contexts have been emphasized by career scholars from time to time (Counsell 2002; Dany 2003; Pringle and Mallon 2003; Mayhorfer 2003; Bartaram 2008; Sullivan and Baruch 2009; Ituma et al 2011; Dries and Verbruggen, 2012). The empirical evidence pertaining to managerial career patterns in particular have been limited (Vikenburg and Weber, 2012) when it relates to women managers' career progression patterns in non-western context. "2 women per 100 economically active men take administrative and managerial positions in India". (Koshal et al., 2006). The current study attends to this important knowledge gap by empirically exploring career progression of women managers in Indian banking context.

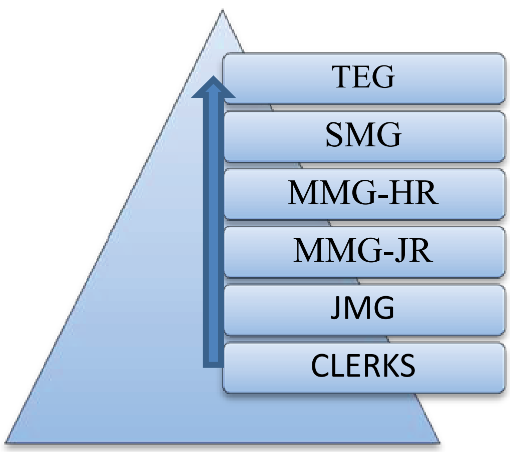
Last decade witnessed breaking of glass ceiling in Indian banking sector by women managers who reached the CEO position in various Public and Private sector banks in India. Banking sector in India was recognized not only as a respectable and safe place for women to work, but also providing adequate support and training to enable them to take on higher responsibilities and build a career (CSR Report, 2009; Naqvi, 2011; Sachdeva, 2014; Mockbank, 2016).As per Career Preference Theory, the perceived person environment fit should lead to more positive career outcomes like career advancement and satisfaction (Kossek et al., 2017).However, the 'gendered regime' (Acker, 1994), or the 'Inequality regime' (Acker, 2009) persisted in Indian banks leading to a few women rising up in banking career, while a majority cluster at lower levels in spite of the industry's favourableness to women.

In this paper, we report findings of a research study undertaken to explore factors impacting career

*Associate Professor, XIM University, Bhubaneshwar.

progression of women managers in Indian Public Sector Banks. Secondly, looking at the progression data, we also tried to find out the role of individual factors like Preference of women on their career progression. The studies on individual preference of women were very rare and almost nil in banking sector. The purpose was to explore the role of Preference impacting career progression decisions of Indian women bank managers. Additionally, the indirect impact was also studied to explore moderating role of preference, if any, in career propellers and career progression relationship. The bank career progression of women managers is indicated by promotion from level to level. The meaning of career progression here is synonymous with vertical movement from one level to another. The policy of promotion was gender neutral. The promotion path in the banking sector was hierarchical as represented by Figure-1.

Figure - 1: The Promotion Path in Banks.



Source: Compiled by author from internal documents of the banks

Legends: JMG (Junior Management), MMG-JR (Middle Management Junior), MMGS-HR (Middle Management Higher), SMG (Senior Management Grade) TEGS (Top Executive Grade)

Bank provides for a promotion policy whereby, one was eligible for promotion to next level every 3/4 years. They have to go through a selection process to establish merit. On an average, if a person is promoted at regular intervals, one should reach the Top Executive Grade (TEG) in 20 years. If a woman gets promoted to managerial cadre, then she would need six promotions in total to reach the Top Executive Grade. If the woman joins directly as an officer in junior management grade, then she needs five promotions to reach the top management grade. The study focuses on hierarchical progression of women managers from junior to senior level step by step.

The paper begins by providing a review of the literature. After introducing our research methodology and methods, the findings are outlined and discussed.

The Constructs

Career Progression

Career progression has traditionally been viewed as the advancement through the hierarchical structures of a single organization, associated with increasing recognition, compensation and status in organization and society (Ballout, 2009; Visagie and Koekemoer, 2014). Indian Public sector banks have a hierarchical structure and career progression is defined by promotion from lower to higher levels. Promotion as upward mobility has been recognized as a unique objective measure of career success (Thomas *et al*., 2005) on the basis of empirical findings (Dries and Verbruggen 2012, Clarke 2013). For this study career progression has been defined as vertical promotion of women managers involving sequential transition from junior to top levels. (Siebert et al 2001).The number of promotions attained vis-a-vis number of years in the managerial cadre is a measure of career progression in the bank. Longer the duration, slower the career progression.

Propellers

Empirical evidence suggest the supportive policy measures and initiatives taken by organizations, facilitate career progression of women. Rath et al's (2016, 156) construct of 'Propellers' included all such factors making positive interventions for career progression of women managers.Rath et al (2019, 28) further argues that the career propellers were present at all levels in banks. But women managers have to trade through the path like a labyrinth negotiating between propellers and preventers at each level. The main propellers identified by them in Indian banks were managerial aspiration and competence, family support, support and recognition by superiors, HR policies, management development and training. These factors push the women managers to take up promotion but do not actually translate into career progression in all deserving cases.

Preference

Hakim's(2000) preference theory which divided women into three groups of work centered, home centered and adaptive women, were in the context of continuing pay gap and occupational segregation. It did not discuss segregation from career progression perspective. Individual preference of women has not been discussed.

Few studies faintly indicated preference factors underlying women's career progression. Some studied needs and choices of women, some re-evaluation oflife priorities at various stages and some pointed out self-limiting practices by women (Rath et al, 2016; Kossek *et al*.,2017). Career preference perspective focused on person-environment fit theories cited merit-based selection, pay parity, gender equal HR policies and social status in Indian Banking sector establishing person-environment fit for women. But there also, they stagnate at lower levels.

Building upon these research gaps 'Preference' here was coined as a subjective construct to explain individual orientation of women bank managers towards career progression. While posting individual preference as a construct we draw from Rath et al's (2016, 156) concept of preference. In doing so we argue that women's preference plays an important role in career progression of women managers. Career literature can gain from exploring the role of individual preference in Indian context and in specific industry (Banking Sector) to better understand the perspective of Indian Women Bank Managers.

The present paper sought first to explore the career preference of Indian women bank managers as predictors of career progression. It also explored the impact of high or low preference for career progression on career propellers.

Methodology

A 45 items questionnaire was distributed through email to a sample of 1000 woman managers (10 percent of the population) from public sector banks throughout India. A purposive sampling method was followed taking a woman only sample. A total of 568 valid responses complete in all respects were retained as data for analysis purpose.

Internal consistency evidenced by Cronbach's alpha for the scale was 0.81, well above the acceptable level of 0.70 (Nunally 1978, 245). Exploratory Factor Analysis (EFA) using SPSS 22 was done to identify factors in the bank using Kaiser's criterion and varimax rotation. Factor analysis was a method of data reduction. Factors were identified on the basis of factor loadings and variables explained by them. Factor analysis was done to reduce variables into a number of factors explaining variables with significant factor loadings through principal components analysis. The questionnaire had 30 items containing factors propelling career progression (Propellers) and 15 items to explore preferences of women managers. All the items were subjected to a descriptive analysis showing mean and standard deviation of each item on the data set. A descriptive statistic of the same was given below (Table-1).

Table 1: Descriptive statistics of Propellers and Preference

S No	Items (Propellers)	Mean	Std. Deviation
1	I regard myself as equally competent as men	4.77	.550
2	My professional aspirations are high	4.37	.775
3	I look for mentors to guide me	3.88	.969
4	Informal networking helps my career growth	3.12	1.262
5	Supportive colleagues/peers help me in career growth	3.98	.878
6	Organization encourages by giving me challenging assignments	3.87	.948
7	I build my skill to enhance competence	4.58	.607
8	I am ambitious to reach higher levels	4.31	.846
9	I prefer organization to provide me with formal mentoring	4.20	.713
10	I acknowledge supportive colleagues	3.88	1.067
11	Organizational training enables women to handle higher assignments	3.33	1.164
12	I am prepared to work harder to prove my ability	4.41	.787
13	Availability of Family caregiver is a great enabler for my career growth	4.25	.829
14	Supportive superiors have acted like mentors	4.01	.907
15	Supportive superiors boosted my confidence to take up promotion	4.11	.799
16	HR policy of organization is fair and gives equal opportunity to grow	3.63	1.196
17	I try to outperform others	3.44	1.223
18	I would like to be in a position of greater influence in next five years	4.31	.798
19	Informal mentors helped build my skills	3.96	.908
20	Networking helped me build social skills helping promotion	3.29	1.236
21	Organisation helps me in career planning	3.46	1.031
22	Advanced education enables my career growth	4.15	.831
23	I have planned for my career growth	3.69	1.029
24	Family care measures encourages my promotion	4.22	.962
25	E-learning is an enabler for me	4.13	.812
26	I take up challenging roles to build my capacity	4.12	.749
27	Supportive spouse enables me for career growth	4.46	.789
28	Mentoring as enabler for my career growth	4.12	.797
29	Informal networking gives me access to power relationships enabling promotion	3.58	1.077
30	Compensation policy of equal pay for equal work encourages my promotion	3.98	.949
31	I consider competing priorities affecting career growth	4.19	.800
32	I take up promotion if does not disturb family life	4.23	.980
33	I avoid training due to family responsibilities	2.76	1.340
34	I prefer an organization that integrates multiple roles of women	4.31	.739
35	I would rather take care of education of children than promotion	3.01	1.274
36	I prefer an organization that respects & gives equal importance to my family obligations	4.20	.803

S No	Items (Propellers)	Mean	Std. Deviation
37	I prefer to be promoted on merit	4.71	.649
38	I would rather take care of dependents than promotion	3.16	1.221
39	Culture of presenteeism discourages promotion	3.18	.972
40	I prefer a Woman mentor	3.00	1.090
41	I prefer family time to networking	3.66	1.098
42	I prefer promotion if transfer is not mandatory	3.60	1.163
43	I prefer a balanced life to top management position	4.20	.811
44	I prefer Special Programme for women	3.25	1.134
45	I don't prefer a leadership style comfortable to men	3.11	1.223

Source: Questionnaire developed by author. Table based on research work done by the author

The above items were subjected to exploratory factor analysis to arrive at a smaller number of factors using varimax rotation. Secondly a Standard multiple linear regression using the enter method was conducted by SPSS 22 to assess if the independent variables predict the dependent variable.

So, the methodology used for data analysis were a combination of descriptive analysis, factor analysis and multiple linear regression to explore the factors and explaining the causal relationship between independent (Propellers, Preference) and dependent variable (Career Progression) and also the role of preference as a moderator.

Results & Discussion

The results of exploratory factor analysis identified two main factors named as "Propellers" and "Preference". Under Propellers we have eight factors that support career progression of women i.e., Managerial aspirations, organizational policies, Competence, Mentoring, Networking, learning & development opportunities, supportive superiors and Family support. The Rotated Component Matrix table for Propellers with factor loadings of each factor was shown in Table 3 below. Similar items were consolidated together to form a factor based on factor loading.

Table 3: Rotated Component Matrix (Propellers)

Item no.	1	2	3	4	5	6	7	8
1	**.504**	.040	-.099	-.148	-.193	.078	.106	.008
2	**.668**	.143	.074	.105	-.071	.030	-.115	.062
8	**.756**	.141	.106	.074	.168	-.117	-.014	-.090
18	**.633**	-.063	.229	.011	.121	.134	-.093	.242
23	**.520**	.371	.300	-.015	.318	-.122	-.149	-.013
6	.191	**.639**	-.016	.260	.019	.272	-.027	-.177
11	-.072	**.617**	.058	.218	-.176	.026	.110	.328
16	.025	**.694**	-.036	-.185	.085	.091	.001	.109
21	.176	**.770**	.071	-.002	-.011	-.002	.074	-.074
30	.028	**.601**	.174	-.101	.151	.049	-.193	.189
7	-.105	-.032	**.598**	.368	.018	.170	.002	.171
12	.373	.050	**.511**	-.133	-.012	.014	.145	.338

Item no.	1	2	3	4	5	6	7	8
17	.171	.035	**-.624.**	.105	.239	-.059	240	-.022
26	.262	.293	**.561**	.237	-.004	-.021	.108	.044
3	.116	-.019	.146	**.504**	.394	-.125	.392	.124
9	.374	-.202	.149	**.541**	.239	-.095	.166	-.145
19	-.019	.004	.384	**.586**	.222	.022	.027	.045
28	.107	-.055	.191	**.540**	.378	.336	-.031	.085
4	-.183	-.057	.019	.316	**.542**	-.037	.308	.108
20	.095	.163	.084	-.017	**.767**	.041	-.041	-.116
29	.031	-.015	-.072	-.079	**.689**	.174	-.204	.077
5	.082	.170	.093	.128	.102	**.761**	.133	-.118
10	-.265	.113	-.001	.124	-.172	**.673**	.098	.041
14	.104	.064	.080	.016	-.175	**.774**	.123	.177
15	.013	.433	.085	.007	.118	**.608**	.028	-.157
22	.311	.190	.196	-.096	.067	.152	**.554**	.137
25	.001	.220	-.162	-.061	.316	-.050	**.514**	.078
13	-.116	-.316	-.216	.065	.204	.131	-.006	**.595**
24	-.057	-.050	-.007	.027	.099	.006	-.064	**.795**
27	.206	.049	.126	.006	.166	.211	-.243	**.566**

Source: Based on research work done by the author

Factor 1 - includes item 1,2,8,18,23 and named as Managerial Aspiration (MA)

Factor 2 - includes items 6, 11,16,21,30 and named as Organizational Policies (OP)

Factor 3 - includes items 7,12,17,26 and named as Competence (CMP)

Factor 4 - includes items 3,9,19,28and named as Mentoring (MNT)

Factor 5 - includes 4,20,29 and named as Networking (NW)

Factor 6 - includes items 5,10,14,15 and named as Supportive Superiors (SS)

Factor 7 - includes items 22, 25 and named as Learning & Development (LD)

Factor 8 - includes 13,24,27 and named as Family Support (FS)

Preference items were also reduced to 3 factors as shown in the following Table - 4.

Table - 4: Rotated Component Matrix (Preference)

	Components		
Items	1	2	3
31	**.700**	-.258	.127
32	**.548**	.296	-.029
33	**-.634**	-.176	-.079
35	**.790**	.274	-.061
38	**.757**	.241	-.135
41	**.586**	.207	.046
43	**.503**	-.073	.489
39	.242	**.583**	-.291
40	.142	**.567**	.136
42	.409	**.529**	-.049
44	.306	**.514**	-.141
45	-.295	**-.541**	.011
34	-.041	.222	**.691**
36	-.014	-.043	**-.588**
37	-.002	-.140	**.725**

Source: Based on research work done by the author

The factors extracted were detailed below along with the items included in each factor:

Factor 1	**Priority to Family (PF)**	**(items 56, 57, 58, 60, 63, 66,68)**
Factor 2	**Women Friendly Policies (WFP)**	**(items 64, 65, 67, 69, 70)**
Factor 3	**Dream Organization (DO)**	**(items 59,61,62)**

Once the factors were identified multiple linear regression were administered. Both Propellers and Preference factors were regressed separately to find out their impact on career progression. To understand the impact better, age and experience of respondents were controlled in the experiment as they were known to impact career progression to a great extent. Propellers were found to be significantly related to career progression (Table-5) with R^2 value of 17 percent. But Preference factors did not show any significant relationship with career progression of women managers (Table 6) with R^2 value of .07 only which was not significantly related to career progression.

Table-5 F Statistics Table for Propellers, R^2 : .167

Sum of Squares	df	Mean Square	F	Sig.
84.321	8	10.540	4.837	.000[b]
1218.179	559	2.179		
1302.500	567			

Source: Based on research work done by author

Table-6 F Statistics Table for Preference R^2: .07

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.139	3	2.046	.890	.446[b]
	Residual	1296.361	564	2.299		
	Total	1302.500	567			

Source: Based on research work done by the author

The result had shown direct and positive relationship of Propellers in predicting career progression. Taking into account the slow progression of women in spite of organizational propellers existing in the policies and practices of the bank, researchers further explored the moderating relationship between preference and propellers in predicting career progression. Table 7 summarizes the result of moderator analysis.

Table 7: Hierarchical regression results for effects Preference for Career Progression

Variables	*Career Progression*					
	Model I		**Model II**		**Model III**	
	β	*SE*	β	*SE*	β	*SE*
Step 1						
Age	-0.14*	0.04	-0.14	0.04	-0.14	0.04
Experience	0.57**	0.05	0.56*	0.05	0.56**	0.05
Step 2: Main effects						
Propellers (PPL)			0.19*	0.04	0.19*	0.04
Preferences (PRF)			0.06	0.12	0.06	0.12
Step 3: Interaction effects						
PPL * PRF					0.17**	0.06
R^2		0.62**		0.69**		0.74**
$\triangle R^2$				0.06**		0.05**

*p < 0.05, **p < 0.01; n = 568**:

Source: Based on research work done by the author

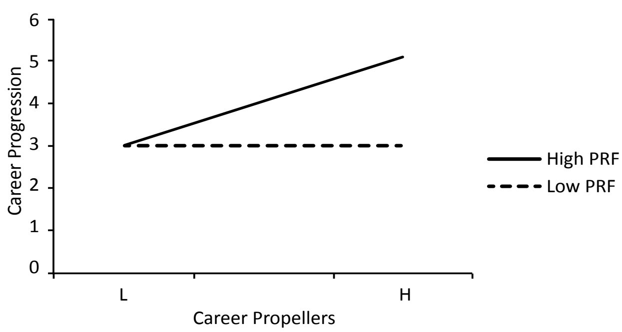
The control variables were entered first in Model 1, the main effect variables entered after that in Model II and finally the interaction term were entered to test the moderating effect. Model 1 in table 7 shows the impact of controlled variables age and experience. Both show significant relationship with career progression. Work experience emerged to strongly predict the outcome variable (Career progression) as shown in all models of the study. Age was significantly and negatively related to career progression suggesting a differential promotion rate for younger and older women. Both Work experience and Age were controlled while testing moderating role of preference. Model II included main effect variables: "propellers" and "preferences". Propellers showed direct significant relationship with career progression ((β 0.19, $p < .05$) whereas preference did not exhibit direct significant relationship (β 0.06, $p > .05$). As shown in Model 3 (Table 7) which included interaction effect between Propellers (PPL) and Preference (PRF), there was significant interaction between Preference and Career Propellers for Career Progression (β 0.17, $p < .01$) that explained variance in the model beyond main effects ($\triangle R^2$ 0.05, $p < 0.01$).

Interaction was further analysed with the help of simple slope analysis in Figure-II (Jose, 2013) taking into consideration high (one standard deviation above the mean) and low (one standard deviation below the mean) levels of moderator. It was found that there was a positive relationship between Career Propellers and Career Progression at high level of preference. At lower level of preference, Propellers were not significant to career progression of women managers in Indian public sector banks.

Conclusion and Practical Implications

Factors propelling career progression of women managers in an organization were important as they help develop competent managers who lead the organization at different levels. Career propellers were found to predict career progression for Indian women bank managers. These findings supported earlier findings (Ragins & Sundstrom, 1989; Morrison et al, 1992; Becker, 1993; Metz & Tharenou, 2001; Moro & Norman, 2003; Becker, 2009; Sunder & Kumar, 2012; Sachdeva, 2014). The study also empirically examined the moderating role of Preference on career propellers predicting career progression. The factor of women managers' Preference has been hitherto unexplored factor in Indian context that highlighted Indian women bank managers' perspective towards promotion and progression. The results of this research established that high preference for promotion strengthens the force of propelling factors and might translate into actual promotion whereas, low preference might not result in actual promotion. Preference as a factor might determine career progression by weakening the impact of organizational policies and practices aimed at encouraging women to take up higher responsibilities and progress in their careers majority of women clustered at low level, low preference might be one of the factors leading to no or slow career progression even when organizational propellers in the

Figure-II: Relationship between Career Propellers and Career Progression at high and low levels of Preference.



Source:Based on research work done by the author form of career encouragement through family friendly policies and practices were available. One/two women having managerial aspiration and competence with high preference for career progression may be able to address the challenges and avail of the promotion opportunities. Whereas in case others with low preference for career progression, women managers may self limit and opt out of the promotion process. The results of the study provided valuable insights on women managers' career progression by suggesting that women managers having strong preference for career progression would progress in their career by availing of the facilities available for the same.

This study had further contributed by investigating the phenomenon of underutilization of female talent with the help of the constructs; 'Propellers' and 'Preference'. This also added a new perspective to the Work-Life Balance (WLB) research.

Indian Women Managers evaluate the pros and cons of their career progression decisions as per their preferences situated in context and may accept promotion or resort to self-limiting practices. The result affirms Lewis and Simpson's (2017, 128) reinterpretation of Hakim's theory as generating a newly constructed female subject who consistently enacts and mobilizes narratives of choice and autonomy to account for twists and turns of her life's story in relation to work. It was in line with Rath et al's (2019) labyrinth approach through which they argued that women negotiate between propellers and preventers at each stage of their career. They may show low preference for progression at certain stages and high preference at certain other stages of life. However, the number of women showing high preference to promotion reduces as they grow up in the ladder and becomes lower when it comes to senior and top management. It was necessary to understand their preference at different stages of their career and be guided accordingly while making changes in policies and practices to encourage them to have high preference towards career progression throughout their organizational life.

To sum up, this study may help employers understand slow career progression of women managers from the perspective of preference-propeller connection and take appropriate steps to change the scenario. It may help organizations to adopt an integrative approach taking into account various roles played by women in family and society so that deserving and talented women are not left behind.

Limitations and Direction for Future Research

The research was based on a sample of women only respondents. The sample may further include male managers to have a comparative understanding of male and female perspectives. The study population was from the banking context. This may further be expanded to include other sectors. Further research may also explore individual differences among women as regards their preference.

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Legal Decisions Affecting Bankers

Prakhar Galaw*

Appellants	**:**	**Bank of Baroda**
	Vs.	
Respondents	**:**	**M/s. Karwar Trading Company and Anr.**
Supreme Court		
Bench Strength	**:**	**2**
Bench	**:**	**Justice M. R. Shah & Justice Sanjiv Khanna**
Citation	**:**	**CA No. 363 of 2022**

Relevant Provision of Law

Section 13(2), 13(4), 13(8) and 14 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Issue

Whether the borrower can be discharged of his liability to pay the entire amount as demanded by the bank under section 13 (2) of SARFAESI Act, if the borrower is willing and ready to pay the highest bid price or reserve price in the public auction.

Brief Facts of the Case

The appellant bank granted a term loan of Rs. 100 lakh and a cash credit limit of Rs. 95 lakh to the respondent company against mortgage of two properties one of which was an industrial plot and the other being a residential property. The respondent borrower failed to pay equated monthly instalment on time as per the terms and conditions of the loan agreement, thereby the account of the borrower was classified as Non-Performing Asset on 31.10.2012. The appellant bank then initiated recovery proceedings against respondent borrower, and served the borrower a demand notice under section 13(2) of Rs.1,85,37,218.80/- after which the appellant bank took symbolic possession of the mortgaged properties on 22.08.2013 under section 13(4) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 hereinafter referred to as "the Act", notice of which was also served to the borrower. The appellant bank then filed an application for recovery under section 14 of the Act, in the debt recovery tribunal the matter was heard by the tribunal and the recovery application of bank was allowed and their prayer to take possession of the mortgaged properties was allowed with the help of police force. The appellant bank with the aid of police took possession of the housing property on 25.11.2013. The appellant bank then put the property for public auction sale on 16.12.2013 the reserve price of which was Rs. 48.65 lakh. The respondent borrower challenged the said auction by filing a Securitisation Application under section 17 of the Act, before the DRT, Jaipur. The matter was heard by the tribunal at length and certain interim orders were passed by the tribunal that if the borrower deposits Rs. 20 lakhs on 20.01.2014 by 12.00 noon, the bank shall accept the bids but not finalize the bids/confirm the sale of the

*Advocate, High Court of M.P, Principal Seat, Jabalpur.

secured asset and if the borrower commits default in payment of balance amount of Rs.28.65 lakhs, the restraint order shall stand vacated automatically. The DRT also observed that if the borrower deposits Rs.48.65 lakhs with the bank on or before 27.01.2014, the bank shall deliver the possession of the secured asset along with the original title deeds of the property in question.

The borrower deposited the said amount of Rs. 48.65 Lakh. The afore- stated interim orders were challenged by the bank in DRAT on the following facts and grounds:

a. That, the bank had received bids upto Rs. 71 Lakh in public auction, and the default amount was Rs. 1,85,37,218.80/- as per the demand notice issued by the bank to the borrower. So, if the borrower wanted to redeem his mortgaged property, he could only do so by paying the entire amount as mentioned in the demand notice not by merely paying the reserve price of Rs. 48.65 Lakh as per the directions of the DRT and the said directions were against the provisions of section 13 (8) of the Act.

b. The bank also contended that, if the borrower was ready and willing to pay the highest bid amount of Rs. 71 Lakh, the bank may release the mortgaged property of the borrower, but it would also not absolve the borrower of his liability towards the bank as per the demand notice issued by the bank.

The appeal of the bank got rejected by the DRAT. The DRAT held that the borrower had already paid the reserve price of Rs. 48 Lakh. The DRAT also observed that the bidders who had made bids in the range of 61 - 71 Lakh have not deposited the earnest money. Borrower on the contrary was ready to pay Rs. 71 Lakh to the bank. On following facts and observations the DRAT dismissed the appeal of the bank. Aggrieved by the orders of the DRAT, the bank preferred an appeal before the High Court. The learned single judge of the High Court allowed the appeal of the bank and dismissed the orders of both DRAT and DRT, as the same were in contravention of Section 13(8) of the Act. The orders of the single judge were then challenged by the borrower in intra-court appeal before the division bench of the high court. The bench allowed the said appeal and directed the bank to release the mortgaged property that is the residential house with its title deeds in favour of the borrower, after the borrower further deposits an amount of Rs. 17 lakh with the bank. Aggrieved by the orders of the Division bench, the bank preferred an appeal before the Supreme Court on the following facts and grounds.

a. That, the intention of the borrower was malafide from the very beginning as he wanted to purchase the property in the public auction at the reserve price. The borrower never wanted to repay the amount of Rs. 1,85,37,218.80/- as per the demand notice. Also, just by paying an amount of Rs. 71 lakh would not absolve the borrower of his liability as stated in the demand notice.

b. That, it was misinterpreted/misconceived by the division bench of the High Court that on payment of Rs. 71 Lakh by the borrower, the entire liability of the borrower would be waived off.

c. That, it was contented by the bank that the amount of Rs. 71 Lakh which was the highest bid amount was based on the valuation done in the year 2013-14. The division bench failed to appreciate such important fact. The division bench failed to understand the intent behind the provision mentioned under section 13(8) of the Act and had passed an order contrary to the said provision. The borrower could not have been discharged by merely paying Rs. 65.65 Lakh as opposed to the demand notice of Rs. 1,85,37,218.80/-

Observations and Decision

The Supreme Court heard the matter at length and weighed the contentions and grounds of both the parties. The impugned order passed by the division bench of the High Court was a direction to the bank to release the mortgaged residential property with its title deeds and discharge the borrower/defaulter of his entire liability of Rs. 1,85,37,218.80/- as per the demand notice under section 13(2) of the Act on payment of Rs. 65.65 lakh, which was the reserve price of the public auction and an additional amount of Rs. 17 Lakh.

That, the Supreme Court made following observations based on the records and the grounds raised by the counsels of both the parties:

a. That, the action taken by the bank under section 13 and 14 of the Act against the borrower was just, fair and reasonable. The orders passed by the DRT in the appeal filed by the borrower under section 17 of the Act were interim in nature, by taking a lenient view towards the borrower. The division bench of the High Court could not have gone beyond the law as stated under section 13 (8) of the Act to dilute the liability of the borrower and discharge him of his liability as per the demand notice under section 13 (2) of the Act.

b. That, the borrower was not willing and ready to pay the entire amount of Rs. 1,85,37,218.80/- as mandated under section 13 (8) of the Act. Thus, it was open for the appellant bank to put the mortgaged property in public auction and realise the maximum outstanding amount through the sale of the said property. Thus, the directions passed by the division bench were contrary to the provisions of section 13(8) of the Act.

c. That, even after the payment of Rs. 65.65 Lakh the liability of the borrower would have continued, and borrower could not have been discharged. Thus, the directions passed by the division bench directing the bank to accept the amount of 65.65 lakh only, restoring the possession to the borrower and returning the title deeds of the mortgaged property was bad in law.

The Supreme Court allowed the appeal of the bank and restored the interim orders passed by the DRT and allowed the bank to go forward with public auction of the mortgaged residential property. And, also directed the bank to allow the borrower to live in the residential property till the finalization of the auction sale, subject to the undertaking to be given by the borrower that he would not transfer, sell or alienate the said mortgaged property in the course of the auction and would give a peaceful possession after the finalization of auction sale.

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Summary of Macro Research Report

Sustainability of Cashless Banking in Unorganized Retail Sector: A Comparative Study of two districts of Telangana

Dr. Archana Srivastava and Dr. Rishi Kumar, BITS-Pilani Hyerabad Campus

There has been a tremendous effort to financially integrate the various sections of the society, be it rural, urban or a semi-urban area. The level of deepening and integration need much serious attention when it comes to its implementation in rural or semi-urban areas where unorganized retail sector dominates. The literature reveals that although the efforts have changed the overall transactions mode scenario from cash to cashless yet there is a lot to be done to gain the sustainability of the above. The study is focused on semi-urban areas where the possibility of success of financial inclusion in terms of cashless economy would be more as compared to rural areas. The main aim of the study is to explore the sustainability of cashless economy drive with two major objectives: (1) Factors determining the usage of cash or cashless payment modes and (2) Issues and challenges faced by the local unorganized sector retailer. The state under focus for this study is Telangana and the two districts viz. Nalgonda and Mahbubnagar were selected for field study, which were the best and the worst performing districts, respectively, in terms of CRISIL Inclusix ranks, 2018 which assess the extent of financial inclusion. The total sample size of the study is 519 unorganized retailers with permanent/fixed shops. Our study found that mobile based apps like Paytm, Googlepay, etc. are far more popular than any other mode of digital transactions among the unorganized retailers and the reasons cited for the same included low transaction costs, easy to handle and use, aggressive marketing by wallet companies, no paper documentation or physical visits for installing mobile based wallets. Further, the logistic regression analysis of the data showed that male owners have higher odds of accepting digital payments as compared to the female. At the same time, shops with younger owners have higher odds of using digital payments. As far as shops' characteristics are concerned, rented shops and shops with GST registration have higher odds of accepting digital services for payments. Also, shops with access to internet as well with stable internet in their shops have higher odds of accepting digital payments. From policy point of view, our study highlights the importance of basic infrastructure like high internet speed, smooth internet etc. if the usage of digital payment modes is to be encouraged further. The results also make a case for better and focused training for the older generation about the adoption of the digital modes of payments as they are at an disadvantage when it comes to using the technology based modern payment systems.

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IIBF releases the "Banking and Finance Yearbook"

IIBF releases the "Banking & Finance Yearbook" updated up to December, 2021. It is a comprehensive digest of all major developments, trends, expert views and regulatory changes across different verticals in Banking & Finance domain including the extracts of important speeches rendered by senior officials of RBI, select articles published in IIBF's journal Bank Quest for giving the reader a wholesome reading experience. The book is available on Amazon both as a paperback and as a Kindle edition. The book will also be available in the retail outlets of our publisher, M/s Taxmann Publications (Pvt.) Ltd.

BOOK REVIEW

Book: Stock Market Wisdom
Author: Mr. T.S. Anantharaman, Former Chairman, CSB Bank.
Publisher: Taxmann Publications (P.) Ltd.
Price: Rs. 725/-

Reviewed by: Mr. Shaleen Mittal, Manager (Analytics), Accenture Solutions Pvt. Ltd.

Stock markets have been a source of awe and curiosity for many in India. The success of investors and returns in the markets have highlighted the potential of the markets to create long term wealth, yet many in India remain skeptical about markets due to ignorance and lack of knowledge. The author has demonstrated his wealth of experience in the financial markets in trying to dispel the common misconceptions about stock investment and shared the toolkit with examples which can encourage new investors to enter the markets to generate wealth and motivate existing investors to augment their knowledge and enhance their risk adjusted returns.

The book consists of two parts first focusing on the investing wisdom and second providing basic guidance on stock analysis both fundamental and technical.

Chapter 1 clarifies the stock markets as drivers of the economy which allocate capital efficiently and are regulated, accessible, liquid and wealth generating avenues and should not be equated with Casinos and lotteries. Chapter 2 explains the evolution of the stock market in India with regulatory developments, opening of up of economy, technology improvements etc. which shaped the markets to their current state. Chapter 3 delves on the irrational behavior of the investors owing to the natural emotions of greed and panic in human beings which leads to bubbles and collapses and urges the investors to control these urges, set reasonable goals and learn from past experiences.

Chapter 4 guides the investors to build a portfolio depending upon the risk profile and suggests diversified portfolio for risk averse whereas those having high risk appetite, knowledge and expertise can reap bigger profits by concentrating the investment in fewer scrips.

Chapter 5 advises investors to cut down on losses for declining stock if the inherent reasons for loss are not reversible whereas the author has suggested cost averaging and buying more such stock if decline is caused by exceptional/reversible factors. In Chapter 6, author recommends the buy and hold as a long term strategy but also suggests to observe the adaptability of the stock to perform in age of digital disruption and enhanced volatility.

Chapter 7 provides guidance on use of "Price to Earning ratio" (PE ratio) for stock selection and suggests that the low PE stocks can be bought from value perspective but the high PE stocks having higher growth can also lead to high returns and hence PE ratio should be used in conjunction with other factors to select stocks.

In Chapter 8, author suggests that while it is safer to invest in large companies, prudent inclusion of right small and mid-cap companies in the diversified portfolio can yield to multibagger returns. In Chapter 9, author warns not to invest in fallen companies just because they are available at low prices but do research on the company's resilience and invest when there is risk appetite, free capital and patience to wait till the resilient stock bounces back.

This book's chapter 10 highlights the impact of short term news on stock prices. Long term investors should not be swayed by price volatility caused by breaking news but rather focus on learning from right sources/people and capitalize on such learnings. The author explains in Chapter 11 that companies with high pricing power are a good bet for the investors even though they cause pain to the consumers. However, pricing power is dynamic and should be re-evaluated periodically due to change in competitive landscape and regulatory framework.

Chapter 12 brings attention to the fact that the life expectancy of companies has been significantly reduced in the recent years and sustainability of even blue chips has limits. The buy, hold and forget strategy of the past needs to be reconciled with the changing realities of the current times for success.

In Chapter 13, the author discusses the dividends as means to return shareholder wealth when a company cannot invest the earnings more profitably in growth opportunities than a shareholder would. However, the companies giving steady/rising dividends while retaining sufficient profit for growth are also perceived as better managed and investor friendly as compared to peers.

BOOK REVIEW

The author explains in Chapter 14, the impact of bonus shares & share split on both the company and investors which do not create wealth but increase stock liquidity and perception of the company. Chapter 15 delves into share buybacks used as a tool to return surplus cash to shareholders while maintaining share prices at higher levels and helping management ward of takeover threats by corporate raiders. Chapter 16 details the types & relevance of mutual funds as preferred mechanisms of wealth creation for unsophisticated investors with a caveat that the investor should select the right fund matching his/ her risk profile.

Chapter 17 & 18 explain the essence of value investing and growth investing highlighting their difference in approach to assess the company's potential and that both approaches work not in opposition but complement each other. In Chapter 19, author shares pearls of wisdom from iconic investor Mr. Warren Buffett around long investment horizon, investing in business you understand and buying at fair price using margin of safety and avoiding herd mentality.

In Chapter 20. Mr. Anantharaman highlights the difference between trading and investing and their independent benefits but cautions against mixing the two approaches while dealing with stocks. Chapter 21 gives practical advices for investment planning, asset allocation based on age, market timing, rational behavior, benefits of starting early, awareness about risks and taxes, Government policies, useful investment ratios and tools, while also highlighting common behavioral pitfalls in investing. Chapter 22 deals with identification of multibaggers with examples tips and historic case studies of multibaggers in Large cap, Mid cap and Small cap companies. In Chapter 23 and 24, author explains the basics of both fundamental and technical analysis as well as key ratios and charts. Mr Anantharaman also provides guidance on their use clearly differentiating the time horizon of investment as the key factor for applying either fundamental or technical analysis.

Overall, the book is a must read for stock market enthusiasts as well as novice investors and lays a clear theoretical foundation complementing it with practical insights for investing and benefiting from the Indian stock markets.

DECLARATION FORM

The Editor,

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Indian Institute of Banking & Finance, Kohinoor City, Commercial II,
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