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From the Editor

Special Features

IIBF's 90th Foundation Day-President's Address -- Rajeev Rishi	5
Leasing Overseas Operations of Indian Banks -- Ashwini Mehra / Dr. M. R. Das	8
Protectionism – Major challenge to International Trade & Banking -- Shrikrishna Mhaskar	11
Foreign Branches Of Indian Banks – Raising Resources For Their Operations -- S. K. Datta	15
A Comparative Study of Non-Performing Assets in Various Segments of Indian Banks with Special Reference to Priority and Non-Priority Sector Advances -- Dr. Sharad Kumar / Pravin Shukla.....	19
Nurturing the MSME Lending -- V. N. Kulkarni.....	29
Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)-Is Section 13 (3A) Mandatory? Judicial Approach -- M. G. Kulkarni	35
भारत में भुगतान प्रणाली का प्रादुर्भाव एवं विकास -- सुबहसिंह यादव.....	39
Summary of Macro Research Project Managing Current Account Deficit: Cross Country Experience from Developing Countries -- Dr. Partha Ray	49
Subscription for Bank Quest and IIBF VISION	51

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INDIAN INSTITUTE OF BANKING & FINANCE

Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiro Road, Kurla (W), Mumbai - 400 070.

E-mail : admin@iibf.org.in

Website : www.iibf.org.in

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

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Dr. J. N. Misra
Chief Executive Officer,
IIBF, Mumbai

It gives me great pleasure in informing you that your Institute has completed 90 years of service to the banking & finance industry. The occasion was celebrated in the Institute on 27th April, 2018. Mr. Rajeev Rishi, President IIBF and MD & CEO of Central Bank of India delivered the keynote address in the event. We are publishing his speech as the first article of this issue. In his address, Mr. Rishi emphasised several milestone achievements of the Institute during its long and eventful journey of 90 years.

International banking involving cross border transactions forms an integral and important business vertical in banks. Considering the intricacies and nuances involved and the fact that international banking is a key component in a globalised environment, we thought it to be a right fit to have “International Banking” as the theme for the present issue of Bank Quest.

The first article on the theme is written by Mr. Ashwini Mehra, former Deputy Managing Director, State Bank of India (SBI) & Dr. M. R. Das, former Economist, SBI on “Leashing Overseas Operations of Indian Banks”. In this article, authors have portrayed a clear picture of operations of Indian Banks having International presence.

The second article on the theme is written by Mr. Shrikrishna Mhaskar, former Vice President & Secretary & Officer on Special Duty, Foreign Exchange Dealers Association of India (FEDAI) on “Protectionism – Major challenge to International Trade & Banking”. In this article, Mr. Mhaskar has discussed the concept of Protectionism in International Trade along with its tools, advantages and disadvantages.

The third article on the theme is on “Foreign branches of Indian Banks – Raising Resources for their Operations” by Mr. S. K. Datta, Faculty, Indian Institute of Banking & Finance (IIBF). He has discussed in depth about the operations of foreign branches of Indian banks and composition of resources for foreign branches.

Besides the three articles on the theme, as per our practice, we also carry articles of contemporary interest. The article written by Dr. Sharad Kumar, Dean-Academics and Research, Durgadevi Saraf Institute of Management Studies (DSIMS), Mumbai & Mr. Pravin, Assistant Manager, Axis Bank Ltd. is on “A Comparative Study of Non-Performing Assets in Various Segments of Indian Banks with Special Reference to Priority and Non-Priority Sector Advances”. This article compares the level of NPAs in various Bank Groups viz. Public Sector Banks, Private Sector Banks and Foreign Banks during last 11 years from 2006-07 to 2016-17. The article also provides an analysis of whether the Global Crises during 2008-09 had any impact on NPAs of Banks.

The next article is written by Mr. V. N. Kulkarni, former Deputy General Manager and Principal, Management Development Institute of Bank of India on “Nurturing the MSME Lending”. This article discusses in detail the various schemes available for Micro, Small and Medium Enterprises (MSMEs).

The subsequent article written by Mr. M. G. Kulkarni, Deputy Director, IIBF, is on “Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)— Is Section 13 (3A) Mandatory? Judicial Approach”. The author has discussed various legal aspects of SARFAESI in this article.

The article in Hindi is written by Mr. Subah Singh Yadav, Former Assistant General Manager, Bank of Baroda on “भारत में भुगतान प्रणाली का प्रादुर्भाव एवं विकास”. The author has discussed the development of Payment Systems in India.

We are also carrying a summary of the Macro Research Project 2013-14 of Dr. Partha Ray, Professor of Economics, IIM Calcutta on “Managing Current Account Deficit: Cross Country Experience from Developing Countries”.

I hope that you will enjoy reading this informative issue of Bank Quest. I invite the authors to share their knowledge and contribute articles for upcoming issues of Bank Quest.

Dr. J. N. Misra



IIBF's 90th Foundation Day-President's Address

 **Rajeev Rishi***

I am happy to be amidst all of you today.

I take this opportunity to congratulate all the successful candidates of the VI batch of the Advanced Management Programme (AMP) conducted by IIBF. Before I speak more about the AMP, I take pleasure in announcing that IIBF will be completing 90 years of existence this year. I will briefly share with you some of the important achievements and developments with which, IIBF was associated in the recent past.

Growth of IIBF

A true measurement of IIBF's growth is reflected in its membership position. In 1928, IIBF, then known as the Indian Institute of Bankers (IIB), had 109 ordinary members, 25 associates and 24 fellows. As on 31st March 2018, the Institute had 8,39,974 ordinary members, 476 associates, 310 fellows and 779 Institutional Members.

Brief highlights of important activities of IIBF

Continuing Professional Development

Envisaging that bankers need to enhance their skill sets, IIBF has been stressing on the need for continuing professional development of the banking fraternity. To this end, IIBF delivers a suite of courses covering almost all facets of banking. Its examinations range from certificate courses for the BCs/DRAs, Sub Staff, to specialised courses encompassing the areas of Credit, Treasury, Risk, Compliance Management, International Banking etc. Each of its examinations is backed by a dedicated courseware prepared by subject matter experts. Besides this, the

Institute sponsors research activities (Micro, Macro & Diamond Jubilee), conducts "Member Education Series", "Memorial Lectures" and brings out its well-read publications namely the IIBF Vision and Bank Quest.

Enrolments for different exams

I would now like to share data on the enrolments for the different examinations conducted by IIBF during 2017-18.

Around 465,839 candidates enrolled for the various examinations of the Institute in 2017-18. Thus, around 40% of the total bank staff enrolled for the examinations conducted by the Institute presumably due to the value addition offered.

Capacity Building

In 2016, RBI had mandated acquiring qualifications by bank personnel in the areas of Treasury Operations, Credit Management, Risk Management, Accounts & Audit and Foreign Exchange Operations; before being posted to these departments. IBA, on the advice of RBI, had constituted an expert group to identify reputed institutions whose courses covering the above areas could be accredited. IIBF was represented in the expert group and was one of the institutions whose courses in the areas of Treasury Operations, Credit Management, Risk Management and Foreign Exchange Operations met the requirements. Consequent upon this, IIBF had taken several initiatives for further promoting these courses among the banking fraternity. Notable among

*Managing Director and Chief Executive Officer, Central Bank of India & President, Indian Institute of Banking & Finance.

them was the introduction of the **virtual classroom solution** whereby the candidates could take the mandatory training in their comfort of their home/office. Due to the introduction of the virtual classroom learning, the training costs could be absorbed by IIBF and the courses in Credit Management, Risk Management could be offered to the banks at nominal costs. Owing to these initiatives, the Institute witnessed good enrolments for all the above courses. More than 10,000 candidates enrolled for the capacity building courses during the year.

90th Year Celebrations

Quiz/Bankers Meets/ Outreach Programs

As a part of the Institute's 90th year celebration, an inter-bank quiz competition was organised. This was the first time in the history of IIBF that such a quiz competition was organised. The response was indeed, overwhelming. Nearly 6000 people from different banks in different parts of the country participated in the online round. Six top teams from each of the four zones then participated in the zonal on ground semi-final rounds. The winning team from each zone then competed in the national finale held during January 2018. The team from Reserve Bank of India, was the winner of the national finale. The national finale was telecast on NDTV 24*7. The event was sponsored by SBI, Canara Bank, Union Bank of India and PNB.

Apart from the inter-bank quiz competition, the Institute also organised Bankers' Meets and outreach programs (presentations at various colleges) at Tier II and Tier III cities of the country. Such programs were held at Lucknow, Bhopal, Bhubaneswar, Patna, Hyderabad, Kochi etc.

International Footprints

Global Banking Education Standards Board (GBESTB)

The GBESTB is a *voluntary, industry-led initiative* founded by many of the world's leading banking institutes. It aims to develop clear, internationally

agreed standards for the education of Professional Bankers. These standards will inform the development of national banking education programmes delivered by banking institutes, and others, providing the foundation for high-quality and robust education and qualification of bankers. Ultimately, this should enhance and sustain global standards of ethics and professionalism in banking worldwide.

IIBF is a founder member of the GBESTB. The administrative set-up of the GBESTB comprise of a Global Council, an Executive Committee and a Global Education Standards Committee. CEO, IIBF is the Vice-Chair of the Global Education Standards Committee. This Committee has already developed a draft standard for Ethics Education and Training for Professional Bankers.

Collaboration with Chartered Banker Institute

The Chartered Banker Institute and The Indian Institute of Banking & Finance (IIBF) have signed a ground breaking new Mutual Recognition Agreement.

Under this agreement, "Certified Associates of the Indian Institute of Bankers" (CAIIB) from India will have their qualifications recognised by the Chartered Banker Institute and will be able to become Chartered Bankers by studying the Institute's Professionalism, Ethics & Regulation module, and successfully completing a reflective assignment.

International Consultancies

IIBF has successfully handled consultancy / training assignments for countries like Zambia, Botswana, Papua New Guinea, Nepal, Bhutan, Tanzania, Taiwan etc.

Advanced Management Programme

The Advanced Management Programme is meant for developing and nurturing future leaders of the industry in consonance with the Vision statement of the Institute.

The 1st AMP in the IIBF campus at Mumbai, commenced in January 2013. So far, 5 AMPs have been completed at the Leadership Centre of the Institute.

This programme is unique in as much as while, the principles underlying general management concepts are handled by IIM Calcutta, the areas covering the banking aspects are covered by IIBF. Thus, an AMP candidate has the benefit of receiving the best possible inputs from two institutions in specific areas in which these individual institutions excel.

I am sure that with the knowledge inputs received during the programme, all of you will be able to play your respective roles in your banks in a more efficient manner. What is perhaps also important is that since the world of banking will witness more paradigm shifts, bankers should take advantage of the continuous professional development programmes offered by IIBF and upgrade their skill sets. Besides this, you can also contribute to the research and publication activities of the Institute. This will help you to widen your horizon.

All the best.



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Indian Institute of Banking & Finance

Winners of Micro Research Papers for the year 2017-18

We thank all the participants of Micro Research Paper Competition for the year 2017-18. The following candidates are selected for prizes:

I Prize

Mr. Raj Kumar Sharma, AGM & Faculty, State Bank Foundation Institute – Chetana, Indore.

Topic: Training needs of future bankers

II Prize

Mr. Vishal Daga, Officer, Allahabad Bank, Mumbai.

Topic: Aadhaar Enabled Lending System to Boost Micro Finance and Consumer Durable Loans

III Prize

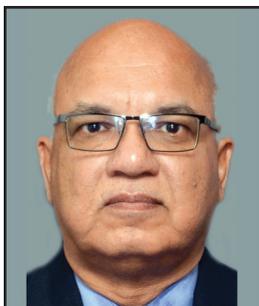
Mr. Vijosh Kumar S. V., Branch Manager, Oriental Bank of Commerce, Mahbubnagar.

Topic: Challenges and Opportunities of Peer to Peer Lending

We congratulate all the prize winners.

Mumbai

Director (Academics)



Leasing Overseas Operations of Indian Banks



Ashwini Mehra*

Dr. M. R. Das**

Should Indian Banks have so many foreign offices? The question is pertinent today, especially in view of the Government’s January advisory to Public Sector Banks (PSBs) to “rationalise their overseas operations”. The advisory becomes compelling after the recent discovery of some irregular loan-related transactions conducted via some overseas offices of some PSBs. Historically, the eighties had witnessed huge overseas loan losses which had led Reserve Bank of India (RBI) in 1985 to institute strict control and monitoring mechanisms for foreign offices.

Presence Mode

At March-end 2017, the Indian Banks had 186 branches abroad – 166 by 12 PSBs and 20 by three Private Banks (PVTBs). Traditionally, three banks, namely, Bank of Baroda, Bank of India and State Bank of India among PSBs and ICICI Bank among PVTBs have remained dominant. However, during the last decade, the yearly branch network expansion by both the groups declined indicating inadequate businesses and/or consolidation of existing operations.

The distribution of branches across the 32 countries of presence was skewed; 92/186 branches, or almost half were in five countries: UK (32), Hong Kong (17), Singapore (16), UAE (16) and Sri Lanka (11). The former four figured among India’s top 25 trading partners, and together, the five commanded 16.4% of the total trade and 22.1% of the trade with top 25 countries (2016-17).

Other modes of presence include via Subsidiaries, Representative Offices, Joint Venture Banks and

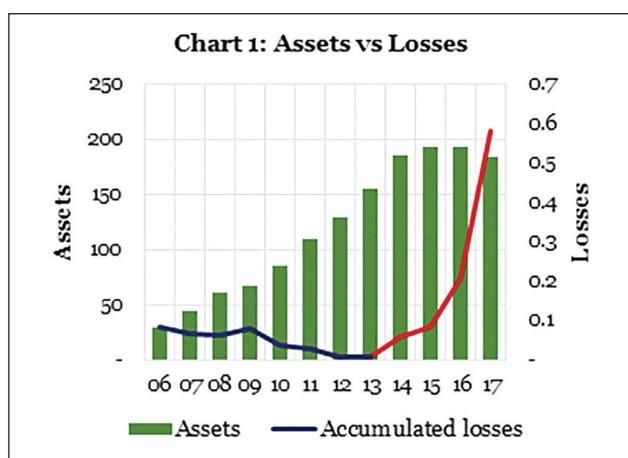
Other Offices (marketing/sub-offices/remittance centres). At March-end 2017, PSBs and PVTBs had 102 and 21 such offices respectively.

Business

According to the RBI data covering 189 offices of 19 banks, the combined balance sheet size stood at about USD 184 billion at March-end 2017. It multiplied 6.6 times during 2006-15 but, subsequently shrank by five percent during 2015-17.

The liabilities principally included customer deposits, inter-bank borrowings and other debt instruments accounting for 26.7%, 46.6% and 11.5% of the total respectively. Customer credit and inter-bank placements mostly comprised assets - 69.2% and 18.0% of the total respectively.

Besides deposits, borrowings were utilized for loans; while the credit-deposit ratio was 259.7%, credit-(deposit + borrowings) ratio was 94.4%.



*Former Deputy Managing Director, State Bank of India.

** Former Economist, State Bank of India.

Accumulated losses of the foreign offices grew exponentially, 2014 onwards, with a trend growth rate of nearly 78.0% (red marked in Chart 1). The losses were exorbitant in 2016 and 2017.

Bank balance sheets revealed that, lately, the overseas asset quality deteriorated (Table 1). Productivity of assets remained unequivocally low; it was stagnant in respect of PSBs whereas PVTBs showed marginal increases.

Table 1: Assets Quality

Ratios to Total Assets	PSBs (12)			PVTBs (3)		
	14-15	15-16	16-17	14-15	15-16	16-17
GNPA*	1.3%	4.0%	4.5%	0.2%	0.5%	2.8%
Revenue	2.9% (2.9%)	3.0% (3.1%)	2.9% (3.0%)	4.5% (4.5%)	4.8% (4.9%)	5.2% (5.6%)

*ICICI Bank excluded as the relative data not available. Brackets gives the ratio to 'performing' assets.

Subject to minor accounting adjustments, revenue from overseas operations contributed an estimated five percent to the total income of the banks concerned during 2014-15 to 2016-17, with 2016-17 witnessing large fall.

Determinants of Overseas Banking

Basically, two principles govern a bank's overseas operations: (a) available banking opportunities and (b) the classical 'comparative advantages' principle.

About (a), "follow-the-customer" provides the first motivation. The customers include (i) traders on both sides who require several trade-related intermediary services and (ii) home country communities who need two-way remittance facilities.

Coming to (i), India's foreign trade has been sluggish over time; during 2012-13 to 2016-17, it declined by 4.5%. India's share in world trade, which is nominal, reduced from 2.28% to 2.20%; trade with the five countries which house half of the Indian Bank Branches (as mentioned earlier) declined by 5.6%,

and their share in India's total trade fell by 78 bps; and export credit by all scheduled commercial banks rose by mere 0.6% during the above-mentioned period. Although the world trade scenario has improved recently, which is reflected in India's trade increasing by 16.1% (YoY) in 2017-18, the future is being threatened by the emerging protectionist trends bordering on trade war and the Brexit uncertainty. The IMF WEO (April 2018) projects world trade volume to shrink to 4.7% in 2019 from 5.1% in 2018. Additionally, for the Indian Banks, conservatism will

rule trade finance in near future.

About (ii), no doubt, India has been the topmost destination for remittances in recent years; however, these turned sluggish in 2015 and 2016. As per the World Bank data, remittances from five major Gulf countries (i.e., Kuwait, Oman, Qatar, Saudi Arabia and UAE) to India peaked at USD 35.5 billion in 2013 [CAGR (2010-13): 12.5%] but, fell to USD 33.7 billion in 2016 [CAGR (2013-16): -1.7%]. Prolonged geopolitical tensions coupled with internal fiscal policy changes precipitated this. Although the World Bank sounds optimistic about 2017, it won't be much different. Moreover, with electronification of remittances and consequent lowering of costs thereof, many physical set-ups, which entail high cost, will not be necessary in future.

About 'comparative advantages' of the Indian banks in the overseas markets, the latter is dominated by MNC banks endowed with enormous capital, highly diversified and modern financial products, superior technology, strong global connectivity, better global

image and trust, efficient systems and procedures, and high capital and labor efficiency. The Indian banks hardly possess these sinews.

Conclusion

With capital, labour and technology becoming increasingly globally mobile, the Indian Banks can easily conduct their global businesses from home through strategic and specific collaborations with the MNC banks many of which operate in

India. Alternatively, banks can centralize their global operations in a few global financial centers depending on destination countries. Within India, the Gujarat International Finance Tec-City provides opportunities. These modes will save considerable direct and indirect monetary costs besides the onus of complying with very stringent and increasing number of cross-border regulatory and supervisory norms (mainly capital-related) and processes.



Approaches to Capital Account Liberalisation: OECD and IMF

Capital flows can be viewed as trade in assets that allows international risk sharing. As future consumption can be bought through such trade by postponing current consumption or vice versa, it allows economic entities to smooth consumption inter-temporally (Lewis and Liu 2015). However, capital flows are prone to sudden surges, stops and even reversals and, therefore, are not an unmitigated blessing. Bhagwati (1998) argued that claims of enormous benefits from free capital mobility across borders were not persuasive. In this backdrop, it would be of interest to look at the approaches of the two main international organisations dealing with Capital Account Liberalisation (CAL), viz., the OECD and the IMF.

OECD's views are reflected in its two codes introduced in 1961, viz., the Code on Liberalisation of Capital Movements (generally known as the OECD Code) and the Code of Liberalisation of Current Invisible Operations. The codes aim at encouraging members to progressively remove barriers to capital movements in quest for faster growth. In 1992, short-term capital movements were covered under the code, thus limiting the scope for Capital Flow Management measures (CFMs). In 2002, restrictions on overseas portfolio investment were made untenable under the code.

The IMF's approach to CAL has evolved over a period of time. Before the onset of the Asian financial crisis, there were moves to recognise capital account convertibility as an explicit goal. However, the overwhelming evidence from the Asian financial crisis forced IMF to backtrack. Accordingly, gradualism, with

some CFMs and Macroprudential measures (MPMs), were deemed as a legitimate policy for emerging markets to exercise. The IMF's Independent Evaluation Office (IEO) also noted in 2015 that empirical literature was unable to establish a robust positive relationship between CAL and growth. Cross-border spill-overs of capital flows have since increased and the G-20 countries were urged to take them on board while dealing with national policies.

From an emerging market perspective, the IMF's approach appears prudent and pragmatic. It also stands vindicated in the wake of the global financial crisis. While the OECD Code may have served the advanced economies, emerging markets have demanded more flexibility in the codes as they do not sufficiently provide for CFMs or MPMs. India has been of the view that adherence to the OECD code should remain a voluntary process, enabling members to decide on its appropriateness in the context of evolving macro-financial conditions. While the OECD codes are currently under revision, G-20 has asked the IMF and the OECD to converge their views, especially with respect to MPMs.

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Source: RBI Annual Report, 2016 -17



Protectionism – Major challenge to International Trade & Banking

 **Shrikrishna Mhaskar***

International Trade is the mainstay of International Banking across the globe. Cross border trade takes place between various countries working on demand supply forces. Though the physical aspect of trade is taken care of by the regulations of respective countries, the financial aspect is taken care of by Banking System across the globe. Banking Industry exists in respective country developed and monitored by Central Banks. Their business is controlled within and outside the countries with the help of prudential norms. International existence of various banks has not only given meaningful dimension to their business, but also, has helped the seamless flow of financial aspect of trade. The physical aspect of trade deals with actual movement of goods and services. The financial implication of trade is by way of funds flow, exchange rates, financing the activity and correspondent banking.

International trade and banking, some basics:

International trade and banking go hand in hand on the global platform with the help of various products and services. The traders may not ever meet across the tables, but doesn't find it as an obstacle in the business. Trust, Monopolistic situation, Demand-Supply forces are some of the impacting factors on the flow of business which are taken care of mutually. However, the banking system works as a link between the traders, regulators and various stake holders in the business. Banking business is well-knit, system driven and highly regulated by norms enabling the trade flows to establish, flourish and put all in "win win" situation. The development of correspondent

banking has paved way to various financial products and services which are used by both – market makers and market users.

Protectionism – is it a need or otherwise?

It is a concept brought into reality as required by various countries with two objectives, one to control the deterioration of domestic trade and two to write a growth story of economy in a different manner. When any country resorts to protect its economy with either of these objectives, it either disallows entry into the country or exit from the country of various things which used to take place as a normal course of business. The protectionism may have multiple aspects as regards the needs and implications. Some of the major reasons for resorting to protectionism can be summarized as under:

- To protect the Sunrise Industries for obvious reasons, considering the technology adapted by them and enabling them to stand in competition locally and globally.
- To protect the sunset Industries which are in declining trend and need some care. The world has witnessed the same with UK had done with ship building in 1950, car production in 1970 and steel industry in 1990.
- To protect strategic industries which are important from country's perspective.
- To protect industries which threatens the job opportunities for local talent. The present reference is to Trump's policy of Visa to outsiders.

*Former Vice President & Secretary & Officer on Special Duty, Foreign Exchange Dealers' Association of India (FEDAI).

- Sometimes the protection is resorted to due to political reasons.

Some Important tools of protectionism

While resorting to protectionism various tools are used which can be summarized as under:

- **Tariffs** – They are levied on the imported products to protect the domestic products and ensure steady growth. The tariffs are levied on some products either permanently or for specific period. The percentage of duties is varied to discourage imports. The famous example of this is imposition of tariff by US (Smoot-Hawley Tariff of 1930) on agriculture products imported from Europe. Before getting approval from Congress, many items were under import tariff leading to Tariff War due to retaliation by many countries. This further aggravated the problem of great depression of 1930.
- **Quotas** – The imports are allowed with specific quantities though not totally banned. Due to limits on physical quantity of goods the supply side is restricted and leads to increase in demand for domestic products.
- **Subsidy** – Under this mechanism government makes payments to individuals or firms for the production or consumption of particular goods or services. Subsidies reduce the cost of production or increase the benefit of consumption, and therefore, lead to a greater equilibrium, quantity in the market for the subsidized good. This tool gives fair amount of competitiveness to export intensive economies. However, this gave an adverse impact on US agriculture produce in 1930 leading to reduced farm products hampering supply side. This resulted into to increase in prices and made the products very expensive.
- **Free Trade Agreements** - This is indirect manner of protecting domestic trade. The free trade agreements reduce the imbalance and can get rid of evil effects of directly protecting the domestic industries.

Impacts of Protectionism

The objectives of protectionism are obvious and clear and should bring desired results. The analysis shows the impact in either way – advantages and disadvantages.

Advantages

- The first advantage of protectionism can be experienced to those industries which are new in the country. These new industries can be protected from international competition and get time to stabilize their line of activity and make them competitive. However, in order to get benefits of competitiveness they need to establish their edge over others on three fronts – what benefits their products offer against others, what is the target market they need to focus and indentifying the “real competition” they have to face.
- The second advantage is increase in jobs for short duration, which allows domestic companies to hire more talent. Eventually, this puts pressure on the domestic job market leading to unrealistic competition. The benefits of job creations are lost once other countries also resort to protectionism.
- The third advantage emerges as an increase in demand for domestic products due to reduced imports as an effect of tariff/quotas. As a result of increased demand, the supply side gets stressed which leads to compromise with quality, delays in supplies and increased prices. The increased prices sometimes offset the benefit of imposing tariffs as imported products become more cost effective.

Disadvantages

- As a long term impact of protectionism, the local industries become weak. In absence of competition, they start ignoring innovation and new developments, resulting into deterioration in quality also the products become costlier than the imported products.
- When the job market is protected the capacity

to outsource them starts reducing in absence of competition. The expenditure on education and skill development is reduced eventually.

- In the long run it leads to trade war between the countries and adversely impacts the international trade.

Why this issue needs to be addressed?

The recent times policies of some countries have jeopardized International Trade & Banking to great extent. It has posed challenges to both, developed and emerging economies without exception. Some recent developments globally with respect to economical turmoil and political ideology have invited attention of all.

- The decision of UK to maintain its independent entity due to voting for Brexit can be called as a starting point. This decision is at par with protectionism though not directly declared so. Initially, it must have been treated as a decision of “Democratic Prudence” can prove otherwise eventually. When one country exits, alternately, it leads to “no entry” by others as a natural reaction, leaving the same impacts of “protectionism retaliation”. As a part of EU the common currency was not accepted by UK maintaining its independence. However, with exit from EU the adverse impacts with respect to employment, movement of skills and actual movement of goods and services will certainly be impacted. A study of steel industry in UK is done by Richard Selby who is Director at Pro Steel Engineering, a steel specialist firm delivering construction, installation and project management at sites including the Olympic Stadium, Crossrail Bond Street and Birmingham New Street. With the increasing protectionism the international trade would be largely disrupted because of high consumption of steel in UK than it produces. During 2015, UK produced 11 million of steel compared to china’s production of 804 million tons. If UK wants to

focus on infrastructural development, it needs to increase domestic production as a policy in view of probable impacts of Brexit.

- China, one of the biggest global economies, has resorted to liberalization in 1978 to accelerate its growth. In the recent speech at World Economic Forum, Davos, Chinese President Xi Jinping has advocated greater integration amongst world economies. In this era of protectionism China is trying to emerge as a supporter of free trade and open market. It may look as a welcome stance but, is away from the history of Chinese Liberalization. Right from beginning China has liberalized selectively taking a piece-meal approach. It has opened foreign investors only those industries which were critical to growth and development of economy. The focus of liberalization has been to enhance exports by various subsidies and exempting duties on imports. China generally takes a different perspective on globalisation and free trade by collaborating with and opening up to countries which could benefit it. According to the Information Technology and Innovation Foundation's Index which ranks countries after assessing the impact of their economic and trade policies on global innovation system, China ranks 44th out of 56 countries. This indicates that China behaves like a typical 'innovation mercantilist' by adopting policies such as forced localisation to trade and investment, export subsidies, or failure to protect intellectual property rights.
- India as an emerging economy has resorted to liberalization in the last decade of 20th century by making some radical changes in its policies, regulations and foreign exchange market in general. The wheel of liberalization has been kept moving with its own speed irrespective of political ideologies ruling the country. Interestingly, the foundation of liberalization was not laid due to any “political will” but as an inevitable measure for existence. In the last decade, India is trying

to attract direct investments in various sectors selectively and also allowing flow of funds out of country. The story of Indian growth has been well appreciated on various economic forums irrespective of various obstacles on tax amendments. The concept of “Make in India” is treated an answer and question for global protectionism.

Present challenges

“Protectionism” is no longer a concept, but has put serious threat to International Trade and Banking. The issue today is not to fight for or against its implementation, but to minimize the direct and indirect impacts of it. They can be summarized as under:

- Open and seamless international trade has proved its merits time and again by improving the standard of living of lot many, creating new opportunities of growth and providing quality products at low costs. However, the protectionism certainly poses challenges to internal economy and face global challenges.
- International banking is under tremendous pressure of “Compliances” while handling normal trade transactions. Trade has become a conduit for money laundering, challenging credibility of banking system of many countries. The banking system though high-tech has proved its limitations time and again.
- The protectionism is camouflaged in many ways which we are treating as normal business model. The capital flows across the globe, for tangible and intangible purposes are difficult to monitor and control. Trade embargos, countries under sanction, FATF non-compliant countries and other quantitative restrictions are not directly declared under protectionism policies.
- Trade not happening between countries due to war, encroachments, creating military base, threat of nuclear powers and sudden change in political ideology are adding fuel to passive international trade and banking.

Protectionism, International Trade and Banking – path ahead

The issue can't be removed in totality as it is a policy by choice. The path ahead is not simple or with some handy solutions, but is going to be more challenging. Some academic solutions can be summarized as under:

- The trend can be reversed by Political will only, as it doesn't look as economic need for most of the developed countries. This argument goes well especially with those countries who have tried to cash this issue to gain political power.
- It may not necessarily be an effective tool to protect “Domestic Jobs” as the data is not supportive.
- Protecting Domestic entities from external competition may not prove effective after some time as it eventually weakens them as they may not have proper caliber to grow. Their capacity to stand in competition is important than giving financial concessions.
- All those using this tool need to understand that it is a double edged weapon proving detrimental by becoming “reactive” than “proactive”.
- Retaliation is an antidote for protectionism can be a good argument but, does not justify mathematical equation – “minus – minus is plus”. Actually it gives cascading negative impacts.
- Better economic education is necessary to control abuse of political power. “Curbing economic power of others is not going to enhance our political power” is the mantra of time. Earliest the better – all should follow it.
- Last but not the least – Beware of so called free trade advocates who believe unilateral freedom and talk about multilateral freedom.





S. K. Datta*

Foreign Branches Of Indian Banks – Raising Resources For Their Operations

The objective of the article is to enable readers to understand as to in what ways raising resources for operations of foreign branches of Indian Banks is different from raising resources for their operations in India.

I. BACKGROUND

Indian Banks have had presence overseas, now for almost a century. The first foreign branch of an Indian Bank, viz., State Bank of India (erstwhile Imperial Bank of India) opened a branch in London in January 1921. Some other early overseas movers were Indian Overseas Bank (Rangoon in 1937), Bank of India (London in 1946) and Bank of Baroda (Mombasa and Kampala in 1953). Although for some Banks, viz., Bank of Baroda and Bank of India, overseas business (deposits and advances) constitutes a sizeable proportion of their overall business, for the Indian Banks as a sector, overseas business is quite small.

This can be seen in the Table 1 below, all figures as on 31st March 2017.

Table - 1

Bank / Sector	Overseas business (₹ 000s crs.)	Overall business (₹ 000s crs.)	Overseas business as proportion to Overall business (%)
Bank of Baroda ¹	267	985	27.11%
Bank of India ²	249	934	26.66%
All Indian Banks	1,453 ³	18,432 ⁴	7.88%

Although the overall proportion of overseas business was 7.88%, for some Banks, overseas business exceeded 25% of their overall business. Moreover, the total overseas business of Indian Banks at ₹1,453,000 crores was a fairly big number and warrants focus.

The geographical extent of overseas presence of Indian Banks has also been quite high. The presence is four forms, viz., branches, subsidiaries, representative offices and joint ventures. Of these, it is the branches and subsidiaries which bear the brunt of the business, since while many joint ventures do not constitute member banks from India alone, representative offices do not handle any banking transactions.

The presence of Indian Banks through branches and subsidiaries, as on 31st March 2017, was as depicted in Table 2.

Table - 2

Type of overseas office	Number	Business (₹000s cr.)
Branches of the Banks ³	192	1,453
Branches of Subsidiaries ³	325	127

Although the number of foreign branches of Indian Banks are fewer than those of its overseas subsidiaries, the business of the former are much larger (over 11 times). The reason for this is that in most of the larger foreign centers like USA, Singapore, UAE, Hong Kong and, to some extent, UK, Indian Banks are present in the form of branches. However, in many of the recently penetrated centers, the presence is through the vehicle of subsidiaries, primarily on account of

*Ex-Chief General Manager, Bank of India & Faculty, Indian Institute of Banking & Finance.

the local regulators insistence for adoption of the subsidiary model – rather than the branch model. Our discussion will, therefore, focus on business handled through foreign branches, rather than any other vehicle of overseas presence of Indian Banks.

II. PECULARITIES OF FOREIGN BRANCHES

There is a fundamental difference between the functioning of a foreign branch and that of a domestic branch. While no domestic branch has to manage its assets and liabilities, most foreign branches have to do that. In fact, a large number of foreign branches operate like mini-banks because they have to manage their own treasuries.

It has to be appreciated that Indian Banks are strong players in India and, hence, they are able to mobilize most of their resources through customer (retail) deposits. They are able to do this because of their deeply rooted background, their long association with the local public and the strong reputation that they have (often with tacit sovereign support). This, however and unfortunately, is not true for foreign branches of Indian Banks operating overseas. They operate in alien territories (notwithstanding the presence of a large non-resident Indian diaspora), as small units (compared to local high street banks) and with a limited bouquet of products supported, often, with sub-optimal technology. Consequently, the potential of foreign branches in garnering a robust retail deposit base is low.

This can be seen in the proportion of deposits to borrowings (including other debt instruments) by Indian Banks in India, as against their foreign branches (Table 3).

TABLE - 3

Type of Institution	Position as on	Deposits	Borrowings / Other Debt Instruments	Deposits / Borrowings
Indian banks in India (₹ 000s cr.) ⁴	31 st March 2017	106,484	12,102	8.80
Foreign branches of Indian banks (USD Mn.) ⁵	31 st Dec 2016	48,988	106,872	0.44

Whereas the deposits of Indian Banks in India was 8.80 times their borrowings, that of the foreign branches of Indian Banks was only 0.44 times their borrowings.

III. COMPOSITION OF RESOURCES FOR FOREIGN BRANCHES

The total advances and investments of foreign branches of Indian Banks, as on 31/12/2016, was USD 139,513 mn⁵. These entities need resources to fund the assets.

The sources of funding / liabilities structure of foreign branches sector of Indian Banks, as on 31st Dec 2016, is shown in Table 4.

Table – 4⁵

Type of Liability	Amount (USD Mn)	Proportion to Total (%)
HO Funds	10,284	5.60
Customer Deposits	48,988	26.65
Inter-branch Borrowings	13,135	7.15
Interbank Borrowings	85,720	46.64
Other Debt Instruments	21,153	11.51
Other Liabilities	4,500	2.45
Total	183,780	100.00

IV. SHORT TERM FUNDING

As seen from earlier paragraphs, customer deposits form a major source of funds for banks in India. However, this is not so for the foreign branches. Reasons for paucity of customer deposits, compared to borrowings are many. These include:

- Branches shying away from retail business in a

big way, owing to the very stringent regulations governing retail business overseas, including KYC/AML regulations. This is especially in developed countries.

- Absence of large network of foreign branches of Indian Banks in most overseas countries.
- Restricted number of retail products that foreign branches can, and do, offer – although some centers offer structured deposits consisting of embedded currency options.
- Lesser developed technology platforms, compared to those of local banks.

Moreover, a large proportion of customer deposits mobilized is not in excess of 3 months and therefore, whatever core deposits are available, they are of very short tenure and need to be continually renewed.

Consequently, foreign branches are unable to leverage upon this very lucrative avenue of resources, which can be cheap as well as can lend stability to the balance sheet by lowering of concentration risk. The paucity of customer deposits is, especially, visible in developed centers where local banks function with hi-tech architectures. In lesser developed regions, however, like some African and Asian countries, our foreign branches are able to fare better, taking advantage of the banking dynamics being more akin to those in India.

Resultantly, foreign branches have to resort more to short-term money market funds and this gives a degree of volatility to their balance sheets.

Money market (interbank) borrowings are characteristically short term in nature, majorly under 3 months' tenure. These could be by way of, either, plain vanilla borrowing (overnight to maximum tenure available) or under reciprocal Lines of Credit. While reciprocal Lines of Credit are desirable owing to their relative certainty as a funding support, they are becoming increasingly scarce with many of the foreign banks shying away from such products.

Foreign branches of some Indian Banks, located in major currency areas like USD, EUR, GBP and JPY, have been able to source inter-branch and interbank deposits by entering into the correspondent banking business and, thereby, opening nostro accounts of their branches, as well as some smaller Indian Banks. Although prima facie, such entities cannot match the strength of leading foreign correspondent banks, foreign branches of Indian Banks can leverage on their familiarity with their own Indian branches, as well as smaller Indian Banks in order to garner their nostro accounts, and thereby, build up their inter-branch / interbank deposit current accounts.

V. MEDIUM AND LONG TERM RESOURCES

So far, all types of Liabilities which has been discussed, are short term in nature. However, the assets of the foreign branches, other than those related to Trade Finance, can be of long duration, these would include ECBs, participation in syndicated loans as well as investments. Such assets need to be supported by long term liabilities, failing which the asset-liability profile of the branches would become very adverse.

For raising medium and long term funds for their foreign branches, most Indian Banks, through the Head Office, resort to two modes:

- Medium Term Notes
- Syndicated Loans

Medium Terms Notes (MTN) are in the form of bonds, mostly on fixed rate of interest. The bonds are normally for tenors of 5 to 10 years, with the lower end of the maturity being more common. These bonds are available for foreign institutional and individual investors to subscribe to and commonly listed in Singapore. Most of the bonds are issued under Regulation-S (exemption S under the Securities Act of 1933) called "Reg S bonds" under which domestic US investors are not permitted to invest. In the less common and costlier type of Bond issuance, 144A bonds (issued under Rule 144A of Securities and Exchange Commission), US domestic investors are

also permitted to invest. These bonds are subject to more stringent legal compliances and are, therefore, costlier to issue. However, the geographical spread of investors being larger (since US investors can also invest), their market is deeper which, to some extent, goes to reduce the pricing of the instruments. MTNs are mostly issued in US Dollars, and being fixed rate instruments, there is a need to hedge the interest rate liability by entering into a market Interest Rate Swap.

Indian Banks also raise medium term resources for their foreign branches by borrowing through syndicated loans. Normally, the loan size is smaller than a bond issue size and the maturity of loan is 3 years as against 5 to 5.5 years for bonds. Indian Banks have been successful in raising funds through syndicated loans from banks in Gulf countries and S E Asian territories like Singapore, Taiwan and Hong

Kong. While bonds are generally issued on fixed rate basis, syndicated loans are on floating rate basis and hence, do not required to be hedged through interest rate swaps.

VI. REFERENCES

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- 3 RBI's Survey on International Trade in Banking Services: 2016-17
- 4 RBI's Statistical Tables on Liabilities and Assets of Scheduled Commercial Banks
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BANK QUEST THEMES FOR COMING ISSUES

The themes for next issues of "Bank Quest" are identified as:

- Risk Management: July – September, 2018
- Micro Research Papers 2018: October – December, 2018
- Mutual Funds: January – March, 2019
- Ethics & Corporate Governance in Banks: April – June, 2019
- Emerging technological changes in Banking: July – September, 2019



A Comparative Study of Non-Performing Assets in Various Segments of Indian Banks with Special Reference to Priority and Non-Priority Sector Advances

 Sharad Kumar*

 Pravin Shukla**



ABSTRACT

The study compares the level of NPAs in various Bank Groups viz. Public Sector Banks, Private Sector Banks and Foreign Banks during last 11 years from 2006-07 to 2016-17. It also analyzes whether the Global Crises during 2008-09 had any impact on NPAs of different categories of Banks. The study also compares the bank-group wise NPAs between Priority and Non-Priority sectors during 2012-13 to 2016-17. It also tries to assess the impact of the initiatives taken by RBI for cleaning of Balance Sheets of banks on NPAs during 2015-16 and 2016-17. The study reveals that the level of Gross NPAs during the first five years under study i.e. upto 2010-11 remained in a close range of 2.0 to 3.0 percent of Gross Advances for all categories of banks but, the NPAs of Public Sector banks have grown substantially in subsequent years. The NPAs have jumped to the level of 11.7 percent in 2016-17 mainly due to very high NPAs of Nationalized Banks. The NPAs of Private Sector Banks have grown in a very narrow range. The impact of global economic crises has not impacted the domestic banks perhaps due to their low global exposure. However, the impact was significantly felt on Foreign Banks as it has doubled from 2007-08 to 2008-09 i.e. from pre-crisis to post crisis and remained more or less at the same level. It is also interesting to note that the NPAs of non-priority sectors of Public Sector Banks were lower compared to priority sector advances till 2014-15 but, have jumped significantly in 2015-16 and 2016-17. This implies that the NPAs of non-priority sectors which were under reported have come to the surface in

the process of cleaning the balance sheets of public sector banks. The NPAs of private sector banks for Priority Sector advances remained significantly lower compared to Non-Priority Sector advances during the period of study (2012-13 to 2016-17) which did not exceed beyond 2% of gross advances throughout.

INTRODUCTION

Banks play an extremely significant role in the growth of trade and commerce. The banking activities in India are regulated by the Banking Regulations (BR) Act, 1949. Under Section 5(b) of the Banking Regulations BR Act, 1949, "Banking means, the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise". Thus, the banks play a pivotal role as an intermediary between the savers of money and the users of money for various productive purposes. It helps in accelerating economic activities to benefit economic growth of the country. The money so received by the banks from the savers creates the liability on the banks whereas the money advanced or invested forms the assets of the banks. The banks lend and invest in a most prudent manner to ensure that their assets maintain their value to meet their liabilities at any point of time. The erosion of value of assets creates non-performing assets of the banks.

Non-Performing Assets

Non Performing Assets (NPAs) are defined as advances where payment of interest or repayment of installment of principal (in case of term loans) or

* Dean-Academics and Research, Durgadevi Saraf Institute of Management Studies (DSIMS), Mumbai.

** Assistant Manager, Axis Bank Ltd, Mumbai.

The views expressed in this article are their own

both remains unpaid for a certain period. In India, the definition of NPAs has changed over time. According to the Narasimham Committee Report (1991), those assets (advances, bills discounted, overdrafts, cash credit etc.) for which the interest remains due for a period of two quarters (180 days) should be considered as NPAs. With a view to moving towards international best practices and to ensure greater transparency, Reserve Bank of India has prescribed adoption of '90 days' overdue' norm for identification of NPAs, from the year ending March 31, 2004. Accordingly, with effect from March 31, 2004, a Non-Performing Asset (NPA) is a loan or an advance where the interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a loan or advance. NPAs are the primary indicators of credit risk and affect the profitability of banks.

The non-performing assets have been classified into the following three categories based on the period for which the asset has remained non-performing and the realizability of the dues:

1. Sub-standard assets: a sub-standard asset is one which has been classified as NPA for a period not exceeding 12 months.
2. Doubtful Assets: a doubtful asset is one which has remained NPA for a period exceeding 12 months.
3. Loss assets: where loss has been identified by the bank, internal or external auditor or central bank inspectors. But, the amount has not been written off, wholly or partly. Such assets are assumed to be non-recoverable.

Reasons for Occurrence of NPAs

NPAs result from what are termed as "Bad Loans" or defaults. Default, in financial parlance, is the failure to meet financial obligations, say non-payment of a loan installment. These loans can occur mainly due to usual banking operations/bad lending practices or inadequate loan appraisal process. It may also occur due to any economic crises which erodes

the value of assets or bad management policies or inadequate risk management procedures and so on.

The Problems caused by NPAs

NPAs do not just reflect badly in a bank's books of account, they adversely impact the country's economy as well. The repercussions of NPAs are vast and serious viz. (i) depositors may not get rightful returns; (ii) banks may begin charging higher interest rates on some products to compensate non-performing loan losses; (iii) bank's shareholders' returns are lowered and their capital may be eroded; (iii) bad loans imply redirecting of funds from good projects to bad ones.

Ultimately, the economy suffers due to loss of good projects and failure of bad investments; when banks do not get loan repayment or interest payments, liquidity problems may also arise.

Priority Sector Lending

The nationalisation of banks in 1969 was done with the intention to direct a significant proportion of credit to the sectors and activities which are crucial to the economy. Such economically significant sectors and activities were classified as priority sectors. The overall objective of priority sector lending programme is to ensure that adequate institutional credit flows into some of the vulnerable sectors of the economy, which may not be attractive for the banks from the point of view of profitability.

Priority sector was first properly defined in 1972, after the National Credit Council emphasized that there should be a larger involvement of the commercial banks in extending credit to the crucial sectors of national importance to boost the economic development as per the plans and priorities. Keeping these objectives, the K S Krishnaswamy Committee defined the priority sectors. As per RBI circular dated July 7, 2016, there are at present eight broad categories of the Priority Sector Lending viz. (1) Agriculture (2) Micro, Small and Medium Enterprises (3) Export Credit (4) Education (5) Housing (6) Social

Infrastructure (7) Renewable Energy (8) Others. The details of coverage in these categories are given in the Master Circular of RBI July 1, 2015 on Priority Sector Lending –Targets and Classification. The targets and sub-targets set under priority sector lending for all scheduled commercial banks operating in India are also given in RBI circular dated July 1, 2015 which are as follows:

Sector and its norms are not comparable with domestic banks. When Dr. Raghuram Rajan with regard to rate cuts, had observed that the expected monetary transmission did not take place to the desired level. So, Dr. Rajan naturally stressed on cleaning those bad debts which had impact on profitability, stock value and quantum of NPAs of various banks. The study therefore aims at:

Category	Domestic Schedule Commercial Banks and Foreign Banks with 20 branches or above	Foreign Banks with less than 20 branches
1. Total Priority Sector	40% of Adjusted Net bank Credit (ANBC)	Was 32% of ANCB in 2015-16 which will be increased by 2% and reach to 40% by 2019-20
2. Agriculture (both Direct and Indirect)	18% of ANBC	Not Applicable
3. Micro enterprises	7.5% of ANBC	Not applicable
4. Advances to Weaker Sections	10% of ANBC	Not applicable

Objectives of the Study

With some recent large-scale defaults by big borrowers, people are interested to know the extent of NPAs and its trend over the years. It is, therefore, interesting to study the comparative trends of NPAs in different categories of Scheduled Commercial Banks namely Public Sector Banks (SBI Group and Nationalized Banks), Private Sector Banks and Foreign Banks operating in India for last 11 years from 2006-07 to 2016-2017. It is also interesting to compare the NPAs between pre-economic crises and post economic crises period i.e. before 2007-08 and after 2007-08. It is also interesting to have a comparative analysis of NPAs in Priority and Non-priority Sectors during the period of 5 years viz. 2012-13 to 2016-17 for which the data are available in respect of Public Sector and Private Sector Banks. The Foreign Banks were excluded from this part of analysis as the activities covered by them under Priority

- Comparing the extent of NPAs in different bank groups during 2006-07 to 2016-17.
- Analyzing the impact of global economic crises during 2008-09 on NPAs in different bank groups.
- Comparing bank group-wise NPAs for Priority and Non-priority sectors during 2012-13 to 2016-17.
- Analyzing the impact of initiative taken by RBI for cleaning of Balance Sheets of banks on NPAs during 2015-16 and onwards.

Earlier Studies

Balasubramaniam (2001), in his study on “non-performing assets and profitability of commercial banks in India: assessment and issues” observed that the level of NPAs can be brought down by good credit appraisal procedures, effective internal control systems along with the efforts to improve asset quality in the balance sheets. Bhatia (2007),

in his Research Paper entitled, “Non-performing assets of Indian public, private and foreign sector banks: An empirical assessment”, observes that the level of NPAs is one of the drivers of financial stability and growth of the banking sector. Kaur and Singh (2011), in their study on Non-Performing Assets of public and private sector banks (a comparative study) observed that the financial companies and institutions are facing a major problem of managing the non-performing assets as these assets are proving to become a major setback for the growth of the economy. Zahoor & Jegadeehwaran (2013), concluded that level of NPA both gross and net shares an average upward trend for all nationalized banks but, growth rate is different between the banks. Bihari (2012), suggested the steps for conversion of non-performing assets in performing assets which are helpful to reduce and control NPA level viz. banks must be aware of right kind of borrower at the time of selection and the loans must be recovered timely to reduce NPA level. Shyamal (2012), studied that the prudential norms and other schemes had enabled banks to improve their performance and accordingly, resulted in orderly reduction in NPA as well as an enhancement in the financial strength of the Indian banking structure. Joseph and Prakash (2014), in their study entitled, A Comparative Study of NPAs in Public and Private Sector Banks in the New Age of Technology, attempted to highlight the factors contributing to NPAs, reasons for high NPAs, their impact on Indian banking operations and the trend and magnitude of NPAs in selected Indian Banks based on data for the period of 5 years from 2009-2013. Uppal (2009), through his research on “Priority sector advances: Trends, issues and strategies” attempted to study the priority sector advances by the public, private and foreign bank groups. The study also covered the extent of NPAs in priority sector. Kumar (2013), in his study on “A Comparative study of NPA of Old Private Sector Banks and Foreign Banks has observed that the growing NPAs is the major issues

challenging the performance of commercial banks in the recent past. Singh (2013), in his paper entitled Recovery of NPAs in Indian commercial banks says that the origin of the problem of growing NPAs lies in the system of credit risk management by the banks. Banks should continuously monitor loans to identify accounts that have potential to become non-performing. Gupta (2012), in her study “A Comparative Study of Non-Performing Assets of SBI & Associates & Other Public Sector Banks” had concluded that each bank should have its own independence credit rating agency which should evaluate the financial capacity of the borrowers. Patidar & Kataria (2012), reported that priority sector lending has significant impact on total NPAs of public sector banks rather than private sector banks and there is significant difference between NPAs of nationalized banks, SBI group, private sector banks. Vadivalagan, G. and Selvarajan, B. (2013), observed that the presence of NPAs has an adverse impact on the productivity and efficiency of Indian banks which results in the erosion of profits. To face the global challenges and to maintain the liquidity and profitability, it is essential to maintain the NPAs at low level through efficient recovery (before they become bad debts).

Coverage and Source of Data for the Study

The study is based on secondary data collected on Bank Group-wise NPAs for last 11 years from 2006-07 to 2016-17 from the RBIs website viz. Data Base on Indian Economy (DBIE). The reference period of 2006-07 has been chosen to enable comparison of NPA data of pre-crisis period with post crisis period (2008-09 and onwards). To compare the NPAs of Priority and Non-Priority Sectors, data in respect of various Bank Groups has been collected for 5 years 2012-13 to 2016-17 only as the data in respect of private and foreign banks are not available prior to 2012-13. Descriptive Statistical techniques like tables, graphs and ratios, etc. have been used for data analysis.

DATA ANALYSIS

The data related to Gross Advances, Gross NPAs and percentage ratios of Gross NPAs to Gross Advances in respect of Public Sector Banks and its components viz. State Bank of India and its Associates and Nationalized Banks; Private Sector Banks with their bifurcation into Old and New Private Sector Banks; and Foreign Banks for the 11 years period from 2006-07 to 2016-17 are presented in Tables IA to IG.

Amount in millions of Rupees

TABLE 1A- NPAs OF PUBLIC SECTOR BANKS			
YEAR	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)
2016-17	68,47,323	5,86,63,734	11.7
2015-16	53,99,563	5,81,83,484	9.3
2014-15	27,84,680	5,61,67,175	5.0
2013-14	22,72,639	5,21,59,197	4.4
2012-13	16,44,616	4,56,01,686	3.6
2011-12	11,24,892	3,55,03,892	3.2
2010-11	7,10,474	3,07,98,042	2.3
2009-10	5,73,009	2,51,93,309	2.3
2008-09	4,59,176	2,28,34,734	2.0
2007-08	4,06,000	1,81,90,740	2.2
2006-07	3,89,730	1,46,44,950	2.7

Table 1A regarding NPAs of Public Sector Banks reveals that the level of Gross NPAs during the first five years under study i.e. from 2006-07 to 2010-11, remained in a close range of 2.0 to 3.0 percent of Gross Advances. The NPAs of Public Sector banks have grown substantially in subsequent years. The NPAs of Public Sector Banks have jumped substantially from 2014-15 (5.0%) to 2016-17 (11.7%) mainly due cleaning operation of balance sheets of banks at the instance of RBI. Table 1B and 1C related to NPAs of SBI and its associates and Nationalized Banks respectively reveal a similar trend.

Though the levels of NPAs were consistently lower for Nationalized Banks compared to SBI and its associates during the initial eight years of the study till 2013-14, it has substantially increased during the last 3 years viz. 2014-15 to 2016-17. In fact, the NPAs of Nationalized Banks have increased more than 3 times from 2013-14 (4.1%) to 2016-17 (13.0%) again mainly on account of cleaning of accounts of the Nationalized Banks many of these NPAs were not formally acknowledged in their financial accounts and under reporting of such NPAs was prevalent. There has been no significant impact of global economic crises on these banks due to their relatively lower exposure to world economy.

YEAR	TABLE 1B-SBI & ITS ASSOCIATES			TABLE 1C-NATIONALISED BANKS		
	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)
2016-17	1,778,106	19,519,311	9.1	5,069,217	39,144,423	13.0
2015-16	1,219,686	19,071,728	6.4	4,179,878	39,111,756	10.7
2014-15	735,084	17,191,685	4.3	2,049,595	38,975,490	5.3
2013-14	798,165	16,087,376	5.0	1,474,474	36,071,821	4.1
2012-13	627,785	14,188,827	4.4	1,016,831	31,412,859	3.2
2011-12	456,941	10,470,151	4.4	667,951	25,033,741	2.7
2010-11	281,400	9,028,375	3.1	429,074	21,769,667	2.0
2009-10	218,306	7,729,306	2.8	354,703	17,464,003	2.0
2008-09	191,138	7,478,715	2.6	268,038	15,356,019	1.7
2007-08	154,810	6,005,200	2.6	251,190	12,185,540	2.1
2006-07	126,820	4,887,620	2.6	262,910	9,757,330	2.7

Amount in millions of Rupees

TABLE 1D- PRIVATE SECTOR BANKS			
YEAR	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)
2016-17	919,146	22,667,207	4.1
2015-16	558,531	19,726,588	2.8
2014-15	336,904	16,073,394	2.1
2013-14	241,835	13,602,528	1.8
2012-13	203,817	11,512,463	1.8
2011-12	182,102	8,716,413	2.1
2010-11	179,049	7,232,054	2.5
2009-10	173,067	5,795,349	3.0
2008-09	167,874	5,751,668	2.9
2007-08	129,220	5,236,990	2.5
2006-07	91,450	4,182,410	2.2

As regards the NPAs of Private Sector Banks are concerned, Table 1D reveals that the level of Gross NPAs remained in a very close range between 1.8% and 3.0% of Gross Advances without much fluctuation from one year to the other. It has, however, significantly increased in 2016-17 (4.1%). The analysis of NPAs of Old and New Private Sector based on the data in Table 1E and 1F also has shown a similar trend except that for old private banks, it has increased from 2014-15

Amount in millions of Rupees

TABLE 1G- FOREIGN BANKS			
YEAR	Gross NPAs	Gross Advances	Gross NPAs/ to Gross Adv's Ratio (%)
2016-17	136,210	3,436,112	4.0
2015-16	157,980	3,763,373	4.2
2014-15	107,578	3,366,090	3.2
2013-14	115,678	2,995,755	3.9
2012-13	79,256	2,604,049	3.0
2011-12	62,689	2,267,773	2.8
2010-11	50,445	1,929,719	2.6
2009-10	71,105	1,632,130	4.4
2008-09	72,487	1,660,116	4.4
2007-08	30,840	1,606,580	1.9
2006-07	23,990	1,246,770	1.9

(2.7%) to 2016-17 (4.1%), but, remained much lower compared to public sector banks. The impact of global crises during 2008-09, was not visible in private sector banks also. Similar trend has been observed in old and new private sector banks.

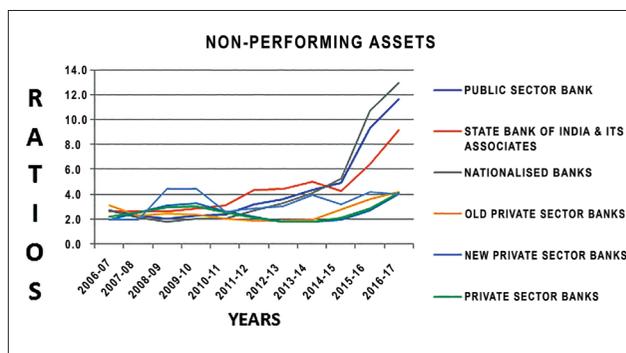
Table 1G related to NPAs of Foreign Banks operating in India reveals that the impact of global economic crises was quite visible as the NPAs of Foreign Banks have

YEAR	TABLE 1E-OLD PRIVATE SECTOR BANKS			TABLE 1F-NEW PRIVATE SECTOR BANKS		
	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)	Gross NPAs	Gross Advances	Gross NPAs/ Gross Advances (%)
2016-17	1,53,491	3,716,303	4.1	765,656	18,950,904	4.0
2015-16	1,18,474	3,296,272	3.6	440,057	16,430,316	2.7
2014-15	91,634	3,342,120	2.7	245,270	12,731,274	1.9
2013-14	59,073	3,025,296	2.0	182,762	10,577,232	1.7
2012-13	48,293	2,652,232	1.8	155,524	8,860,231	1.8
2011-12	40,955	2,241,137	1.8	141,147	6,475,276	2.2
2010-11	36,282	1,781,915	2.0	142,767	5,450,139	2.6
2009-10	35,345	1,513,506	2.3	137,722	4,281,843	3.2
2008-09	28,875	1,204,536	2.4	138,999	4,547,132	3.1
2007-08	24,930	1,112,580	2.2	104,290	4,124,410	2.5
2006-07	28,740	929,680	3.1	62,710	3,252,730	1.9

more than doubled from 2007-08 (1.9%) to 2008-09 (4.4%), due to their higher exposure to international business like export credit, etc. It has subsequently come down to the level of 3.2% during 2014-15, but, increased significantly above 4% during next 2 years perhaps, due to cleaning of bad assets from the books.

The comparative level of NPAs for different bank groups are also depicted through line graph below (Graph 1) for the entire period of study from 2006-07 to 2016-17, to gather a comparative view at a glance.

The NPA data in respect of the Priority Sector Advances in respect of Public Sector Banks with SBI Group and Nationalized separately and Private Sector Banks (combined for Old and New Private banks) is also presented from the year 2012-13 to 2016-17 in the Tables 2A to 2D. The comparative data related



Graph 1

to Priority and Non-Priority Sectors for different bank groups have also been depicted through line graphs (Graph 2A to 2D) to give a clear visual comparison of NPAs between Priority and Non-priority Sectors for different bank groups from 2012-13 to 2016-17.

Advances and NPAs of Banks by Priority and Non-Priority Sector

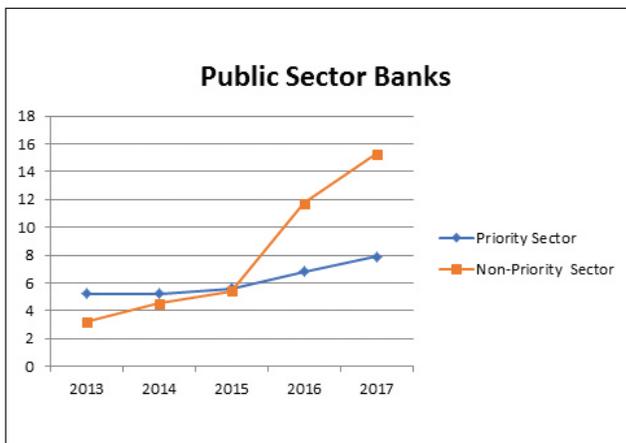
Amount in Billions of Rupees

YEAR	Priority Sector			Non-Priority Sector			Total		
	Gross Advances	Gross NPAs	RATIO	Gross Advances	Gross NPAs	RATIO	Gross Advances	Gross NPAs	RATIO
TABLE 2A- Public Sector Banks									
2017	19,599	1,543	7.9	31,823	4,868	15.3	51,422	6,411	12.5
2016	18,675	1,271	6.8	32,146	3,749	11.7	50,822	5,021	9.9
2015	16,860	937	5.6	31,593	1,691	5.4	48,453	2,627	5.4
2014	15,193	792	5.2	30,712	1,375	4.5	45,905	2,167	4.7
2013	12,790	669	5.2	27,769	890	3.2	40,559	1,559	3.8
TABLE 2B-Nationalised Banks									
2017	14,062	1242	9.0	20704	3459	17.0	34,765	4700	14.0
2016	13,356	979	7.3	21,062	2,900	13.8	34,418	3,879	11.3
2015	12,507	680	5.4	21,718	1,239	5.7	34,224	1,919	5.6
2014	10,711	530	5.0	21,249	877	4.1	31,960	1,407	4.4
2013	8,891	405	4.6	19,170	554	2.9	28,061	959	3.4
TABLE 2C-SBI Group									
2017	5,538	301	5.0	11119	1409	13.0	16,657	1710	10.0
2016	5,320	292	5.5	11,084	849	7.7	16,404	1,142	7.0
2015	4,353	257	5.9	9,875	451	4.6	14,228	709	5.0
2014	4,482	261	5.8	9,463	499	5.3	13,944	760	5.5
2013	3,899	264	6.8	8,599	335	3.9	12,498	600	4.8

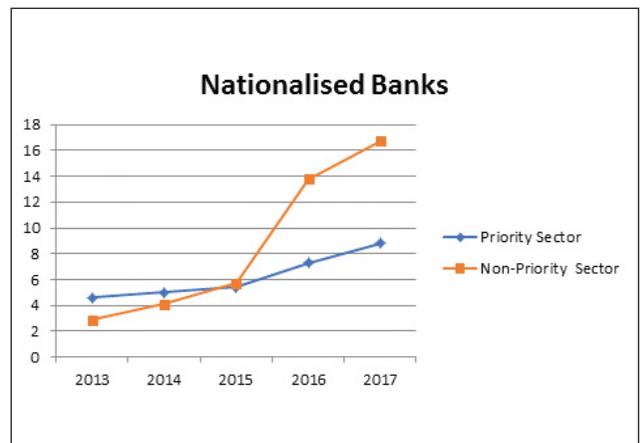
Amount in Billions of Rupees

YEAR	Priority Sector			Non-Priority Sector			Total		
	Gross Advances	Gross NPAs	RATIO	Gross Advances	Gross NPAs	RATIO	Gross Advances	Gross NPAs	RATIO
TABLE 2D-Private Sector Banks									
2017	6,520	133	2.0	14,529	605	4.0	21,049	738	4.0
2016	5,620	101	1.8	12,297	382	3.1	17,917	484	2.7
2015	4,428	72	1.6	9,946	244	2.4	14,373	316	2.2
2014	3,831	61	1.6	8,287	167	2.0	12,117	227	1.9
2013	3,157	52	1.6	7,309	148	2.0	10,467	200	1.9

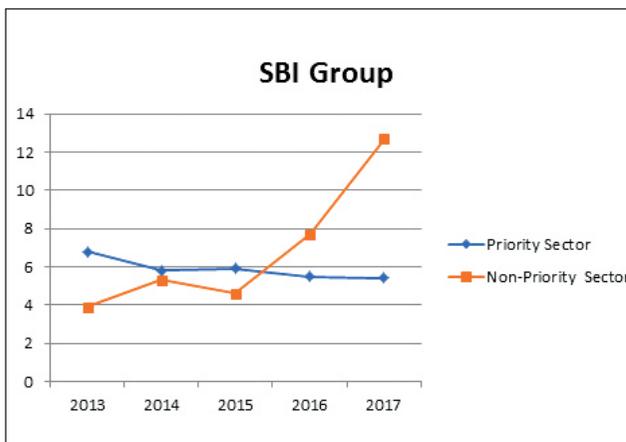
Source : Reserve Bank Of India–Database on Indian Economy



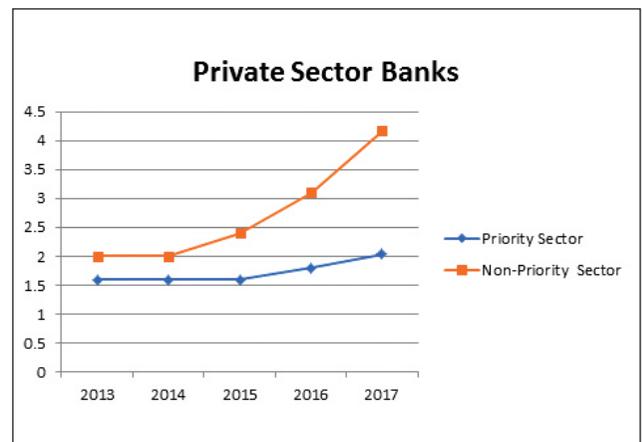
Graph 2A



Graph 2C



Graph 2B



Graph 2D

It may be observed from the Tables 2A, 2B and 2C for NPAs in priority and non-priority sector for Public Sector, SBI and Associates, and Private Sector Banks respectively and their corresponding graphical representations (Graph 2A to 2D) that the NPAs for 2012-13 and 2013-14, were consistently lower for Non-Priority Sector advances as compared to Priority Sector Advances which had come closer in 2014-15. However, the NPAs for Non-Priority Sector Advances shot up rapidly to (15.3%) during 2016-17, and became almost double than the Priority Sector Advances (7.9) perhaps due to large scale defaults of big accounts of public sector banks.

As regards private sector banks are concerned, their gross NPAs for Priority Sector were considerably lower compared to non-priority sector advances and remained below 2% of their advances. The main reason for low NPAs of Private Sector banks in priority sector could be their lower exposure to direct agriculture loans due to their lower presence in the rural areas. They could have covered targets for Priority Sector by lending to indirect agriculture activities like financing to agricultural equipments, funding to agro industries, etc. or by depositing the shortfall with NABARD under Rural Infrastructural Development Fund (RIDF). The overall NPAs of Private Sector Banks were significantly lower compared to the Public Sector Banks both for Priority and Non-Priority Sector Advances.

SUMMARY OF FINDINGS AND CONCLUSIONS

- Gross NPAs during the first five years under study i.e. upto 2010-11, remained in a close range of 2.0 to 3.0 percent of Gross Advances for all categories of banks but, the NPAs of Public Sector banks have grown significantly in subsequent years.
- The NPAs of Public Sector Banks have substantially jumped to the level of 11.7 percent in 2016-17, mainly due to very high NPAs of Nationalized Banks (13%).
- The NPAs of Private Sector Banks have grown in a very narrow range during the 11 years under study.
- The impact of global economic crises has not impacted the domestic banks perhaps, due to their low global exposure. However, the impact was significantly felt on Foreign Banks as the NPAs have doubled from pre-crises to crises period i.e. from 2007-08 to 2008-09, and remained more or less at the same level subsequently.
- It is also interesting to note that the NPAs of Non-Priority Sectors of Public Sector Banks were lower compared to Priority Sector Advances till 2014-15 but, have jumped significantly in 2015-16 onwards. This might be due to under reporting of NPAs of non-priority sectors which have come to the surface in the process of cleaning the balance sheets of public sector banks.
- The NPAs of private sector banks for Priority Sector Advances remained significantly lower compared to Non-Priority Sector Advances during the period of study (2012-13 to 2016-17), which throughout remained below 2% of gross advances.

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Revised Prompt Corrective Action Framework for Banks

The Prompt Corrective Action (PCA) framework for banks was introduced by the Reserve Bank in December 2002 as an early intervention mechanism. The sub-committee of the Financial Stability and Development Council (FSDC-SC) in its meeting held in December 2014 decided to introduce the PCA framework for all regulated entities. Subsequently, the Reserve Bank reviewed the existing PCA framework keeping in view the recommendations of the working group on resolution regimes for financial institutions in India (January 2014), the Financial Sector Legislative Reforms Commission (FSLRC, March 2013) and international best practices. The Board for Financial

Source: RBI Annual Report, 2016 -17

Supervision (BFS) decided to implement the provisions of the revised PCA framework with effect from April 1, 2017, based on the financials for March 31, 2017.

Capital, asset quality and profitability continue to be the key areas for monitoring under the revised framework. However, common equity Tier-1 (CET 1) ratio will constitute an additional trigger and leverage will also be monitored. The revised PCA defines certain risk thresholds, breach of which would lead to invocation of PCA and invite certain mandatory and discretionary actions. The PCA framework will apply to all banks operating in India including small banks and foreign banks operating through branches or subsidiaries.



 **V. N. Kulkarni***

Nurturing the MSME Lending

To keep the wheels of economic growth, a sustainable lending activity is an important element. However, loan growth slumped to at least a 62-year low of 5.1 per cent year-on-year basis for 2016, down from 10.6 per cent compared to earlier year, as per the Reserve Bank of India data. With a view to have a focused attention, banks were asked to open specialized branches to deal with the funds requirements of MSME sector. However, lending to SME sector by over 3000 specialized branches has been luke warm. As against the total requirement of funds to the tune of ₹ 26 lakh crore, banks have been able to provide just 40 % only. Funds crunch is hitting the production and consequently the employment opportunities in the country.

Rising defaults from the farm sector and stress from Small and Medium Enterprises (SMEs) have added to the woes of lenders which were already reeling under the rising Non-Performing Assets (NPAs) from corporate sector. There is an unequivocal deterioration in the credit quality in the first quarter of 2017-18. The additions in the NPAs in the first quarter are the sharpest increase in the last three years because, loans from SME and farm sector have joined the corporate NPA basket. The question therefore, before the bankers, is it prudent to stop lending activity? Certainly not. To give comfort to the lenders and instill confidence the Government has initiated certain important steps by providing credit guarantee through specially created vehicle for undertaking lending activity to certain newly created categories.

Having regard to the fact that fund requirements of the MSME sector is quite large and also to provide

comfort to the bankers in lending to this sector, a new trustee company was established by the Government of India known as National Credit Guarantee Trustee Company Ltd. (NCGTC). NCGTC was incorporated under the Indian Companies Act, 1956 on March 28, 2014 with a paid-up capital of ₹ 10 crores. This Company was entrusted with the task of managing and operating various credit guarantee trust funds. Presently NCGTC manages 6 Trust funds viz.

Credit Guarantee Fund for Education Loans (CGFEL), Credit Guarantee Fund for Micro Units (CGFMU), Credit Guarantee Fund for Skill Development (CGFSD), Credit Guarantee Fund for Factoring (CGFF), Credit Guarantee Fund for Stand-up India (CGFSSI) and Credit Guarantee Fund for Start-ups (CGSS).

In this article except the cover available for education loan all the remaining schemes are discussed in brief.

CREDIT GUARANTEE FUND FOR MICRO UNITS (CGFMU)

"Micro Loan" means any financial assistance by way of collateral free / third party guarantee free loan/limit (currently ₹10 lakh). The scheme is for the purpose of providing guarantees to loans extended under Pradhan Mantri Mudra Yojana (PMMY).

The loans covered under the said scheme are as under:

- a. Shishu - covering loans upto ₹ 50,000/- (Interest rate as stipulated by Mudra; presently not to exceed 12% p.a.).

*Former Deputy General Manager and Principal, Management Development Institute of Bank of India.

- b. Kishor- covering loans above ₹50,000/- and upto ₹ 5 lakhs.
- c. Tarun- covering loans above ₹5 lakhs and upto ₹10 lakhs.

The scheme also covers overdraft facility of ₹ 5,000/- sanctioned under PMJDY accounts scheme.

Guarantee cover and conditions to be fulfilled

- a. The guarantee cover is available for micro loans sanctioned on or after 8th April, 2015 under PMMY Scheme.
- b. Guarantee cover is available provided loan is sanctioned without obtaining any collateral security and or guarantee.
- c. The account should be a standard asset while applying for the guarantee cover.

Guarantee Fee and sharing of amount of default

The trust has discretion to charge risk based pricing i.e., different guarantee fees for different Member Lending Institutions depending on their credit-rating, NPA levels, claim payout ratio, geographical spread, etc.

Fees for Scheduled Commercial Banks (SCBs) is at Standard Basic Rate (SBR) of 1.00% of sanctioned amount and the risk premium and claim payout ratio is as under

Risk premium on NPAs in guaranteed portfolio		Risk premium on claim Payout ratio	
NPA Percentage	Risk Premium	Claim Payout percentage	Risk Premium
0-2 %	Nil	0-2 %	Nil
>2-3 %	5 % of SBR	>2-3 %	5 % of SBR
>3-6 %	10% of SBR	>3 -6 %	10 % of SBR
>6 -9 %	15% of SBR	>6-9 %	15 % of SBR
>9-12 %	20 % of SBR	>9-12 %	20 % of SBR
>12-15 %	25 % of SBR	>12-15 %	25% of SBR

Fees for Regional Rural Banks (RRBs) & Co-operative Banks (RRBs) is at Standard Basic Rate (SBR) of 1.00% of sanctioned amount and the risk premium and claim payout ratio is as under:

Risk premium on NPAs in guaranteed portfolio		Risk premium on claim Payout ratio	
NPA Percentage	Risk Premium	Claim Payout percentage	Risk Premium
0-2 %	Nil	0-2 %	Nil
>2-3 %	10 % of SBR	>2-3 %	10 % of SBR
>3-6 %	20% of SBR	>3 -6 %	20 % of SBR
>6 -9 %	30 % of SBR	>6-9 %	30 % of SBR
>9-12 %	40 % of SBR	>9-12 %	40 % of SBR
>12-15 %	50 % of SBR	>12-15 %	50% of SBR

The guarantee cover is in the nature of 'First Loss Portfolio Guarantee', wherein, first loss to the extent of 5% of the crystallized portfolio of the Member Lending Institution (MLI), will be borne by the MLI and therefore, will be excluded for the claim. Out of the remaining portion, the Trust will pay maximum of 50% of 'amount in default' or such other percentage as may be specified by the Fund from time to time on a pro-rata basis.

CREDIT GUARANTEE FUND SCHEME FOR SKILL DEVELOPMENT (CGFSD)

Skill development programmes have been launched by the Government under National Policy for Skill Development and Entrepreneurship 2015, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) scheme and Skill Loan Scheme. Trainees under the scheme can get loans ranging from ₹ 5,000-1.5 lakhs who attend skill development programmes at notified Institutes.

This Skill Loan Scheme has replaced earlier Indian Banks Association (IBA) Model Loan Scheme for Vocational Education and Training. The Indian Banks Association (IBA) has already circulated the scheme to the Chief Executives of All Member Banks for implementation of the Scheme.

Guarantee cover and conditions to be fulfilled

- a. Loans sanctioned on or after July 15, 2015 are only eligible for the guarantee cover.
- b. Loan should have been sanctioned without any collateral security and/or third party guarantee.
- c. The Interest Rate on loan should not be more than 1.5 % p.a. over the Base Rate.
- d. Loan sanctioned in respect of courses run by Industrial Training Institutes (ITIs), Polytechnics or a school recognized by central or state education Boards or a College affiliated to recognized university, training partners affiliated to National Skill Development Corporation (NSDC)/Sector Skill Councils, State Skill Mission, State Skill Corporation, preferably leading to a certificate / diploma / degree issued by such organization as per National Skill Qualification Framework (NSQF) only are eligible for the cover.

Guarantee Fee and sharing of amount of default

Member Lending Institution has to pay Guarantee Fee of 0.125% per calendar quarter (i.e. 0.50% p.a.). The guarantee should not be recovered from the borrowers; it should be borne by the Member Lending Institution.

The Fund provides guarantee cover to the extent of 75% of the amount in default.

CREDIT GUARANTEE FUND FOR FACTORING (CGFF)

Factoring is a financing arrangement for suppliers by making prepayments against invoices. This provides liquidity to MSMEs and facilitates collection of receivables. India's factoring volume is below ₹ 20,000 crore. The Factoring Regulation Act, 2012 provides the legal framework for factoring. To promote "factoring without recourse" the Government of India has established a Fund for guaranteeing factored debts.

Guarantee cover and conditions to be fulfilled

- a. Credit guarantees cover on the amount in default covering factoring transactions is as under-
 - i. First loss of 10% of the amount in default to be borne by Factors.
 - ii. The remaining 90% of the amount in default will be borne by NCGTC and factors in the ratio of 2:1 respectively.
- b. Only the assigned factored debts would be covered under guarantee scheme.
- c. The Credit Guarantee Fund Scheme for Factoring (CGFSF) is confined to domestic factoring of receivables of MSMEs in India.
- d. The exposure limit for purchaser would be up to 10% (relaxable up to 20% in case of AAA rated purchasers) of the corpus of Credit Guarantee Corpus Fund for Factoring as per the last audited figures for factoring without recourse' only.

Guarantee Fee and sharing of amount of default

The guarantee fee is 0.75 percent per quarter of the guaranteed factored debts for the amount of guarantee cover. For factoring transaction, the interest rate to be charged from the MSMEs is left to Factors.

With a view to facilitate wider coverage of the Fund and its sustainability, the guarantee fee chargeable from the MLIs is 0.10% per month for "factoring with recourse" and 0.12% per month for "factoring without recourse" on the outstanding balance at the previous month end.

The amount equivalent to the guarantee fee payable by the factor may be recovered at its discretion from the eligible borrower.

CREDIT GUARANTEE FUND FOR STAND UP INDIA (CGSSI)

The Stand Up India scheme is based on recognition of the challenges faced by SC, ST and women

entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business. The objective of the Stand Up India scheme is to facilitate bank loans between ₹10 lakh and ₹1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower, and at least one woman borrower per bank branch for setting up a greenfield enterprise i.e. first time venture of the beneficiary in the manufacturing, services or the trading sector. Loan sanctioned by banks is in the nature of composite loan (inclusive of term loan and working capital). In case of non-individual enterprises, at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

The scheme provides for collateral free loan up to 75% of the total cost. The loan is repayable within a maximum period of 7 years with a moratorium of 18 months. The Interest Rate to be charged by the Member Lending Institution should be the lowest applicable rate for the category (as per rating) and should not in any case, be more than 3% p.a. over the Base Rate + tenor premium, if any, for the loan.

Guarantee cover and conditions to be fulfilled

The guarantee cover under the scheme is to the extent of 80% of the amount in default for credit facility above ₹10 lakh and up to ₹50 lakh, subject to a maximum of ₹40 lakh. For credit facility above ₹ 50 lakh and upto ₹100 lakh - ₹40 lakh plus 50% of amount in default above ₹50 lakh subject to overall ceiling of ₹65 lakh of the amount in default.

Guarantee Fee and sharing of amount of default

The Member Lending Institution has to pay a risk based guarantee fee of the sanctioned amount as per details given below.

The Guarantee Fee Structure on differential rates will be based on the existing database of CGTMSE and in accordance with the Circular No. 107/ 2015-16 dated January 28, 2016 issued by CGTMSE.

Standard Basic Rate – 0.85% p.a. on the sanctioned amount.

Risk premium on NPAs in guaranteed portfolio		Risk premium on claim Payout ratio	
NPA Percentage	Risk Premium	Claim Payout percentage	Risk Premium
0-5%	SR	0-5%	SR
>5-10%	10% of SR	>5-10%	10% of SR
>10-15%	15% of SR	>10-15%	15% of SR
>15-20%	20% of SR	>15-20%	20% of SR
>20%	25% of SR	>20%	25% of SR

The Risk premium structure which is floating one will be changed by the Trust based on NPA level and payout ratio of the concerned bank. The risk premium will be reviewed every year and would be applicable from the beginning of the financial year.

CREDIT GUARANTEE SCHEME FOR START UPS (CGSS)

With the intention to build a strong eco-system for nurturing innovation and Startups in the country, the Government through this initiative aims to empower Startups to grow through innovation and design and to accelerate spreading of the Startup movement. The Government has started Startup Intellectual Property Protection Scheme for innovators. The scheme provides for, 80% rebate on patent filing fees, Fast-tracking of startup patent applications, 50% fee rebate for trademark filing. Apart from this Start up get, Tax Exemptions on Capital Gain, Income Tax Exemption for 3 years out of 7 years (Finance Act'16).

Government has formulated a Credit Guarantee Scheme for Startups (CGSS) with a corpus contribution of ₹2000 crores that will enable Startups to raise loans without any collateral for their business purposes. The scheme will provides credit guarantee up to ₹ 500 lakhs per case inclusive of term loan, working capital or any other instrument of assistance extended by Member Lending Institutions (MLIs) to finance an eligible borrower i.e. a Startup

recognized by Department of Industrial Policy and Promotion (DIPP).

Invocation of guarantee and subrogation of rights and recoveries on account of claims paid

NCGTC, has specified the rules for invocation of credit guarantee scheme wise, it has also specified norms for sharing of recoveries and also submission of details regarding the efforts made for recovery by the lending institution.

CONCLUSION

Flagging economy needs a big push. Bankers by lending to the micro and small sector will be in a position to create employment opportunity and help in improving the productivity. At the same, it will serve the twin objectives:

- a) reaching the priority sector targets, and
- b) increasing the profits.

Lending to micro and small enterprises will not only increase the profits, but also, will result in better risk management. Added to this the various credit guarantee schemes discussed above should add to the comfort level of bankers.

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(Credit guarantee fund scheme for stand up India).

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Supervisory Enforcement Framework

An effective system of banking supervision, *inter alia*, depends on effective enforcement of supervisory policies which, in turn, needs a unified and well-articulated supervisory enforcement policy and institutional framework. Taking cognisance of such a need, the Board for Financial Supervision approved a Supervisory Enforcement Framework for action against non-compliant banks. Following a subsequent announcement in the 6th

bi-monthly monetary policy statement of February 2017, a separate Enforcement Department was established in April 2017.

Over time, the framework is expected to make the Reserve Bank's enforcement actions more transparent, predictable, standardised, consistent and timely, leading to improvement in the banks' overall compliance with the regulatory framework.

Source: RBI Annual Report, 2016 -17



Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)-Is Section 13 (3A) Mandatory? Judicial Approach

 M. G. Kulkarni*

Introduction

In a rapidly developing economy, financial sector has been one of the key drivers in an effort for achieving success. Notwithstanding progressively complying with international prudential norms and accounting practices there are still certain areas in the field of banking and finance which warrants immediate attention vis-a-vis other participants in the financial sector. It was imperative to have a legal frame work relating to commercial transactions to keep pace with changing commercial practices and financial sector reforms in tune with global practices. In the absence, it would affect not only in recovery of defaulting loans but also the mounting level of non-performing assets of banks and financial institutions. The banks and financial institutions in India had no power to take possession of securities and sell them unlike international banks. Immediate attention was felt for facilitating securitization of financial assets of banks and financial institutions and a power to enforce assets offered as a security to secure the loan by the borrowers, by taking possession and selling them to realize the dues of the borrower. The mounting NPAs was a biggest challenge for the Banks/Financial Institutions.

To address the above concerns, Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI) was enacted. The sole intention/concern of the legislation was for Securitization of Assets, Reconstruction and Enforcement of Security without the intervention of the Courts. The thrust primarily was for- speedier

enforcement of security or asset to recover the dues of the borrowers by the secured creditors. Many procedural hurdles were addressed and a swifter mechanism was brought in place in the said Legislation, so that the lenders should not entangle in intricacies or technicalities, inter alia, entailing multifarious litigations but for the extant general laws and procedures. Option is left open for the lenders to choose either of the forum/ route (Debt Recovery Tribunal/SARFAESI) keeping in mind the limitation and other aspects of the law.

Recovery - Brief Features

When a borrower commits default in repaying the instalments; subject to the provisions enshrined in the Act, the non-payment of said dues by the borrower will be treated as a default inter alia, terming the same as Non-Performing Asset (NPA). The secured creditor (section 13(2) of the Act) by a written notice has to call upon the borrower to discharge his/her liabilities within 60 days from the date of notice. A duty is cast upon the secured creditor to clearly mention in the said notice:

- (i) the outstanding dues/debt owed by the borrower
- (ii) and that on failure to discharge the debt in full,
- (iii) their intention to enforce the security interest created in their favour by the borrower/ guarantor.

On failure of the borrower to pay the outstanding dues within the stipulated time pursuant to said Notice, this secured creditor can proceed with any of the following measures as per section 13(4):

*Deputy Director, Professional Development Centre - Eastern Zone, Indian Institute of Banking & Finance.

- a. Take Possession of the security or secured asset.
- b. Sell, Lease or Assign the Security.
- c. Manage the same or appoint any person for the management of the same.

Constitutionality

Although the intent of the legislation was to tackle the issue of NPAs in banks and financial institutions and to stand on par with international standards and practices, the same (Legislation) was called in question before the Supreme Court. The very constitutional validity of SARFAESI Act was challenged before the Supreme Court in an important case *Mardia Chemicals v/s Union of India* (2004) 3 SCC 311. Although the constitutional validity of the said Act was upheld, the Apex Court felt that the interest of the borrower also needs protection. It was a sheer judicial activism and the Court asserted that the reasons, indeed, need to be communicated to the borrower for non-acceptance of representation/objections sent in reply to notice calling upon to clear the dues by the creditor. Right to know is an important aspect and as such, duty flows out of jural relation. The court remarked that the fair play, transparency and right to know are cardinal principles and that the same are more relevant and cannot simply be ignored. After the decision of the Apex Court in the said matter on 8th April, 2004, Government introduced Section 13(3A) in the SARFAESI Act by way of an amendment vide The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2004 w.e.f 11th November, 2004.

Post Amendment - Proviso

Section 13(3A) reads as under:

If, on receipt of the notice under sub-section (2), the borrower makes any representation or raises any objection, the secured creditor shall consider such representation or objection and if

the secured creditor comes to the conclusion that such representation or objection is not acceptable or tenable, he shall communicate within fifteen days of receipt of such representation or objection the reasons for non-acceptance of the representation or objection to the borrower:

PROVIDED that the reasons so communicated or the likely action of the secured creditor at the stage of communication of reasons shall not confer any right upon the borrower to prefer an application to the Debts Recovery Tribunal under section 17 or the Court of District Judge under section 17 A.

It could be seen on the bare reading of above provision that - when a secured creditor issues notice u/s 13(2) calling upon the borrower to repay the dues within 60 days from the date of notice, if the borrower makes any representation or raises any objection under section 13(3A) in response to secured creditor's notice; then the secured creditor shall consider such representation and objection. The superadded proviso further adds that the reasons so communicated or any action at this state (i.e. stage of communication of reasons) shall not itself give any right whatsoever to the borrower to approach Debt Recovery Tribunal or District Judge u/s 17 (Jurisdiction, Powers and Authority of Tribunals) and 17A (Power of Chairperson of Appellate Tribunal) respectively.

Question may arise on the legal obligations of the secured creditor to follow the amended proviso. So then, if the secured creditor on receipt of such representation or objection (13(3A)) if any from borrower in response to notice u/s 13(2), is it duty bound to communicate to the borrower the reason for non-acceptance of such representation or objections. Is the said proviso mandatory in nature casting a legal duty on the secured creditor to reply/communicate to borrowers with reasons? Is the said Proviso merely a directory in nature without any such legal duty on the secured creditor to respond?

The **Supreme Court** had an occasion to deal with above aspects in a latest case of **ITC Limited v/s Blue Coast Hotels Limited & Others (decided on March 19, 2018)** and the facts briefly are as under:

Industrial Finance Corporation of India (hereafter IFCI/ secured creditor) had sanctioned a sum of ₹ 150 Crore as a Corporate Loan to Blue Coast Hotels Limited (hereafter BCL/Debtor) in February 2010. Necessary Agreements were entered into between IFCI and BCL; and to secure the said loan, BCL mortgaged whole of its hotel property- including the agricultural land on which the debtor was to develop villas. The debtor since failed to stand by its commitment and having defaulted, the account became a Non Performing Asset (NPA) on 30/09/2012.

IFCI by several notices intimated the debtor as to the amount due from it. On the failure of debtor to remit the dues, IFCI by a Notice (Dt. 26/3/2013) u/s 13 (2) of SARFAESI called upon the debtor to pay the dues within 60 days. However, Debtor in response to the said notice, sought extension of time in May 2013 to pay off the dues. But instead IFCI, took symbolic possession of the secured/mortgaged property of Debtor in June 2013 and further published, notice of auction sale, of the property.

However, against the action of taking symbolic possession of the property by the IFCI, BCL challenged the same before Debt Recovery Tribunal in July, 2013. The lis (litigation) before finally reaching the High Courts at Goa/Bombay was heard by Debt Recovery Appellate Tribunal and the Court of District Magistrate. In the meantime, IFCI published a First Auction Sale notice in September, 2013 although the same was postponed due to negotiations between the parties. In 2014, a second sale notice was published due to failure in the negotiations between the IFCI and BCL and had set a Reserve price of ₹ 403 Crores.

One of the main contentions of **BCL** before the High Court was, IFCI **did not reply** nor gave reason for rejection of their representation/letter dated the May, 2013 seeking extension of time hence, further steps

on the part of IFCI vitiates and is bad in law. **The High Court**, came to the conclusion that failure on the part of creditor to deal with representations made by the debtor violates mandate of Section 13(3A) of SARFAESI Act. High Court further ruled that the auction/sale of the property consequent upon symbolic possession of the property by the IFCI is contrary to the very scheme of the Act and Rules made thereunder. A portion of land mortgaged and upon which security interest has been created is an Agricultural Land; and such, cannot be recovered since the Act is not applicable to Agricultural land.

ITC was an auction purchaser of the property mortgaged by the BCL to IFCI. ITC, having purchased property pursuant to the auction sale, called in question the said order of the High Court before the Supreme Court.

The moot question for the **Apex Court** to answer was, whether is it mandatory for the secured creditor to reply and give reasons to the representations made by the borrower in response to Section 13(2) notice? What is the real intent of the Parliament to amend the Act to introduce section 13(3A) and non-compliance, whether invalidates the action of secured creditor?

Supreme Court answered the question in affirmative, interalia, holding that the Section 13(3A) is **mandatory**.

“The purpose of serving a notice upon the borrower under sub-section (2) of Section 13 of the Act is; that a reply may be submitted by the borrower explaining the reasons as to why measures may or may not be taken under sub-section (4) of Section 13 in case of non-compliance with notice within 60 days.

The creditor must apply its mind to the objections raised in reply to such notice and an internal mechanism must be particularly evolved to consider such objections raised in the reply to the notice. There may be some meaningful consideration of the objections raised rather than to ritually reject them and proceed to take drastic measures under sub-section (4) of Section 13 of the Act.

Once, such a duty is envisaged on the part of the creditor, it would only be conducive to the principles of fairness on the part of the banks and financial institutions in dealing with their borrowers to apprise them of the reason for not accepting the objections or points raised in reply to the notice served upon them before proceeding to take measures under sub-section (4) of Section 13”.

Communication of Non acceptance of the objections of the borrower may not be taken to give occasion to such proceedings which are not permissible under the Act. However, it would be for the knowledge of borrower who has a right to know the reasons for rejections by the secured creditor who can proceed with the harsh steps of taking over the management/business of namely secured assets without intervention of the court.

Prior to amendment, there was no provision that the borrower could make such representation in reply to Section 13(2) notice and the legislative intent is to provide for the same and a mandatory duty has been accordingly cast on the secured creditor.

There is no need to dilute or marginalize the usage of ‘shall’ to read as ‘may’ as the word ‘shall’ raises a presumption that it is imperative, mandatory and requiring compliance. When a provision mandates communication of reasons, the court observed that “such a provision is an integral part of the duty to act fairly, reasonably and not fancifully. Under the circumstances there is no need to interpret the silence of the Parliament in not providing for any consequence for noncompliance with a duty to furnish reasons. The provision must nonetheless be treated as ‘mandatory’”.

Failure to Reply the Representations of Borrower by the Creditor/IFCI- Effect

The Court had observed that the compliance of the provision in sending reply by the creditor to the representations of debtor is mandatory. And that it is a fact that IFCI did not reply to the debtor’s representation dated 27th May, 2013. But, the Court went on to opine amongst other as under:

(a) IFCI had in fact on several occasions considered the request/representations of the borrower after issuing 13(2) notice (26/3/2013) and had granted extensions in paying the outstanding loan.

(b) Borrower sent repeated proposal to IFCI for extension of time.

(c) The debtor was in possession of the hotel and running the business and the possession taken by the IFCI was purely symbolic.

(d) Borrower sends a letter to IFCI in June 2013 requesting for a time and encloses six cheques for upfront payment of ₹ 33.16 Crores without making any reference to notice of taking over of possession. But the cheques were dishonored.

(e) Borrower in response to the notices of sale published by the IFCI, requests for time to clear the dues and to defer the sale till that time. IFCI defers the sale by public notice while considering the borrower’s proposal.

(f) Further borrower submits a letter of undertaking to IFCI, to clear the dues within a stipulated time as laid down by IFCI.

The debtor thus, induced the creditor not to take action with the assurances. Borrower acknowledges in a letter, the right of IFCI to sell the assets in case of default. The Court hence, ruled that there is sufficient compliance with the provision and observed that:

“We have no doubt that the failure to furnish a reply to the representation is not of much significance since, we are satisfied that the creditor has undoubtedly considered the representation and the proposal for repayment made therein and has in fact granted sufficient opportunity and time to the debtor to repay the debt without any avail. Therefore, in the fact and circumstances of this case, we are of the view that the debtor is not entitled to the discretionary relief under Article 226 of the Constitution which is indeed an equitable relief”.

The court also dismissed the objections as to the bar on creating interest over Agricultural land u/s 31(i) of the Act, inter alia, holding that the said bar has no application to the case on hand. Noting that, although the adjoining lands of the hotel premises even though categorized as Agricultural but having regard to the character of the land and the purpose for which it is set apart, the land in question is not an agricultural land merely because it stood so in the revenue records.

The Court on the right of IFCI to approach District Magistrate u/s 14 observed that; IFCI had taken symbolic possession and ITC purchased the property as an auction purchaser. But the property is still in actual possession of Debtor-BCL enjoying usufruct like hotel rent etc. despite auction sale of property. 'The transfer of the secured asset by the creditor, therefore, cannot be construed to be a complete transfer as contemplated by Section 8 of the Transfer of Property Act. The creditor nevertheless had a right to take actual possession of the secured assets and must therefore, be held to be a secured creditor even after the limited transfer to the auction purchaser under the agreement'.

The court having answered the important issues and setting aside the order of High Court, directed BCL to hand over the property to ITC the auction purchaser within six months.

Epilogue

The Apex Court has indeed, given a broader interpretation of the provision 13(3A) unlike literal

legis (literal rule/ go by the word in the rule). The court has trod the path of purposive interpretation to uphold declared object and purpose of the Act. Court has viewed security (Agricultural land) under the touch stone of Character and Purpose. The Court further, has gone beyond the words, to uphold Real Legislative Intent in order to advance the justice and suppress or remedy the mischief if any. While interpreting the word, it is apparent that the Court was cautious enough of the fact to give an interpretation of the provision or a particular word therein, in a manner, 'to sub serve the object of the statute and to give true meaning in the context it has been used'.

A case is, though, only an authority for what it actually decides but the decision based on the facts in arriving at an actual decision assumes importance as ratio (reason for the decision) and could be applied for all the future cases of similar type and all the courts in hierarchy shall have to follow the same as a binding precedent. The decision indeed, will be a shot in the arm for secured creditors with the facts of the kind in place.

Sources

- (a) Supreme Court Cases
- (b) Website - Government of India
- (c) Precedent in English Law- Sir Rupert Cross and H.W. Harris



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भारत में भुगतान प्रणाली का प्रादुर्भाव एवं विकास

✉ सुबहसिंह यादव*

भुगतान तथा निपटान प्रणाली एक कंपायमान अर्थव्यवस्था की वित्तीय प्रणाली का आवश्यक भाग है। वित्तीय आधारभूत ढांचे का विकास एवं किसी देश की ऐसी भुगतान एवं निपटान प्रणाली में सुधार, जो सुरक्षा तथा कार्यकुशलता जैसे दोहरे उद्देश्य को पूरा करती है, ने दुनियाभर में केन्द्रीय बैंकों एवं वित्तीय संस्थाओं का ध्यान आकर्षित किया है। भुगतान तथा निपटान प्रणालियां बाजारोन्मुखी अर्थव्यवस्थाओं के उचित तरीकों से काम करने के लिए आवश्यक बुनियादी आधारभूत संरचनाओं का एक अंग है, वस्तुओं, सेवाओं और वित्तीय आस्तियों के लिए अपरिहार्य हैं और केन्द्रीय बैंक की मौद्रिक नीति का कार्यान्वयन करने तथा अर्थव्यवस्था में मौद्रिक स्थायित्व कायम करने के लिए इनका कुशलतापूर्वक काम करना अत्यंत आवश्यक है। इस प्रकार भुगतान और निपटान प्रणालियां किसी अर्थव्यवस्था की रीढ़ होती हैं। यह व्यापार, वाणिज्य और आर्थिक कार्यकलापों के अन्य रूपों के संचालन के लिए जिसमें किसी देश में विप्रेषण करना शामिल है, नलिकाएं या धमनियां होती हैं। एक दक्ष भुगतान प्रणाली की कल्पना उस स्नेहक के रूप में की जा सकती है जो अर्थव्यवस्था के नकदी प्रवाह को तेज कर देती है और जिसके चलते आर्थिक वृद्धि को प्रोत्साहन और बल मिलता है। भुगतान प्रक्रिया वित्तीय मध्यस्थता का एक महत्वपूर्ण पहलू होता है, यह भिन्न-भिन्न आर्थिक एजेंटों के बीच चलनिधि के सर्जन और अंतरण को समर्थ बनाती है।

भुगतान प्रणाली का महत्व :- भुगतान प्रणाली का महत्व घरेलू वित्तीय क्षेत्र सुधारों और वैश्विक वित्तीय एकीकरण के संदर्भ में, जिसमें अधिकांश विकासशील देश इस समय से गुजर रहे हैं, बढ़ जाता है। विदेशी निवेश (प्रत्यक्ष एवं संविभाग) को प्रोत्साहन एक दक्ष भुगतान प्रणाली से मिलता है और इसके लिए यह भी आवश्यक होता है कि प्रवासियों को कम लागत वाली विप्रेषण सुविधा मिल सके ताकि वे देश के भीतर अपने सगे-सम्बन्धियों को धन भेज सकें। भुगतान प्रणाली के माध्यम से उन्नत और तीव्रतर धन अन्तरण करना भी उभरते बैंकिंग परिदृश्य का एक अंग होता है। निःसंदेह एक कुशल, मजबूत, सुरक्षित, किफायती और

प्रभावशाली भुगतान प्रणाली सामान्यतः अर्थव्यवस्था के लिए और विशेषकर वित्तीय बाजारों के संचालन के लिए महत्वपूर्ण होती है जिसमें वित्तीय बाजारों के कामकाज में प्रणालीगत स्थिरता बनी रहती है। इसी सन्दर्भ में भुगतान प्रणाली को खुदरा ग्राहकों की सेवाएं प्रदान करनी पड़ती है। अतः भुगतान प्रणाली का जनता की दैनिक आवश्यकताओं की पूर्ति करने का एक समावेशन अधिदेश भी होता है। शायद इसी उद्देश्य से जनता को नकदी से दूर रखने और उन्हें क्रेडिट कार्ड, डेबिट कार्ड, मोबाइल बैंकिंग आदि जैसे नकदी रहित साधनों की ओर प्रेरित किया गया है।

भारत में भुगतान प्रणाली का प्रादुर्भाव तथा विकास

यह कहने में कोई अतिशयोक्ति नहीं है कि मुद्रा के विकास के साथ ही भुगतान प्रणाली का प्रादुर्भाव हुआ। भुगतान का सर्वाधिक प्राचीन स्वरूप संभवतः विनिमय व्यापार के प्रारंभिक दिनों में ढूँढा जा सकता है जब मूल्य का भुगतान शंख-सीपियों, वस्तुओं, पशुओं और पण्य के विनिमय के द्वारा किया जाता था। विनिमय के माध्यम से मुद्रा की अनुपस्थिति में इस प्रकार की प्रणाली का चलन में होना वास्तव में बहुत जटिलताओं से युक्त था क्योंकि इसमें विनिमय के लेन-देन के लिए प्रायः दोहरे संयोग का अभाव पाया जाता था। तत्पश्चात् औपचारिक भुगतान के तरीके लिखित रूप में जैसे-सिक्के, विकसित हुए। भारत में सर्वप्रथम भुगतान लिखितों के रूप में सिक्कों का प्रचलन प्रारम्भ हुआ जो छिद्रित होते थे अथवा उनकी ढलाई चांदी एवं तांबे के रूप में होती थी, यहाँ तक कि चमड़े के सिक्कों के भी चलन में रहने का उल्लेख मिलता है। अतः समयपर्यंत भारत में भुगतान प्रणाली विश्व के अधिकांश भागों जैसी ही नकदी आधारित प्रणाली के रूप में शुरू हुई। वाणिज्य तथा व्यापार में हुए विकास ने भारत में विभिन्न प्रकार के भुगतान लिखितों को प्रेरित किया। मुद्रा के संस्थागत रूपों के आविष्कार के साथ ही प्रारंभ में सिक्कों के रूप में और इसके पश्चात् कागजी मुद्रा के रूप में वस्तु विनिमय व्यापार समाप्त हो गया और करेंसी के प्रचलन के युग का सूत्रपात हुआ। नकदी की प्रणाली के वर्चस्व के बावजूद

*सहायक महाप्रबंधक (से. नि.), बैंक ऑफ बड़ौदा।

नकदी से भिन्न की कुछ अन्य पूर्ववर्ती भुगतान प्रणालियां विद्यमान थी—जैसे कि विनिमय पत्र का पूर्ववर्ती रूप हुण्डी, जो कि देश के अनेक भागों में किसी न किसी रूप में आज भी प्रचलित है। आधुनिक सन्दर्भ में पत्र मुद्रा का उद्गम 18वीं शताब्दी में पाया जाता है जब निजी बैंकों तथा साथ ही साथ अर्द्ध-सरकारी बैंकों ने नोट जारी किए। सर्वप्रथम जारी नोटों में वे नोट थे जो बैंक ऑफ हिन्दुस्तान (जो 1770 में प्रथम स्थापित जॉइंट स्टॉक बैंक था), बंगाल और बिहार में स्थित दि जनरल बैंक और बंगाल बैंक के द्वारा जारी किए गए थे। बाद में 1809, 1840, 1843 में स्थापित तीन प्रेसीडेंसी बैंकों के स्थापित होने के साथ ही नोटों के जारी करने का काम इनके हाथ में आ गया और प्रत्येक प्रेसीडेंसी बैंक को एक निर्धारित सीमा के अन्दर नोट जारी करने का अधिकार था। निजी बैंकों और प्रेसीडेंसी बैंकों ने भारतीय मुद्रा बाजार में अन्य भुगतान लिखितों का सूत्रपात किया और बैंक ऑफ हिन्दुस्तान द्वारा चेकों को प्रचलन में लाया गया। बैंक ऑफ बंगाल ने 1839 में विनिमय विपत्रों की खरीद और बिक्री का कारोबार अपने कारोबार में सम्मिलित किया। पेपर करेन्सी एक्ट, 1861 के द्वारा भारत सरकार को नोट जारी करने के लिए एकल अधिकार सौंप दिए गए जिसके परिणामस्वरूप निजी और प्रेसीडेंसी बैंकों के नोट जारी करने के लिए एकल अधिकार समाप्त हो गए। 1881 में परक्राम्य लिखित अधिनियम (एन.आई. एक्ट) अधिनियमित किया गया जिसके द्वारा चेक, विनिमय विपत्र और प्रोमेसरी नोट जैसे लिखितों के प्रयोग और चारित्रिक विशेषताओं को औपचारिक बना दिया गया। एन. आई. एक्ट भारत में गैर नकदी, कागजी भुगतान लिखितों के लिए कानूनी प्रारूप उपलब्ध कराता है और आज भी इसका विधान प्रचलन में है। यद्यपि भारत में आधुनिक चेकों का प्रचलन 19वीं शताब्दी में हुआ है। हुण्डियों का उपयोग विप्रेषण करने, ऋण और व्यापारिक लेनदेनों के लिए लिखितों के रूप में दिया जाता था और ये विभिन्न प्रकार की होती थी तथा इनकी अपनी विशिष्ट पहचान होती थी। तथापि व्यापार और वाणिज्य की मात्रा में निरंतर वृद्धि के साथ और चेक जैसी लिखित में जनता के बढ़ते विश्वास के कारण इन लिखितों के माध्यम से भुगतान लेनदेनों में त्वरित वृद्धि हुई। बैंकिंग प्रणाली के विकास और लेनदेन में चेकों की उच्च मात्रा के कारण बैंकों के बीच एक संघटित चेक समाशोधन प्रसंस्करण की आवश्यकता उभर कर सामने आयी। प्रेसीडेंसी शहरों में बैंकों के द्वारा समाशोधन एसोसिएशन की स्थापना की गई और सदस्य बैंकों के बीच भुगतान का अन्तिम निपटान प्रेसीडेंसी बैंकों पर चेक लिखकर प्रभावी किया जाने लगा। 1921 में जब तीनों प्रेसीडेंसी बैंकों का विलय कर इंपीरियल बैंक की स्थापना हुई तो भुगतान का निपटान उक्त बैंक पर चेक लिखकर किए जाने लगा। 1935 में रिज़र्व बैंक की स्थापना के बाद प्रेसीडेंसी शहरों में अवस्थित

समाशोधन गृहों को रिज़र्व बैंक ने अपने हाथ में ले लिया। इसके परिणामस्वरूप नए माइकर (M.I.C.R) आधारित चेक प्रसंस्करण केन्द्रों की स्थापना का काम वाणिज्य बैंकों को सौंप दिया। समाशोधन गृहों के प्रबंधन को भी काफी हद तक विकेन्द्रीकृत किया गया तथा कई शहरों में वाणिज्य बैंकों को समाशोधन गृहों के प्रबंधन का भार सौंप दिया। भारत में इलेक्ट्रॉनिक युग, 1990 के दशक से प्रारंभ हुआ जब वैश्वीकरण के साथ अर्थव्यवस्था में खुलापन और रिज़र्व बैंक ने प्रौद्योगिकी आधारित भुगतान और निपटान प्रणालियों का विकास किया और इन प्रणालियों के पर्यवेक्षण का कार्य शुरू किया। कागज से कागज रहित प्रणालियों में हुए तेजी से अंतरण को सिद्ध करने के लिए यह तथ्य पर्याप्त है कि कुल आर्थिक मूल्य लेनदेनों के कुल मूल्य में चेकों का हिस्सा (नकदी माध्यम सहित) क्रमशः घट गया, वहीं सम्पूर्ण भुगतान प्रणालियों में इलेक्ट्रॉनिक माध्यम से हुए निधि अंतरण के मूल्य का अंश उल्लेखनीय रूप से बढ़ा। भारत में भुगतान प्रणाली का आधुनिक स्वरूप 36 वर्षों पूर्व अस्तित्व में आया जब एमआईसीआर (M.I.C.R.) समाशोधन की शुरुआत हुई। इसका क्रमवार ब्यौरा इस प्रकार है :-

1. 1980 के आरंभ में चेक समाशोधन प्रणाली यंत्र चालित करने हेतु एमआईसीआर समाशोधन की शुरुआत हुई अर्थात् अस्सी के दशक के प्रारंभ से ही समाशोधन गृहों को कम्प्यूटरीकृत करना प्रारंभ कर दिया था। भुगतान प्रणाली का आधुनिकीकरण अस्सी के दशक के मध्य से माइकर आधारित चेक समाशोधन प्रणाली अपनी परिपक्व अवस्था में पहुँच गई थी। 1986 में रिज़र्व बैंक ने सम्पूर्ण देश में समाशोधन गृहों के काम-काज के तरीकों को विनियमित करने के लिए बैंकर्स समाशोधन गृहों के लिए एक समान विनियम और नियमावली (URR) का एक सेट तैयार किया गया। यह बैंकिंग उद्योग में बढ़ते हुए कम्प्यूटरीकरण और समाशोधन गृहों के कार्य करने के तौर-तरीकों में आए परिवर्तनों के परिप्रेक्ष्य में आवश्यक हो गया था। देश में भुगतान प्रणाली के लिए औपचारिक संस्थागत फ्रेमवर्क प्रदान करने की दिशा में यह एक महत्वपूर्ण कदम था।
2. 1990 में भारतीय रिज़र्व बैंक ने बैंकों द्वारा क्रेडिट कार्ड और डेबिट कार्ड जारी करने की अनुमति दी गई। डेबिट कार्ड से ग्राहक अपने बैंक खाते में (चाहे वह अपने बैंक में हो अथवा किसी दूसरे बैंक में) ऑनलाइन पहुँच सकते हैं। डेबिट सह एटीएम कार्ड से व्यावसायिक प्रतिष्ठानों में खरीददारी भी कर सकते हैं। इस कार्ड का उपयोग ऑनलाइन शॉपिंग, रेल, हवाई टिकट, मूवी टिकट की बुकिंग तथा जनोपयोगी सेवाओं के भुगतान के लिए भी कर सकते हैं। इस कार्ड को वित्तीय

स्थिति पर नियंत्रण रखने में भी किया जाता है, क्योंकि हर ट्रांजेक्शन के बाद खाते में शेष से खर्च की सीमा का भी पता चलता है। आजकल डेबिट कार्ड का प्रयोग विभिन्न पीओएस (POS) मशीन युक्त दुकान से खरीददारी करने हेतु भी किया जाता है। क्रेडिट कार्ड का प्रयोग भी भुगतान के लिए किया जाता है, लेकिन उपयोगकर्ता को एक ऋण सीमा के अन्तर्गत भुगतान करना होता है। ग्राहक को बिल के माध्यम से बकाया राशि की सूचना प्रदान की जाती है और इसे जमा करने की एक निर्धारित तिथि होती है। बकाया राशि को जमा करने के पश्चात् प्रदान की गई राशि दोबारा उपयोग हेतु उपलब्ध कराई जाती है। आवश्यकता पड़ने पर हम क्रेडिट कार्ड से एटीएम द्वारा राशि निकाल सकते हैं। क्रेडिट कार्ड मुख्यतः वीसा या मास्टर कार्ड द्वारा संचालित होता है।

3. 1995 में इलेक्ट्रॉनिक समाशोधन सेवा (ECS) और इलेक्ट्रॉनिक निधि अंतरण (EFT) जो समयपर्यन्त राष्ट्रीय इसीएस और राष्ट्रीय इएएफटी। एवं आरटीजीएस (RTGS) जैसे प्रभावी भुगतान उत्पादों के रूप में रूपान्तरित हुए, ने भुगतान संसाधनों के नए तरीके आरम्भ किए हैं।
4. 1996 में एक विश्वसनीय संप्रेषण नेटवर्क तथा तकनीकी उन्नयन और विकास के उद्देश्यों को दृष्टिगत रखते हुए बैंकिंग प्रौद्योगिकी विकास एवं अनुसंधान संस्थान (IDBRT) की स्थापना की गई।
5. 1999 में इण्डियन फिनान्शियल नेटवर्क (INFINET) की स्थापना रिजर्व बैंक की निगरानी में की गई। स्विफ्ट के जैसा ही इफिनेट भी इलेक्ट्रॉनिक रूप से अंतर बैंक संदेश प्रेषण का देशी मंच है। रिजर्व बैंक द्वारा भारत में लागू की गई चेक छंटाई प्रणाली, जो कि उस स्तर की है, जो कि विश्व में कहीं भी देखने को नहीं मिलती, भुगतान और निपटान प्रणाली में एक महत्वपूर्ण घटना है। इस प्रणाली से ग्राहकों और उनके चेकों की वसूली शीघ्र मिलने और अद्यतन प्रौद्योगिकी उन्नत होने में मदद मिलती है। यह उल्लेख करना भी आवश्यक है कि भारत में अधिकांश खुदरा भुगतान प्रणालियों की विशेषता अद्यतन प्रौद्योगिकी है। अन्तरराष्ट्रीय नेटवर्क आधारित वित्तीय संदेश प्रणालियों से बहुत पहले ही हम 1999 से ही इफिनेट का प्रयोग करते हुए इलेक्ट्रॉनिक लेन-देनों में जनता की बुनियादी ढांचागत आधारित सुरक्षा का प्रयोग करते आ रहे हैं—जैसा कि स्विफ्ट का इस प्रौद्योगिकी में हुआ था।
6. जून, 2001 में बैंकों को इंटरनेट बैंकिंग पर विस्तृत दिशा-निर्देश जारी किए गए। बैंकों को बोर्ड द्वारा अनुमोदित इंटर बैंकिंग नीति के आधार पर इंटरनेट बैंकिंग सुविधाएं देने की अनुमति

प्रदान की गई तथा उन्हें अब रिजर्व बैंक का पूर्व अनुमोदन प्राप्त करने की आवश्यकता नहीं रही। अब इंटरनेट बैंकिंग के माध्यम से अनुमत निहित लेनदेनों के लिए विदेशी मुद्रा सेवाएं भी दी जा सकती हैं। भारत में बैंकों में रखे गए ओवरसीज बैंकों और विदेशी मुद्रा गृहों को वोस्ट्रो खातों के परिचालन की अनुमति इंटरनेट आधारित परिचालनों के माध्यम से दी गई है। लेकिन इंटरनेट बैंकिंग उपलब्ध कराने की सबसे बड़ी चिंता बैंकों द्वारा अभिगृहित वृद्धिकारी परिचालनगत जोखिमों, जो बैंकिंग सेवाओं के लिए इस वैकल्पिक सुपुर्दगी माध्यम के उपयोग में लाने के कारण है, का प्रभावी प्रबंधन करना होगा। सन् 2001-2004 के लिए भुगतान प्रणाली विज्ञान डॉक्यूमेंट तैयार किया गया जिसमें देश में भुगतान प्रणालियों के समेकन विकास और एकीकरण के लिए रोडमैप दिखाया गया था। इन उद्देश्यों की प्राप्ति के बाद मई, 2005 में 2005-08 के लिए एक विज्ञान डॉक्यूमेंट प्रकाशित किया गया जिसमें भुगतान और निपटान क्षेत्र में आने वाले चार वर्षों के लिए रिजर्व बैंक के विज्ञान को सुस्पष्ट किया गया था। देश के लिए सुरक्षित, विश्वसनीय, ठोस और कुशल भुगतान और निपटान प्रणालियों के उन्नयन के लिए प्रयास करना, भुगतान और निपटान प्रणालियों में सुरक्षा का संबंध जोखिम कम करने से है जबकि विश्वसनीयता का सम्बन्ध अखण्डता से है।

7. सन् 2003 में राष्ट्रीय वित्तीय स्वीच प्रारम्भ करना जिसके फलस्वरूप देशभर में एटीएम की इन्टरकनेक्टिविटी संभव हुई। यह अखिल भारतीय अस्तित्व के साथ एक राष्ट्रीय आधारभूत संरचना है, जो बैंकों के एटीएम में संयोजकता सेवा प्रदान करती है। यह ग्राहकों को एनएफएस नेटवर्क के अन्तर्गत एटीएम का उपयोग करते हुए, कार्ड जारी करने वाले बैंक को बिना बताए, अपना वित्तीय/वित्तेतर दोनों लेनदेन करने में समर्थ बनाता है। एनएफएस सबसे बड़ा स्विचिंग नेटवर्क है और इसकी सेवा भारतीय राष्ट्रीय भुगतान निगम (NPCI) द्वारा की जाती है।
8. मार्च, 2004 में तत्काल सकल निपटान (RTGS) प्रणाली आरंभ की गई। अर्थव्यवस्था के विस्तार के साथ-साथ बड़े मूल्य वाले भुगतान संबंधी लेनदेनों की मात्रा बढ़ती है। उस स्थिति में पूरी प्रणाली के पूरक के रूप में, बड़े मूल्यों के मूल्य की भुगतान प्रणालियों के लिए भी आधुनिकीकरण महत्वपूर्ण हो जाता है। इसी तथ्य को ध्यान में रखते हुए भारतीय रिजर्व बैंक ने सकल अंतर बैंक तथा ग्राहकों के दो लाख रुपये से अधिक मूल्य वाले लेनदेनों के निपटान के लिए मार्च, 2004 में आरटीजीएस प्रणाली की शुरुआत की। उन्नत चलनिधि प्रबंध कार्यों, भावी दिनांक की क्रियाशीलता, मापनीयता आदि

से युक्त आईएसओ (ISO) 2022 मानकों पर निर्मित अगली पीढ़ी-आरटीजीएस (NG-RTGS) क्रियान्वयन के अधीन है। एनजी-आरटीजीएस के पास बैंकों के लिए उनकी चलनिधि स्थिति का प्रबंध करने के अनेक कार्य हैं, अर्थात् इस उत्पाद में अधिक चलनिधि की बचत वाली विशेषताएं तथा अधिक तेजगति से और अधिक मात्रा में प्रसंस्करण की क्षमताएं, ग्रीडलॉक समाधान की उन्नत व्यवस्था, परिचालनात्मक विश्वसनीयता कारोबार निरंतरता जैसी सुविधाएं सन्निहित हैं। वहीं यह अन्तरराष्ट्रीय मानकों के अनुरूप है। इसमें अन्य प्रणालियों के साथ अन्तर परिचालनीयता को बढ़ावा मिलेगा। इस नई प्रणाली में अद्यतन प्रौद्योगिकी, वित्तीय पर्यावरण के परिवर्तनों एवं अन्य आवश्यकताओं में हुए परिवर्तनों के अनुरूप विस्तार तथा लचीलेपन की काफी गुंजाइश है तथा इसमें वित्तीय लेनदेनों के वैश्वीकरण तथा निपटान संबंधी ढाँचों की नेटवर्किंग जैसे वित्तीय माहौल में बदलाव से निपटने के लिए उन्नत पहुँच की सुविधा होगी।

9. वर्ष 2005 में राष्ट्रीय इलेक्ट्रॉनिक निधि अंतरण (NEFT) प्रारंभ की गई जो भारतीय रिज़र्व बैंक का एक अन्य नवोन्मेषी उत्पाद है। इसका प्रारंभ नवम्बर, 2005 में, देश में नेटवर्क आधारित बैंक शाखाओं के बीच बैंक ग्राहकों द्वारा निधियों के सुविधाजनक अंतरण और राष्ट्रीय स्तर पर अधिक सुरक्षित खुदरा इलेक्ट्रॉनिक प्रणाली के रूप में किया गया। यह आस्थगित विशुद्ध निपटान प्रणाली है और सुरक्षा तथा प्रसंस्करण कार्यक्षमता के संदर्भ में अन्य विधियों से उन्नत रूप है। जुलाई 2017 से महिने के दूसरे और चौथे शनिवार को छोड़कर प्रतिदिन प्रातः 8 बजे से शाम को 7 बजे तक आधे घंटे के आधार पर 23 बैचों के निपटान का प्रावधान है। यह भी परिकल्पना की गई थी कि आरटीजीएस युक्त सभी शाखाएं एनईएफटी युक्त भी होंगी और ग्राहक को इन दोनों में से एक प्रणाली के चयन का विकल्प होगा, जो समयबद्धता, लेनदेन के मूल्य और दोनों प्रणालियों के लिए अलग-अलग भुगतान करने की उसकी इच्छा पर आधारित होगा। एनईएफटी की बढ़ती हुई लोकप्रियता और ग्राहकों के मध्य इसकी स्वीकार्यता का प्रमाण इस प्रणाली द्वारा संचालित मात्रा और मूल्य में प्रतिबिंबित हुई है। इससे प्रतीत होता है कि व्यक्तियों, कम्पनियों और सरकारों की आवश्यकताओं को एक समान ढंग से पूरी करती हुई एनईएफटी देश में एक अग्रणी विप्रेषण प्रणाली बन गई है। इस प्रणाली में समय-समय पर अनेक कुशलतावर्धन भी किए गए हैं। जमा संदेश लगातार जारी करने की विशेषता लागू करने के साथ ही इन लेनदेनों का प्रसंस्करण करने के लिए सहभागियों को अतिरिक्त पटल दिया गया है। दिसम्बर, 2007 में ससंद द्वारा भुगतान एवं

निपटान प्रणाली अधिनियम अधिनियमित किया गया। यह अधिनियम रिज़र्व बैंक को भुगतान एवं निपटान को विनियमित करने और उसका पर्यवेक्षण करने हेतु अधिकार सुपुर्द करता है और बहुपक्षीय नेटिंग और निपटान के लिए कानूनी आधार उपलब्ध कराता है। यह अधिनियम उच्च उद्देश्यों के प्रारूप में नीति निर्धारित करने में उनकी स्थापना/निरंतरता, निर्देश जारी करने, मानक तय करने, सूचना/डाटा मंगाने, अधिनियम के प्रावधानों, विनियमों और निर्देशों इत्यादि का उल्लंघन करने के लिए मुकदमा चलाने/आर्थिक दण्ड लगाने का अधिकार रिज़र्व बैंक को सौंपता है।

10. वर्ष 2008 में रिज़र्व बैंक द्वारा जिस सर्वाधिक नवीनतम इलेक्ट्रॉनिक उत्पाद का प्रचलन किया गया, वह है चेक ट्रंकेशन प्रणाली। यह प्रणाली राष्ट्रीय राजधानी क्षेत्र में 1 फरवरी, 2008 को 10 बैंकों की भागीदारी से पायलट आधार पर चालू की गई। वर्तमान में सभी बैंक इस प्रणाली में भागीदारी करते हैं। सीटीएस (CTS) का मुख्य उद्देश्य है भुगतान प्रणाली की कार्यक्षमता में उन्नयन करना और चेक प्रसंस्करण समय को महत्वपूर्ण रूप से कम करना। परम्परागत समाशोधन प्रणाली, जिसके भुगतान तथा निपटान के लिए समाशोधन गृहों में चेकों को भौतिक रूप में प्रस्तुत करना होता है, में वांछित समाशोधन समय और आधारभूत संरचना के संदर्भ में निश्चित रूप से खामियां छुपी होती हैं। भौतिक चेक समाशोधन के लिए वांछित सहायक व्यवस्था की आवश्यकता होती है, जो C. T. S. प्रणाली के पश्चात कम हो गई है। चेक ट्रंकेशन का सबसे बड़ा लाभ यह है कि इसमें चेकों को भौतिक रूप से प्रस्तुत करने की आवश्यकता नहीं होती, इसके स्थान पर चेकों की इलेक्ट्रॉनिक इमेज को समाशोधन गृहों में भेज दी जाती है।

11. वर्ष 2009 में भारतीय राष्ट्रीय भुगतान निगम (NPCI) स्थापित किया गया। इस संस्था की स्थापना भारतीय रिज़र्व बैंक के विजन डॉक्यूमेंट 2005-08 के आधार पर की गई। यह संगठन खुदरा भुगतान प्रणालियों के शीर्ष संगठन के रूप में कार्य करता है जिसकी स्थापना के पीछे मुख्य उद्देश्य था खुदरा भुगतानों के लिए एक समन्वयक संगठन की सुविधा प्रदान करना ताकि देश में चेकों और इलेक्ट्रॉनिक भुगतान के लिए समाशोधन गृहों को एकीकृत व समेकित किया जा सके। इसके अतिरिक्त यह निगम ऐसे नये भुगतान अनुप्रयोगों को आरंभ करने के दायित्व का भी निर्वहन करता है जिनमें इलेक्ट्रॉनिक भुगतानों पर भी ध्यान केन्द्रित किया गया हो। एनपीसीआई "रूपे" आरंभ कर चुकी है जो एक स्वदेशी घरेलू कार्ड योजना है। इस निगम ने अंतर बैंक

मोबाइल भुगतान प्रणाली (IMPS) का भी परिचालन प्रारंभ किया है जो मोबाइल फोन के माध्यम से तत्क्षण 24 X 7 आधार पर अंतर बैंक इलेक्ट्रॉनिक निधि अंतरण सेवा देती है। एनपीसीआई को यह सुनिश्चित करना है कि आधार समर्थित भुगतान प्रणाली (AEPS) के अन्तर्गत इन कार्डों का उपयोग कारोबारी प्रतिनिधि (BC) के संबंध में भारतीय रिज़र्व बैंक के दिशा-निर्देशों की अनुपालना की जाए।

12. वर्तमान में घरेलू मैसेजिंग के लिए एक ही मैसेजिंग समाधान (SFMS) उपलब्ध है। एक वैकल्पिक मैसेजिंग ढाँचे की उपलब्धता की दृष्टि से स्विफ्ट को निर्दिष्ट शर्तों के अधीन घरेलू मैसेजिंग के लिए सिद्धांत के रूप में मंजूरी दी गई है। सहभागियों के पास बैंक के केन्द्रीय सर्वर में लेनदेनों को भेजने के लिए विभिन्न चैनलों के चुनाव का विकल्प होता है। यह विभिन्न चैनल हैं— इन्फिनेट/एसएफएमएस, स्विफ्ट तथा इंटरनेट।
13. भारत में भुगतान प्रणाली विजन 2012-14 में ग्राहकों तथा कार्पोरेटों द्वारा किसी एक सीमा से अधिक राशि के चेक को निरूत्साहित करने के लिए एक रणनीति तैयार करने की बात कही जिसमें समाशोधन गृह व्यवस्था के माध्यम से पारित किए जाने वाले चेकों के लिए एक निश्चित सीमा तय करने की आवश्यकता शामिल की जा सकती है। इससे पहले भारतीय रिज़र्व बैंक 2012-15 के लिए एक विजन डॉक्यूमेंट लेकर आया था जिसके अधिकांश उद्देश्य पूरे हो चुके हैं। रिज़र्व बैंक का विजन यह सुनिश्चित करता है कि “देश में सभी भुगतान एवं निपटान प्रणालियां सुरक्षित, समक्ष, अन्तःप्रचलनीय, प्राधिकृत, सुलभ, समावेशी और अन्तरराष्ट्रीय मानकों के साथ अनुपालन योग्य हैं।”
14. रूपे, एक घरेलू कार्ड प्रणाली है जो मार्च, 2012 में लॉन्च की गयी थी, ने क्रमशः लोकप्रियता अर्जित की है तथा जनधन योजना के अन्तर्गत उसकी सहलग्नता से यह एक पारिवारिक नाम बन गया है। पीएमजेडीवाई योजना ने बैंक रहितों को बैंकिंग प्रणाली के दायरे में लाकर आश्चर्यजनक सफलता हासिल की है।
15. भारतीय रिज़र्व बैंक जब कागज आधारित लेनदेनों के आधुनिकीकरण का काम कर रहा था, तो उसके साथ-साथ थोक भुगतान संबंधी लेनदेनों (क्रेडिट और डेबिट) के लिए इलेक्ट्रॉनिक भुगतान पद्धतियों पर भी काम कर रहा था। कुछ स्थानों तक सीमित इलेक्ट्रॉनिक समाशोधन सेवा (ECS) अपने स्वरूप का विस्तार करके नया रूप धारण कर चुकी है, (अ) एक निश्चित स्थान/क्षेत्र तक सीमित ईसीएस जो स्थानीय

समाशोधन गृह की बैंक शाखाओं की जरूरतों को पूरा कर रही हैं, (ब) एक क्षेत्रीय ईसीएस जिसके अन्तर्गत एक राज्य या कई राज्यों की बैंक शाखाएं शामिल होती हैं, और (क) एक राष्ट्रीय ईसीएस जिसके अन्तर्गत पूरा देश आता है। इसके साथ ही ईएफटी ने अपने स्वरूप का विस्तार करके अखिल भारतीय स्तर के एनईएफटी का रूप धारण कर लिया है। इन दो उत्पादों ने सम्मिलित रूप से, देश में इलेक्ट्रॉनिक खुदरा बाजार परिदृश्य में क्रांति ला दी है। वस्तुतः इलेक्ट्रॉनिक समाशोधन सेवा भारत की भुगतान प्रणाली को अन्तरराष्ट्रीय मानकों के अनुरूप उन्नत करने की दिशा में एक प्रगतिशील कदम है। यह 1990 के मध्य स्थापित की गई जो कतिपय अन्य देशों में प्रचलित आटोमेटेड क्लीअरिंग हाउस (ACH) के समकक्षीय है। इसके दो संस्करण हैं— ईसीएस क्रेडिट, क्लीअरिंग और ईसीएस डेबिट क्लीअरिंग। क्रेडिट क्लीअरिंग का संचालन “एकल नामे बहुपक्षीय जमा सिद्धांत” पर किया जाता है और इसका उपयोग वेतन, पेंशन, लाभांश और ब्याज इत्यादि के भुगतान के लिए किया जाता है तथा डेबिट क्लीअरिंग का संचालन “एकल जमा बहुपक्षीय नामे सिद्धांत” पर किया जाता है और इसका उपयोग विद्युत, टेलीफोन बिल इत्यादि जैसी सेवा के प्रदाताओं द्वारा भुगतान वसूल करने और साथ ही साथ बैंकों द्वारा उधारकर्ताओं से हाउसिंग और व्यक्तिगत ऋणों पर मूलधन/ब्याज की चुकौती प्राप्त करने के लिए किया जाता है। इसके अन्तर्गत टी+1 आधार पर निपटान किया जाता है और निपटान चक्र टी+1 पर पूरा होता है।

16. भुगतान बैंकों की परिकल्पना वर्तमान भुगतान प्रणाली को और मजबूत करके वित्तीय समाशोधन को सफल बनाने हेतु की गई है। इसका अभिप्राय है डिजिटल बटुआ अथवा मोबाइल मुद्रा ताकि इसका प्रयोग बाजार करने, बिल भुगतान करने तथा अन्य कई प्रकार के सम्प्रेषण हेतु हो सकता है। भारतीय रिज़र्व बैंक ने अगस्त, 2015 में भुगतान बैंकों के 11 आवेदनकर्ताओं का लाइसेंस जारी करने को सैद्धांतिक अनुमति दी है। इन बैंकों की सेवा और गतिविधियों की पहुँच सामान्य लोगों एवं छोटे कारोबारियों तक है। यह बैंक उन लोगों को वित्तीय परिचालन की परिधि से जोड़ता है, जिन्हें बैंकिंग सेवाएं उपलब्ध नहीं हैं।
17. इलेक्ट्रॉनिक भुगतानों को प्रोत्साहन दिया जाना भुगतान एवं निपटान प्रणाली की एक अन्य प्रमुख विशेषता है। आज हमारी भुगतान प्रणालियां सुविधा की मांगों तथा उपयोग और पहुँच की सुलभता द्वारा संचालित हैं। इसके लिए एकीकृत समाधान निर्माण और प्रौद्योगिकी के माध्यम से नवोन्मेष,

क्षमताओं और विभिन्न प्रणालियों के समेकन के संबंध में उन्नयन द्वारा ई-भुगतान उत्पादों का अभिसरण आवश्यक हो जाता है। भारतीय रिज़र्व बैंक के भुगतान विजन डॉक्यूमेंट 2012-15 में एक कम नकदी/कम कागज वाले समाज, "हरित" पहल को बढ़ावा देने की दिशा में समग्र विनियामक नीतिगत रुख की अभिमुखता को स्पष्ट रूप से व्यक्त किया गया है। **खुदरा भुगतान के अन्य कतिपय माध्यम**

(अ) **पूर्वदत्त लिखित** :- भारतीय रिज़र्व बैंक नकदी लेनदेन के साथ स्थानापन्न के रूप में प्रीपेड भुगतान लिखितों की सशक्तता को स्वीकार करता है। वर्ष 2009 में इस हेतु दिशा-निर्देश जारी करने के बाद प्रीपेड भुगतान लिखित लोकप्रिय होते जा रहे हैं। इस लोकप्रियता में वृद्धि को दृष्टिगत रखते हुए इन वैकल्पिक भुगतान उत्पादों का जारी किया जाना, स्वीकार किया जाना और सुलभ बनाने के लिए इस नीति को और भी गतिशील बना दिया गया है। रिज़र्व बैंक के नीतिगत निर्देशों के जारी होने के बाद पूर्वदत्त लिखित उदीयमान बाजार की व्यवस्थित वृद्धि के लिए एक ढांचा प्रदान किया गया है। बाद में रिज़र्व बैंक द्वारा किये गये उपायों की घोषणा के बाद बैंकों को यह अनुमति दी गई कि निर्धारित मानदण्डों का पालन करने के बाद कार्पोरेटों को भुगतान लिखित जारी करें जो आगे इसे अपने कर्मचारियों को जारी करेंगे।

(ब) **मोबाइल सेवाएं** :- विश्वभर में मोबाइल के माध्यम से सेवाएं उपलब्ध कराने के लिए दो मॉडलों का प्रयोग किया जाता है :- बैंक नेतृत्व वाला मॉडल (भारत, दक्षिणी अफ्रीका और फिलिपींस में) अथवा गैर बैंक नेतृत्व वाला मॉडल (केनिया और फिलीपींस में भी)। भारत में बहुत कारणों से बैंक नेतृत्व वाला मॉडल चुना गया। मोबाइल भुगतान प्रणाली केवल प्रेषण सुविधा प्रदान करती है, वे वित्तीय समावेशन के अन्तर्गत ओवरड्राफ्ट, क्रेडिट और माइक्रो इंशुरेंस जैसी अन्य सुविधाएं प्रदान नहीं कर सकती तथा हमारे बैंकों का व्यापक विनियमन विद्यमान है। इस क्षेत्र को विनियमित करने के लिए अक्टूबर, 2008 में सर्वप्रथम उपाय किए थे। इसलिए भारत में बहुत सोच-समझकर बैंक नेतृत्व वाला मोबाइल बैंकिंग मॉडल अपनाया है। इसी क्रम में 22 नवम्बर, 2011 को आरंभ की गई अंतर बैंक मोबाइल बैंकिंग भुगतान प्रणाली उन ग्राहकों के लिए सुविधाजनक है जिन्होंने सुरक्षित ढंग से तत्काल पुष्टिकरण लक्ष्यों के साथ अन्तर बैंक निधि अंतरण के लिए मोबाइल उपकरणों का प्रयोग करने के लिए अपने बैंक में पंजीकरण कराया है। सूचना प्रौद्योगिकी के इस युग में डिजिटल बैंकिंग के अन्तर्गत मोबाइल एप (जिसे अनेक बैंकों ने मोबाइल के लिए अपनी इंटरनेट बैंकिंग के विशेष एप

के रूप में तैयार किए हैं) भी प्रभावशाली भूमिका का निर्वहन कर रहे हैं। इस मोबाइल एप को डाउनलोड कर ग्राहक आसानी से बैंकिंग सेवाएं प्राप्त कर सकता है। एम वालेट, एम पास बुक, एम पैसा एवं पेटीएम इत्यादि मोबाइल एप इन दिनों काफी लोकप्रिय होते जा रहे हैं। इन एप्स के माध्यम से जनोपयोगी बिलों का भी तुरंत भुगतान हो सकता है, खातों को देखा जा सकता है तथा लेनदेन भी किया जा सकता है। अब "क्यू" प्रणाली से छुटकारा पाया जा सकता है एवं समय की भी बचत हो गई है। इससे ग्राहकों की सुविधा तथा नकदी के रख-रखाव से भी मुक्ति मिल गई है। यह आशा की जाती है कि जब डिजिटल बैंकिंग पूरी तरह से प्रयोग में आ जाएगी तो नकदी मुक्त समाज की परिकल्पना करना आसान हो जाएगा। विमुद्रीकरण के दौर में इसका काफी महत्व है।

(क) **भारत इन्टरफेस ऑफ मनी (BHIM)** :- इस ऐप की सहायता से कोई भी ऐसा मोबाइल प्रयोगकर्ता, जिसका बैंक में खाता है, वह इस ऐप में अपने आपको रजिस्टर करके किसी भी दूसरे सत्यापित प्रयोगकर्ता के खाते में मोबाइल नंबर, वी पी ए अथवा क्यू आर कोड की सहायता से पैसा हस्तान्तरित कर सकता है तथा साथ ही किसी से पैसे के लिए निवेदन भी कर सकता है।

(ड) **यूनिफार्म पेमेंट इन्टरफेस (UPI)** :- यूपीआई एप्लीकेशन तुरन्त ऑनलाइन भुगतान की एक प्रणाली है जिसके तहत आप जिसे पैसा भेजना चाहते हैं, उसका यूपीआई आईडी आपको पता होना चाहिए। यह ईमेल पते की तरह होता है। यह आपका फोन नंबर भी हो सकता है। यूपीआई के तहत आप अपने विभिन्न बैंकों के लिए अलग-अलग यूपीआई आईडी तैयार करवा सकते हैं। डेटा की सुरक्षा के लिए भुगतान प्रक्रिया के समय आपका खाता नंबर आपके बैंक के अलावा कहीं भी उजागर नहीं होता है।

(य) **सैटेलाइट बैंकिंग** :- देश के कुछ हिस्सों में (विशेषकर दुर्गम-दूरस्थ और पहाड़ी क्षेत्रों में) विश्वसनीय संप्रेषण के अभाव में, सैटेलाइट कनेक्टिविटी ही एक ऐसा तरीका है जिसके द्वारा शाखाओं को जोड़ा जा सकता है और साथ में इसको फालबैक प्रणाली के रूप में रखा जा सकता है। इसके उपयोग से ग्रामीण शाखाओं को बैंक कोर बैंकिंग सोल्यूशन प्लेटफार्म से जुड़ने में भी सहायता मिलेगी और ग्रामीण क्षेत्र की शाखाएं अपने ग्राहकों को निधि अंतरण सुविधा कुशलतापूर्वक दे सकेगी। सैटेलाइट संचार लिंक सर्वाधिक आपदा रक्षित है क्योंकि सैटेलाइट की अवस्थिति व्योममंडल में होने के कारण पृथ्वी पर आई भारी-भककम

प्राकृतिक आपदाओं तथा बाढ़ अथवा जलजला या भूकंप में भी यह अपना काम लगातार करता रहता है। अतः सैटेलाइट संचार लिंक में, जहां टेरैसट्रियल कनेक्शन पूरी तरह से चौपट हो सकते हैं, प्रमुख केन्द्रों के लिए बैकअप (Backup) संचार लिंक के रूप में आदर्श तरीके से काम करता है।

(र) **भुगतान आधारित संरचना :-** इसमें त्वरित सुधार होने के कारण भुगतान सुसाध्यकों, प्रौद्योगिकी समाधान प्रदाताओं और वणिक् अधिग्राहकों द्वारा प्रदान की गई सेवाएं उद्योग में अपनी जड़ जमा रही है। इसका कारण विगत वर्षों में भुगतान प्रणाली की आधारिक संरचना में हुआ विस्तार ही है जहां नये भुगतान परिचालकों का प्रवेश, नये सुपुर्दगी माध्यम से स्वीकार्यता में वृद्धि, नये उत्पाद एटीएम की संख्या में वृद्धि, पीओएस टर्मिनल्स, भुगतान संसाधन आधारिकी में संवर्द्धन आदि हैं।

(ल) **गैर-बैंक संस्थाओं की भूमिका :-** यह एक सामान्य धारणा है कि गैर बैंक संस्थाएं नवोन्मेषी भुगतान उत्पाद उपलब्ध कराती हैं तथा बाजार में प्रतियोगिता को बढ़ावा देती हैं। इसी कारण से रिजर्व बैंक ने खुदरा भुगतान के क्षेत्र में प्रवेश के लिए गैर बैंक संस्थाओं को प्राधिकृत किया है। इसके साथ ही यह सुनिश्चित करने पर भी ध्यान दिया है कि इस क्षेत्र में जो भी गैर बैंक संस्थाएं आए, वे केवाईसी (KYC)/एएमएल (AML) संबंधी दिशा-निर्देशों का पालन करें। चूंकि निपटान का क्षेत्र और इन गैर बैंक संस्थाओं के पास नहीं है (इनके पास भुगतान सेवाओं और उत्पादों की विशेषता है), इसलिए बकाया शेषों को एक एस्करो (ट्रस्ट) खाते में रखने की जरूरत है, ताकि दिवालियेपन से सुरक्षित हो सके। एटीएम क्षेत्र में भी गैर बैंक संस्थाओं के प्रवेश की अनुमति मिल गई है।

गैर बैंक संस्थाओं का प्रवेश क्यों?

गैर बैंक संस्थाओं की सर्वव्यापी उपस्थिति के कुछ कारण इस प्रकार हैं :-

- अधिक दक्ष और तेज प्रणालियों की मांग के साथ-साथ ग्राहकों का बदलता व्यवहार।
- प्रौद्योगिकी के चलते भुगतान सेवाओं में नवोन्मेष सुविधाजनक बना।
- आउटसोर्सिंग की प्रवृत्ति :- संभवतः पूंजी के निवेश को कम करने के उद्देश्य से बैंकों द्वारा ऐसा किया जा रहा है, क्योंकि

यह कार्य शुल्क के आधार पर आउटसोर्स किया जा सकता है।

(iv) वित्तीय समावेशन के प्रयास :- विशेष रूप से मोबाइल बैंकिंग के क्षेत्र में जहां गैर बैंक महत्वपूर्ण भूमिका निभा रहे हैं।

(v) **रिजर्व बैंक में कोर बैंकिंग सोल्यूशन :-** इसके कार्यान्वयन के बाद सरकार, बैंक, प्राथमिक व्यापारी, वित्तीय समावेशन (FI) और आम नागरिक को काफी लाभ हुआ है। इस सीबीएस (CBS) से कहीं भी बैंकिंग (विशेषकर भुगतान) की सुविधा - सरकारी विभागों, कोषागारों, उपकोषागारों को ऑनलाइन पहुँच तथा ई-भुगतान तरीका/सुपुर्दगी माध्यम के जरिए प्राप्त होगी। (इससे सरकार के सभी तरीकों के भुगतान एक ही बैंक से आरटीजीएस (RTGS) एनईएफटी (NEFT) एनईसीएस (NECS) और अन्य इलेक्ट्रॉनिक सुपुर्दगी माध्यमों के जरिए कर पाने की सुविधा हो गई है।

(स) **क्षेत्रीय ग्रामीण बैंकों में भुगतान प्रणाली :-** एक सीबीएस समर्थित क्षेत्रीय ग्रामीण बैंक उत्पादों और सेवाओं के संदर्भ में अपार संभावनाओं के द्वार खोलता है। प्रायोजक बैंकों द्वारा क्षेत्रीय ग्रामीण बैंकों के सीबीएस को अपने सीबीएस से एकीकृत करने से आरआरबी के ग्राहकों को कहीं भी कैसे भी बैंकिंग का लाभ प्राप्त होगा और वे विविध सुपुर्दगी माध्यमों यथा, आरटीजीएस, एनईएफटी, इन्टरनेट, टेलीबैंकिंग और एसएमएस बैंकिंग, आदि का उपयोग करने में समर्थ होंगे।

वित्तीय समावेशन के उन्नयन में भुगतान प्रणाली का महत्व :-

भुगतान प्रणाली एवं वित्तीय समावेशन के मध्य धनात्मक एवं सशक्त सहसंबंध है। वित्तीय समावेशन का सर्वाधिक महत्वपूर्ण अंग बैंकिंग समावेशन ही है जहां बैंकिंग द्वारा जनसंख्या को उनके बैंक खाते खुलवाकर औपचारिक बैंकिंग प्रणाली से जोड़ने का प्रयास किया जाता है। लोगों के बीच बैंकिंग और बचत की आदत डालने के लिए यह जरूरी है कि हर व्यक्ति का बैंक खाता हो, जहां पैसा रखा जा सकता है। यह प्रक्रिया अपने शुरुआती दौर में केन्द्र/राज्य सरकार योजनाओं के अन्तर्गत प्रत्यक्ष लाभ अंतरणों के रूप में हो सकती है। वित्तीय समावेशन को केवल सामाजिक उत्तरदायित्व के रूप में ही नहीं देखा जाना चाहिए क्योंकि यह एक विशाल अप्रयुक्त बाजार को बैंकिंग सेवाओं के घेरे में लाने वाला है। भारत के ग्रामीण क्षेत्र सहित 145 मिलियन परिवार ऐसे हैं जिन्हें बैंकिंग में शामिल नहीं किया गया है। इस प्रकार "पिरामिड का तल", जिसमें भारत का बड़ा भाग शामिल है, एक विशाल अप्रयुक्त बाजार को सामने लाता है जिसमें जबरदस्त संभावनाएं निहित हैं।

सरकारी लेनदेन-लाभ अंतरण योजनाएँ :-

भारतीय रिज़र्व बैंक द्वारा "इलेक्ट्रॉनिक लाभ अन्तरण (EBT)" के संबंध में जारी दिशा-निर्देशों में इस ईबीटी के कार्यान्वयन और वित्तीय समावेशन योजना के साथ इसके सह-सम्बन्ध में यह आशा की जाती है कि वित्तीय समावेशन प्रक्रिया को प्रभावपूर्ण प्रोत्साहन मिलेगा और एक उर्ध्वमुखी एवं टिकाऊ वित्तीय समावेशन मॉडल की ओर देश अग्रसर होगा। इस संबंध में केन्द्रीय वित्त मंत्रालय ने सरकारी स्वामित्व वाले सभी बैंकों और वित्तीय संस्थाओं को सूचित किया था कि सितम्बर, 2011 से केवल इलेक्ट्रॉनिक अन्तरण के माध्यम से भुगतान करें न कि चेकों के माध्यम से। यह कार्यवाही कागज रहित निधि अन्तरण प्रणाली की ओर अग्रसर होने के लिए ई-गवर्नेंस पहलों का ही एक भाग है। बैंकों के लिए भी यह एक मितव्ययी प्रस्ताव है क्योंकि इससे कागज की हैंडलिंग लागत में कमी आएगी। सरकार की वर्तमान योजनाओं के कारण लेनदेनों की संख्या बढ़ जाएगी। इस समय दैनिक आधार पर किए जाने वाले लेनदेनों से, यह संख्या भुगतान प्रणाली में 10 से 15 मिलियन अधिक होगी।

कागज आधारित भुगतान तथा इलेक्ट्रॉनिक भुगतान की तुलना दक्षता की दृष्टि से चेकों से भुगतान की तुलना में इलेक्ट्रॉनिक भुगतान अधिक सुविधानजक है। इसके 7 कारण हैं :-

1. चेकों की छपाई तथा प्रोसेसिंग की लागत अधिक है।
2. चेकों की एनकोडिंग व विवरण भरने का काम हाथ से करना होता है।
3. प्राप्य एवं देय राशि के निर्धारण के लिए मिलान संबंधी काफी चुनौतियां आती हैं।
4. कानूनी तथा विनियामक जरूरतों के अनुसार लंबे समय तक चेकों का अनुसरण करना होता है।
5. चेकों के समाशोधन एवं प्रसंस्करण का चक्र लम्बा होता है।
6. चेकों के साथ चलनिधि एवं जोखिम तत्व भी जुड़ा होता है।
7. इन सबके विपरीत इलेक्ट्रॉनिक भुगतान में कठिनाइयां नहीं होती और यह प्रणाली में कम लागत, लेनदेनों की तेज, दक्ष एवं सुरक्षित व्यवस्था उपलब्ध कराई जाती है। इलेक्ट्रॉनिक भुगतान क्रेडिट प्रेरित होते हैं, अर्थात् इसमें क्रेडिट, चलनिधि तथा प्रणालीगत जोखिम काफी कम होता है और लाभार्थी निधि की उपलब्धता के बारे में पर्याप्त रूप से सुनिश्चित हो सकते हैं।

आगामी भुगतान क्रांति

एक रणनीतिक कारवाई के रूप में अगली भुगतान क्रांति के स्वरूप में पारिस्थितिक चुनौतियां भी निहित है। यह स्थिति देश के टियर-I और टियर-II केन्द्रों पर डिजिटल चैनलों की प्रचुरता से स्वयंसिद्ध है। यह भी सुनिश्चित करना जरूरी है कि डिजिटल चैनल पर्याप्त रूप से उपलब्ध हो और सुविधा प्रदाता जैसे डेबिट कार्ड, इन्टरनेट बैंकिंग पंजीकरण आदि टियर-III एवं टियर-IV तक के केन्द्रों पर भी उपलब्ध हों। यह अत्यधिक जरूरी है कि देश 6.38 लाख गांवों में रहने वाले लोगों के पास अल्टरनेट डिलीवरी चैनल्स (ADC) मौजूद हों। एक अनुमान के अनुसार ब्रिक देशों के औसत तक पहुँचने के लिए भारत को 20 मिलियन पीओएस टर्मिनल (POS Terminal) चाहिए जो हमारी वर्तमान उपलब्धता से कई गुना ज्यादा हैं। वास्तव में यह बहुत बड़ी आवश्यकता है। आगामी भुगतान क्रांति के अन्य तत्व हैं-सरकारी प्रत्यक्ष लाभ अंतरण को इलेक्ट्रॉनिक चैनल प्रदान किया जाए जो एक कुशल भुगतान प्रणाली को बढ़ावा देने की स्पष्ट रणनीति है। (इसके अन्तर्गत लगभग 950 मिलियन आधार कार्ड जारी किए जा चुके हैं।) इस रणनीति का एक और भाग डिजिटल चैनल की परस्पर परिवर्तनशीलता है अर्थात् डिजिटल चैनल यथा परिभाषित कही भी और कभी भी उपलब्ध होने चाहिए। आखिर में यह कहना भी उचित होगा कि ग्राहकों को डिजिटल चैनल आसानी से चलाना आना चाहिए।

उपसंहार

आज भारत में भुगतान प्रणाली का आधुनिकीकरण हो गया है। भुगतान एवं निपटान प्रणाली तेजी से बढ़ता हुआ ऐसा क्षेत्र है जिसमें, बाजार शक्तियों और प्रौद्योगिकी की सहायता से तेज गति से नवोन्मेष देखने को मिल रहे हैं। हमें भारत में विश्व की सर्वोत्तम प्रथाएं एवं उत्पाद ले जाने की जरूरत है, लेकिन हमें अपनी परिवेश और परिस्थितियों के अनुसार उसमें संशोधन करके उन्हें अपनाना होगा। विशेष रूप से भुगतान उत्पादों और प्रणालियों की लागत कम करके और साक्षरता में सुधार लाने पर ध्यान केन्द्रित करना चाहिए। हमें मुख्यतः नकदी आधारित अर्थव्यवस्था से कम नकदी वाली अर्थव्यवस्था और पूर्णरूपेण इलेक्ट्रॉनिक व्यवस्था की ओर अग्रसर होना होगा। हमें यह भी सुनिश्चित करना होगा कि वित्तीय नवोन्मेष से वित्तीय समावेशन को बढ़ावा मिले। भुगतान के गैर नकदी तौर-तरीकों को लोकप्रिय बनाने में बैंकों का योगदान प्रशंसनीय है। बैंकों ने हाल के वर्षों में ऐसे अनेक भुगतान उत्पाद आरंभ किए हैं जिनके परिणामस्वरूप इलेक्ट्रॉनिक उत्पादों में भारी वृद्धि हुई है। लेकिन भुगतान प्रणालियों से जुड़ा मुद्दा एक अनवरत

कार्यक्रम है तथा वित्तीय समावेशन और त्वरित दक्ष, सुदृढ़, सुलभ तथा सस्ते आधुनिक भुगतान तरीकों के दोहरे लक्ष्यों को प्राप्त करने के लिए हम सभी को योगदान करना होगा। देश में विश्वसनीय भुगतान प्रणाली स्थापित करना एक लम्बी, दुर्गम परन्तु रोमांचक यात्रा है जिसमें हमें निरंतर अपने भूतकाल को सुधारते रहना है। इस दिशा में बैंकिंग उद्योग व्यवस्थित एवं समर्पित प्रयास करता रहेगा और निरंतर संभावित मांगों की तुलना में बहुत आगे रहेगा। बैंकों को चाहिए कि वे भुगतान उत्पादों की कीमत कम रखे जाने और सुलभता के उद्देश्य को ध्यान में रखते हुए, विशेष तकनीकी के व्यापक प्रयोग वाली प्रणाली में, भुगतान उत्पादों की कीमत निश्चित करने की अपनी योजना पर चिंतन करें। भुगतान उत्पादों की कीमत लेनदेन संपादन करने की लागत के अनुरूप होनी चाहिए। भुगतान प्रणाली में तकनीकी के बढ़ते

प्रयोग का उद्देश्य ही लागत को कम करना, लेनदेन को अधिक सुविधाजनक बनाना, सेवा में सुधार करना और जोखिमों को न्यून करना है। अब बैंकों को लेनदेन की लागत को कम करने की दृष्टि से, प्रौद्योगिकी का लाभ ग्राहकों को उपलब्ध कराने के उपाय ढूँढने होंगे। इस सम्बन्ध में मोबाईल नेटवर्क ऑपरेटर (एमएनओ), पेमेंट एग्रीगेटर्स और पेमेंट गेटवेज, जो आवश्यक विशेष प्रौद्योगिकी प्रदाता है, की भूमिका को सशक्त करना होगा क्योंकि इन्होंने भुगतान उद्योग में उपयुक्त जगह बनाने के लिए ही पर्दापण किया है। बैंक अपने भुगतान संसाधन कार्यकलापों में मदद के लिए इन संस्थाओं की सेवा लेना सुविधाजनक पाते हैं, जबकि ये संस्थाएं भी महत्वपूर्ण भूमिका अदा करती हैं।



Indian Institute of Banking & Finance Winners of Macro Research Proposals for the year 2017-18

The following researchers are selected for award of Macro Research for the year 2017-18.

S.No	Name	Designation/Institution	Title of Proposal
1	Dr. Prakash Singh	Professor in Finance & Accounting Indian Institute of Management, Lucknow	A Research Proposal to study the Ethics and Corporate Governance in Indian Banking Sector
2	Dr. Swati Raju	Associate Professor, Mumbai University, Mumbai	Non Performing Assets of Banks in India: Efficiency in Management
3	Dr. Jaslene Bawa & team of 2 others	Assistant Professor, Finance and Accounting, FLAME University, Pune	Shadow banking in India: Do bank run Asset Management Companies (AMCs) perform liquidity transformation through exposure to Non-Banking Finance Companies (NBFC) in their debt oriented schemes and will this increase the systemic risk of a bank due to a possible joint exposure to NBFCs?

The following researcher has been given provisional approval. Final approval will be given subject to approval of revised proposal:

S.No	Name
1	Dr. Vipul K Singh & Dr. Santosh Kumar

We thank all the researchers who have participated in Macro Research Competition.

Mumbai

Director (Academics)

Summary of Macro Research Project

Title of Macro Research Project: Managing Current Account Deficit: Cross Country Experience from Developing Countries

Researcher: Dr. Partha Ray, Indian Institute of Management, Calcutta.

Year of Study: 2013-14

This research makes an attempt to understand the causes of Current Account deficit, and in its light narrate the experiences of select countries and suggest the course of actions in the Indian policy space. In particular, the research focuses its attention to three Latin American economies (viz., Argentina, Mexico, and Brazil) and three Asian economies (viz., Thailand, Malaysia and Indonesia) and in light of their experience looks at implications for India.

As far as Latin American economies are concerned, the following broad policy lessons may be discerned. First, since a priori it is difficult to establish what is the sustainable CAD, large CAD over should be avoided over the medium term. Second, as far as exchange rate is concerned the message is more cluttered. Exchange rate flexibility could have some inflationary effect but at the same time greater exchange rate flexibility also diminishes the risk of declines in output and employment. Third, in so far as public debt is concerned, it is advisable to avoid the "original sin", a phenomenon referring to a country's inability to borrow abroad in its own currency. Finally, importance of accumulated reserves as a self-insurance mechanism can hardly be overemphasized.

The typical experience of Emerging Markets in Asia has been marked by the East Asian crisis period wherein, somewhat unexpectedly, major Asian economies like South Korea, Thailand, Indonesia or Malaysia witnessed attacks on their currencies leading to financial meltdown in the late 1990s. There was also contagion in the region. Three broad messages from the Asian experience may be highlighted. First, the agility with which these countries acted on crises

resolution was remarkable. In fact, all these Asian countries incurring CAD could turn themselves into current account surplus countries. Second, the crisis prompted the global community to take a look at the facets of financial globalization. While the standard neo-classical trade theory gives ample rationale for international trade in goods being a positive sum game and a win-win situation for both the parties, similar results for financial globalization are yet to be obvious. Third, the East Asian experience also opened up the Pandora's Box of desirability and options of capital control. Fourth, another message of the East Asian experience is the imperative of having forex reserves as a self-insurance mechanism.

In light of these country experiences what are the lessons for India? Since issues relating to CAD are intimately interlinked to issues related to its financing, often policy prescription in this sphere becomes heavily biased towards ideology of the exponent. From this standpoint, there seems to be three distinct (perhaps caricatured) philosophies: (a) continuation of the status quo coupled with some calibrated incrementalism; (b) making the reform / liberalization process much faster in the external front of the Indian economy; and (c) overhauling the structure of the economy so that possibilities of incurring CAD are done away with. Taking the pros and cons of these three distinct approaches, it seems that as long as CAD exists, depending upon the state of the economy and its institutional development, a nation can be conservative / liberal in terms of its financing from capital flows. But in order to get rid of CAD all together, the best route is to develop manufacturing and start having trade surplus. ☯

Bank Quest Articles - Guidelines For Contributors

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Articles submitted to the Bank Quest should be original contributions by the author/s. Articles will only be considered for publication if they have not been published, or accepted for publication elsewhere.

Articles should be sent to:

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Indian Institute of Banking & Finance,

Kohinoor City, Commercial-II, Tower-1, 2nd Floor, Kiroli Rd., Kurla (W), Mumbai - 400 070, INDIA.

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Vetting of manuscripts:

Every article submitted to the Bank Quest is first reviewed by the Editor for general suitability. The article may then be vetted by a Subject Matter Expert. Based on the expert's recommendation, the Editor decides whether the article should be accepted as it is, modified or rejected. The modifications suggested, if any, by the expert will be conveyed to the author for incorporation in case the article is considered for selection. The author should modify the article and re-submit the same for the final decision of the Editor. **The Editor has the discretion to vary this procedure.**

Features and formats required of authors :

Authors should carefully note the following before submitting any articles:

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Articles should generally be around 2000-3000 words in length.

2) Title:

A title of, preferably, ten words or less should be provided.

3) Autobiographical note and photograph:

A brief autobiographical note should be supplied including full name, designation, name

of organization, telephone and fax numbers, and e-mail address (if any), or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.

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The article, should be submitted in MS Word, Times New Roman, Font Size 12 with 1½ line spacing. A soft copy of the article should be sent by e-mail to publications@iibf.org.in

5) Figures, charts and diagrams:

Essential figures, charts and diagrams should be referred to as 'Figures' and they should be numbered consecutively using Arabic numerals. Each figure should have brief title. Diagrams should be kept as simple as possible. In the text, the position of the figure should be shown by indicating on a separate line with the words: 'Insert figure 1'.

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Use of tables, wherever essential, should be printed or typed on a separate sheet of paper and numbered consecutively using Arabic numerals (e.g. Table-1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.

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The reproduction of any photos, illustration or drawings will be at the Editor's discretion. Sources should be explicitly acknowledged by way of footnote, all computer-generated printouts should be clear and sharp, and should not be folded.

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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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01.01.2018

Dr. J. N. Misra
Signature of Publisher

Modifications in Permissible Activities of IFSC Banking Units (IBUs)

The scheme for setting up of IFSC banking units aims at enabling banks to undertake activities largely akin to those carried out by overseas branches of Indian banks. Certain activities are, however, not allowed in view of the fact that IBUs are functioning from the Indian soil and the legal and regulatory framework is still governed by domestic laws and there is no separate financial sector regulator for IFSC. Nevertheless, IBUs were allowed progressively to undertake more activities as recently as in April 2017 as summarised below:

1. IBUs may undertake derivative transactions including structured products that the banks operating in India have been allowed. However, IBUs shall obtain the Reserve Bank's prior approval for offering any other derivatives products.
2. Fixed deposits accepted by IBUs from non-banks cannot be repaid prematurely within the first year. However, fixed deposits accepted as collateral from non-banks for availing credit facilities from IBUs or deposited as margin in favour of an exchange, can be adjusted prematurely in the event of a margin call or a default in repayment.
3. An IBU can be a trading member of an exchange in the IFSC for trading in the interest rate and currency derivatives segments that banks operating in India have been allowed to undertake.
4. An IBU can become a professional clearing member of the exchange in the IFSC for clearing and settlement in any derivatives segment.
5. IBUs are allowed to extend the facilities of bank guarantees and short term loans to IFSC stock broking/ commodity broking entities.
6. Any financial institution or a branch of a financial institution including an IBU operating in IFSC can maintain special non-resident rupee (SNRR) accounts with a bank (authorised dealer) in the domestic sector for meeting its administrative expenses in Indian rupee. These accounts must be funded only by foreign currency remittances through a channel appropriate for international remittances which will be subject to extant FEMA regulations.

A Task Force (Chairman: Minister of State for Finance) is monitoring the progress in the development of IFSCs. The Reserve Bank is a member of the task force.

Source: RBI Annual Report, 2016 -17

