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# Bank Quest

Rs. 40/-
(ISSN 00194921)

The Journal of Indian Institute of Banking & Finance (ISO 9001:2015 Certified) खंड / Vol 91 / अंक / No 01 - जनवरी - मार्च 2020 January - March 2020

## Alternative Channels of INVESTMENTS

# IIBF - PUBLICATION LIST

| Sr. No. | Examination | Medium | Name of the Book | Edition | Published By | Price (₹) |
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Bank Quest

Volume 91, Number : 1

January - March - 2020

(ISSN 00194921)

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

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

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

Greetings from IIBF!

The COVID-19 pandemic has precipitated an unprecedented human and health crisis which the mankind has not witnessed so far. India has taken several steps, including lockdowns, to manage the COVID 19 crisis situation.

I am sure all of you are taking all possible precautions to sail through this difficult time. The situation will eventually get better and we will emerge victorious in the end.

The theme of the current issue of Bank Quest is “Alternative Channels of Investments.” Four articles, which feature in this issue are, therefore, woven around this theme.

Before I speak on the articles of the current issue, let me share with you the latest developments of the Institute. The Institute has acquired its own premises in Kolkata and New Delhi. While the premises in New Delhi is under renovation, the premises in Kolkata has been made operational.

The new premises in Kolkata, located at a central place, was inaugurated by Mr. Rajnish Kumar, President, IIBF and Chairman, SBI on 1st February 2020. Along with the inauguration, the annual conference of the Heads of HR and Training of Banks & Financial Institutions and the 36th Sir Purshotamdas Thakurdas Memorial Lecture, were organised at Hotel Hindustan International, Kolkata. The memorial lecture was delivered by Hon’ble Justice Shri. S. J. Mukhopadhaya, Chairperson, National Company Law Appellate Tribunal on the topic “Insolvency and Bankruptcy Code, 2016 and its impact on the Economy”.

The issue opens up with Sir PTM Lecture delivered by Hon’ble Justice Shri S J Mukhopadhaya. According to the speaker, the objective of the Insolvency and Bankruptcy Code, 2016 is for re-organisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximisation of value of assets of such persons and to promote entrepreneurship, availability of credit, and balance the interests of all stakeholders. The Code explicitly aims to promote ‘resolution’ over ‘liquidation’. The Lecture delivered by Hon’ble Justice Shri Mukhopadhaya was indeed enlightening and had many takeaways. I am sure you will find this Lecture quite informative.

The first article on the theme has been authored by Mr. Narayan Kini, Principal Advisor, First Assetz on “Linear & Non Linear Returns – Traditional & Alternative Investments.” Before starting his own venture First Assetz, Mr. Kini had worked for SBI Funds Management Pvt. Ltd. as Senior Vice President. According to the author, there are many investment products available in the market, but product-wise target differentiation exists. One has to invest in a product that suits his/her investment goals. Monitoring investment portfolios periodically to realign the asset allocation to meet one’s objective is important. Asset allocation is a critical part of building a portfolio, which should consist of both linear and non-linear return generating products. This essentially means that the investment portfolio should consist of cash flow generation for the short term and capital appreciation in the long term to build wealth.

The second article on the theme has been authored by C. A. Rakesh Mohan Kaushik, Faculty, IIBF & Former Senior Vice President, SBI Funds Management Pvt. Ltd.on "National Savings Schemes - An Important Channel of Investments." According to the author, investments in the National Savings Schemes are not only an important alternative channel of investments and savings, but also help in saving tax by providing tax exemptions and deductions. Banks have an important role to play in channelizing savings through these channels of investments and thereby help the economic growth of the country.

The third article is written by Dr. Priti S. Aggarwal, Joint Director (Academics), IIBF on "Study of the Women Empowerment through Sukanaya Samiriddhi Yojana and its preference by parents in Mumbai." Dr. Agarwal has suggested that in order to empower the women, it is vital to empower the girl child who will be a woman of tomorrow. She has concluded by mentioning that as the interest rate offered under the Sukanya Samridhi Scheme is attractive in comparison to other saving schemes available for the Indian investors, more investors (parents) may opt for the scheme.

The fourth article on the theme is on "A Study on Satisfaction level and Improvements needed, for Home Insurance Policy." This article has been authored by Dr. Rashmi V. Shetty, Faculty, Thakur College of Science & Commerce, Mumbai. According to the author, home insurance is yet to be accepted by the buyers to the extent desired. Proper training must be provided to the insurance agents along with proper incentives. Non-government organisations, cooperative societies, can be roped in to reach out to the consumers. Consumers should be made more aware of insurance being a means to transfer risk.

As you may be aware, the Institute's quarterly journal, "Bank Quest" has been included in Group B of the UGC CARE list of Journals. While this is a good development, at the same time, it devolves on the Institute to ensure that the articles published in the journal meet the standards expected on a perpetual basis.

I hope readers will find the articles published in this issue to be useful and informative.

Please stay safe, stay healthy.

**Dr. J. N. Misra**

# Insolvency and Bankruptcy Code, 2016 and its impact on the Economy

Justice S. J. Mukhopadhaya*

*Dignitaries, Ladies and Gentlemen,*

I feel honoured to deliver the Lecture on 'Sir Purshotamdas Thakurdas', a distinguished and eminent businessman of India and took a keen interest in the economic life of the country before and after independence.

I am not an economist and economy was never my subject. As a Judge, deliberated on Social Justice including Civil and Criminal justice.

2. Since my appointment as first Chairperson of the National Company Law Appellate Tribunal on 1st June,2016, and subsequent introduction of the Insolvency and Bankruptcy Code, 2016 w.e.f. 1st December, 2016, I had to change my perception of justice delivery system from 'social justice' to 'economic justice' for the purpose of social justice, which are the two goals of justice delivery system, as per preamble of Constitution of India.

3. The objective of the Insolvency and Bankruptcy Code, 2016 is for re-organisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximisation of value of assets of such persons and to promote entrepreneurship, availability of credit, and balance the interests of all stakeholders. The Code explicitly aims to promote 'resolution' over 'liquidation'.

4. The first order objective is "resolution". The second order objective is "maximisation of value of assets of the "Corporate Debtor" and the third order objective is "promoting entrepreneurship, availability of credit and balancing the interests" of Creditors. This order of objective is sacrosanct. ***("Binani Industries Limited v. Bank of Baroda & Anr.[1]")***

5. In ***"Arcelor Mittal India Pvt. Ltd. v. Satish Kumar Gupta and Ors.[2]"***, the Hon'ble Supreme Court observed that "the (Corporate Debtor' consists of several employees and workmen whose daily bread is dependent on the outcome of the CIRP. If there is a resolution applicant who can continue to run the corporate debtor as a going concern, every effort must be made to try and see that this is made possible".

6. The Bankruptcy Law Reforms Committee (BLRC), which conceptualised the 'I&B Code', reasoned as to why the 'Financial Creditors' be members of the 'Committee of Creditors': -

   i. Under Para 5.3.1, sub-para 4, the BLRC provided rationale for 'Financial Creditors' as under: "4. Creation of the creditors committee"

   The Committee deliberated on who should be on the creditors committee, ***given the power of the creditors committee to ultimately keep the entity as a going concern or liquidate it. The Committee reasoned that members of the creditors committee have to be creditors both with the capability to assess viability, as well as to be willing to modify terms of existing***

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* 36th Sir Purshotamdas Thakurdas Memorial Lecture delivered by Hon'ble Justice Shri. S. J. Mukhopadhaya, Chairperson, National Company Law Appellate Tribunal on the topic "Insolvency and Bankruptcy Code, 2016 and its impact on the Economy" on Saturday, 1st February, 2020 at Hotel Hindustan International, Kolkata.

[1] Company Appeal (AT)(Ins) No.82 of 2018

[2] (2018) SCC Online SC 1733

***liabilities in negotiations***. Typically, 'Operational Creditors' are neither able to decide on matters regarding the insolvency of the entity, nor willing to take the risk of postponing payments for better future prospects for the entity. The Committee concluded that for the process to be rapid and efficient, the 'I&B Code' will provide that the creditors committee should be restricted to only the 'Financial Creditors'.

ii. In Para 3.4.2 dealing with 'Principles driving design', the principle IV reads as under:

"IV. The I&B Code' will ensure a collective process.

The law must ensure that all key stakeholders will participate to collectively assess viability. The law must ensure that all creditors who have the capability and the willingness to restructure their liabilities must be part of the negotiation process. **The liabilities of all creditors who are not part of the negotiation process must also be met in any negotiated solution.''**

7. The important paragraphs contained in the Report of the Bankruptcy Law Reforms Committee of November 2015 were noticed by the Hon'ble Supreme Court in **"Innoventive Industries Limited v. ICICI Bank and Anr.[3]"**, as under:

"India is one of the youngest republics in the world, with a high concentration of the most dynamic entrepreneurs. Yet, these game changers and growth drivers are crippled by an environment that takes some of the longest times and highest costs by world standards to resolve any problems that arise while repaying dues on debt. This problem leads to grave consequences: India has some of the lowest credit compared to the size of the economy. This is a troublesome state to be in, particularly for a young emerging economy with the entrepreneurial dynamism of India. Such dynamism not only needs reforms, but reforms done urgently.

"The limited liability company is a contract between equity and debt. As long as debt obligations are met, equity owners have complete control, and creditors have no say in how the business is run. When default takes place, control is supposed to transfer to the creditors, equity owners have no say.

This is not how companies in India work today. For many decades, creditors have had low power when faced with default. Promoters stay in control of the company even after default. Only one element of a bankruptcy framework has been put into place to a limited extent, banks are able to repossess fixed assets which were pledged with them.

While the existing framework for secured credit has given rights to banks, some of the most important lenders in society are not banks. They are the dispersed mass of households and financial firms who buy corporate bonds. The lack of power in the hands of a bondholder has been one (though not the only) reason why the corporate bond market has not worked. This, in turn, has far reaching ramifications such as the difficulties of infrastructure financing.

Under these conditions, the recovery rates obtained in India are among the lowest in the world. When default takes place, broadly speaking, lenders seem to recover 20% of the value of debt, on an NPV basis.

***When creditors know that they have weak rights resulting in a low recovery rate, they are averse to lend. Hence, lending in India is concentrated in a few large companies that have a low probability of failure.*** In many settings, debt is an efficient tool for corporate finance, there needs to be much more debt in the financing of Indian firms. E.g. long-dated corporate bonds are essential for most infrastructure projects. The lack of lending without collateral, and the lack of lending based on the prospects of the firm, has emphasised debt financing of asset-heavy industries. However, some of the most important

[3](2018) 1 SCC 407

industries for India's rapid growth are "those which are more labour intensive. These industries have been starved of credit."

"The key economic question in the bankruptcy process.

When a firm (referred to as the corporate debtor in the draft law) defaults, the question arises about what is to be done. Many possibilities can be envisioned. One possibility is to take the firm into liquidation. Another possibility is to negotiate a debt restructuring, where the creditors accept a reduction of debt on an NPV basis, and hope that the negotiated value exceeds the liquidation value. Another possibility is to sell the firm, as a going concern and use the proceeds to pay creditors. Many hybrid structures of these broad categories can be envisioned.

The Committee believes that there is only one correct forum for evaluating such possibilities, and making a decision, a creditors committee, where all financial creditors have votes in proportion to the magnitude of debt that they hold. In the past, laws in India have brought arms of the government (legislature, executive or judiciary) into this question. This has been strictly avoided by the Committee. The appropriate disposition of a defaulting firm is a business decision, and only the creditors should make it."

**"Speed is of essence**

Speed is of essence for the working of the bankruptcy code, for two reasons. First, while the 'calm period' can help keep an organisation afloat, without the full clarity of ownership and control, significant decisions cannot be made. Without effective leadership, the firm will tend to atrophy and fail. The longer the delay, the more likely it is that liquidation will be the only answer. Second, the liquidation value tends to go down with time as many assets suffer from a high economic rate of depreciation.

From the viewpoint of creditors, a good realisation can generally be obtained if the firm is sold as a going concern. Hence, when delays induce liquidation, there is value destruction. Further, even in liquidation, the realisation is lower when there are delays. Hence, delays cause value destruction. Thus, achieving a high recovery rate is primarily about identifying and combating the sources of delay."

**"Objectives**

The Committee set the following as objectives desired from implementing a new Code to resolve insolvency and bankruptcy:

(1) Low time to resolution.

(2) Low loss in recovery.

(3) Higher levels of debt financing across a wide variety of debt instruments.

The performance of the new Code in implementation will be based on measures of the above outcomes."

8. As the speed is the essence and resolution of Corporate Insolvency Resolution Process is the object and not the liquidation or death, in ***"Innoventive Industries Limited v. ICICI Bank and Anr.[4]",*** the Hon'ble Supreme Court explained the facts which are to be noticed in triggering application under Sections 7 or 9:-

27. "The scheme of the Code is to ensure that when a default takes place, in the sense that a debt becomes due and is not paid, the insolvency resolution process begins. The Code gets triggered the moment default is of rupees one lakh or more (Section 4). The corporate insolvency resolution process may be triggered by the Corporate debtor itself or a financial creditor or operational creditor".

28. When it comes to a financial creditor triggering the process, Section 7 becomes relevant. Under the explanation to Section 7(1), a default is in respect of a financial debt owed to any financial creditor of the corporate debtor, it need not be a debt owed to the applicant financial creditor. The speed, within which the adjudicating authority is to ascertain the existence of a default from the records of the information utility or on the basis of evidence furnished by the financial

[4](2018) 1 SCC 407

creditor, is important. This it must do within 14 days of the receipt of the application. It is at the stage of Section 7(5), where the adjudicating authority is to be satisfied that a default has occurred, that the corporate debtor is entitled to point out that a default has not occurred in the sense that the "debt", which may also include a disputed claim, is not due. A debt may not be due if it is not payable in law or in fact. The moment the adjudicating authority is satisfied that a default has occurred, the application must be admitted unless it is incomplete."

29. ***"The scheme of Section 7 stands in contrast with the scheme under Section B where an operational creditor is, on the occurrence of a default, to first deliver a demand notice of the unpaid debt to the operational debtor in the manner provided in Section 8(1) of the Code. Under Section 8(2), the corporate debtor can, within a period of 10 days of receipt of the demand notice or copy of the invoice mentioned of a dispute or the record of the pendency of a suit or arbitration proceedings, which is pre-existing i.e. before such notice or invoice was received by the corporate debtor. The moment there is existence of such a dispute, the operational creditor gets out of the clutches of the Code."***

9. The 'I&B Code' aims at promoting availability of credit and maximisation of the assets and the final findings of the Appellate Tribunal is the aim as has been held in ***"Binani Industries Limited v. Bank of Baroda & Anr.[5]":-***

"(b) The 'I&B Code' alms at promoting availability of credit. Credit comes from the 'Financial Creditors' and the 'Operational Creditors'. Either creditor is not enough for business. Both kinds of credits need to be on a level playing field. 'Operational Creditors' need to provide goods and services. If they are not treated well or discriminated, they will not provide goods and services on credit. The objective of promoting availability of credit will be defeated.

c. The 'I&B Code' is for reorganisation and insolvency resolution of corporate persons, for **maximisation of value of assets of such persons, to balance interests of all stakeholders.** It is possible to balance interests of all stakeholders if the resolution maximises the value of assets of the 'Corporate Debtor'. One cannot balance interest of all stakeholders, if resolution maximises the value for a or a set of stakeholders such as 'Financial Creditors'. One or a set of stakeholders cannot benefit unduly stakeholder at the cost of another.

10. In ***"Binani Industries Limited v. Bank of Baroda & Anr.[6]"***, the Appellate Tribunal further observed:-

"The 'I&B Code' defines 'Resolution Plan' as a plan for insolvency resolution of the 'Corporate Debtor' as a going concern. It does not spell out the shape, colour and texture of 'Resolution Plan', which is left to imagination of stakeholders. Read with long title of the 'I&B Code', functionally, the 'Resolution Plan' must resolve insolvency (rescue a failing, but viable business); should maximise the value of assets of the 'Corporate Debtor', and should promote entrepreneurship, availability of credit, and balance the interests of all the stakeholders."

The Appellate Tribunal further held: -

"**It is not an auction**. Depending on the facts and circumstances of the 'Corporate Debtor', 'Resolution Applicant' may propose a 'Resolution Plan' that entails change of management, technology, product portfolio or marketing strategy, acquisition or disposal of assets, undertaking or business, modification of capital structure or leverage, infusion of additional resources in cash or kind over time etc. Each plan has a different likelihood of turnaround depending on credibility and track record of 'Resolution Applicant' and feasibility and viability of a 'Resolution Plan' are not amenable to bidding or auction. It requires application of mind by the 'Financial Creditors' who understand the business well.

[5]Company Appeal (AT)(Ins) No.82 of 2018

[6]Company Appeal (AT)(Ins) No.82 of 2018

**It is not recovery:** Recovery is an individual effort by a creditor to recover its dues through a process that has debtor and creditor on opposite sides. When creditors recover their dues one after another or simultaneously from the available assets of the firm, nothing may be left in due course. Thus, while recovery bleeds the 'Corporate Debtor' to death, resolution endeavours to keep the 'Corporate Debtor' alive. In fact, the 'I&B Code' prohibits and discourages recovery in several ways.

**It is not liquidation:** Liquidation brings the life of a corporate to an end. It destroys organisational capital and renders resources idle till reallocation to alternate uses. Further, it is inequitable as it considers the claims of a set of stakeholders only if there is any surplus after satisfying the claims of a prior set of stakeholders fully. The 'I&B Code', therefore, does not allow liquidation of a 'Corporate Debtor' directly. It allows liquidation only on failure of 'Corporate Insolvency Resolution Process'. It rather facilitates and encourages resolution in several ways.

11. The Insolvency and Bankruptcy Code, 2016 was challenged and upheld by the Hon'ble Supreme Court. The Hon'ble Supreme Court explained the relevant provisions of Sections 7, 9 & 10 for triggering the 'Corporate Insolvency Resolution Process'. 'Viability and feasibility of a plan is the essence of a 'Resolution Plan', coupled with commercial aspect of maximisation of assets of the 'Corporate Debtor' as also maximisation of assets of 'Financial Creditors', 'Operational Creditors' and other stakeholders. The Hon'ble Supreme Court observed that the most 'Financial Creditors', particularly Banks and Financial Institutions are 'secured creditors' whereas most 'Operational Creditors' are 'unsecured creditors', payments for goods and services as well as payments to workers not being secured by mortgaged documents and the like. The distinction between the 'secured and unsecured creditors' was noticed which has obtained since the earliest of the Companies Act both in United Kingdom and in India.

12. The 'Committee of Creditors' is entrusted with the primary responsibility of financial restructuring. They are required to assess the 'viability of the Corporate Debtor' by taking into account all available information as well as to evaluate all alternative investment opportunities that are available. The 'Committee of Creditors' is required to evaluate the 'Resolution Plan' on the basis of feasibility and viability.

13. Since the 'Financial Creditors' are in the business of money lending, Banks and Financial Institutions are well equipped to assess viability and feasibility of the business of the 'Corporate Debtor' ***("Swiss Ribbons Pvt. Ltd. & Anr. V. Union of India & Ors.[7]")***.

14. As per the Hon'ble Supreme Court, NCLAT has, while looking into viability and feasibility of resolution plans that are approved by the committee of creditors, always gone into whether operational creditors are given roughly the same treatment as financial creditors, and if they are not, such plans are either rejected or modified so that the operational creditors' rights are safeguarded. It must be seen that a resolution plan cannot pass muster under Section 30(2) (b) read with Section 31 unless a minimum payment is made to operational creditors ***("Swiss Ribbons Pvt. Ltd. & Anr. V. Union of India & Ors.[8]").***

15. The Insolvency and Bankruptcy Code, 2016 envisages that Applicant to submit records of the default while initiating Corporate Insolvency Resolution Process. The Creditor(s) to submit claim along with proof of existence of debt. The information utility is required to make authentic record of debt and default available to the Adjudicating Authority (National Company Law Tribunal) and the Resolution Professional to facilitate time bound completion of the processes.

16. The Scheme of the Code is implemented by the National Company Law Tribunal. The Code

[7] 2019 SCC Online SC 73
[8] 2019 SCC Online SC 73

and its Scheme is explained by the National Company Law Appellate Tribunal and finally law is laid down by the Hon'ble Supreme Court under Article 141.

**Benefit of Code**

17. After introduction of Section 29A of the 'I&B Code', many Promoters became ineligible. However, during the last three years, the law has been explained in a manner that before liquidation (sale of assets), the Promoters get three chances to exit and to take control of the 'Corporate Debtor' (Company) or otherwise outsiders get three opportunities.

**Opportunity to the Promoters to keep control/ take back control of the company**

i. After filing application under Sections 7 or 9, but before admission, by satisfying the debt or by settlement with 'Financial Creditors' / 'Operational Creditors';

ii. After admission, but before constitution of the 'Committee of Creditors', by settlement with 'Financial Creditors' / 'Operational Creditors' and then to move application under Rule 11 of the National Company Law Appellate Tribunal Rules, 2016 for exercising its inherent powers;

iii. After constitution of the 'Committee of Creditors', but before the approval of the Resolution Plan, under Section 12A, satisfying 'Financial Creditors' / 'Operational Creditors' and if the Committee of Creditors approve it with 90% voting shares.

If the 'Promoters' do not settle, the outsiders get the best of the opportunity to acquire the Company without much difficulty. They get the land, Infrastructure, and in many cases a running company and expert employees. It is one of the best mode of investment and attracts Foreign Investors. Three opportunities are:

i. By filing best of the Resolution Plan in accordance with Section 30(2) and getting it approved by the Committee of Creditors and the Adjudicating Authority.

ii. Even after order of liquidation, the Company can be taken over by 'Arrangement and Scheme' with the Liquidator in terms of Sections 230-232 of the Companies Act, 2013 ***("Y. Shivram Prasad Vs. S. Dhanapal & Ors.[9]).***

iii. On failure, the Company can be purchased by outsiders by way of outright sale as is wherein basis along with employees by paying maximum amount, i.e. much more than the liquidation value.

18. The 'I&B Code' has changed the habits of the Corporate Debtors. Previously, the Financial Institutions/ Banks/ NBFCs used to request the defaulter Company to pay back the debt. The defaulter Companies waited for action(s) under Section 19 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 or Section 13(4) of the SARFAESI Act, 2002 and if action taken then to move before the Debt Recovery Tribunal to delay recovery. Now, the habit of defaulter Companies has changed. The genuine Corporate Debtors are ensuring not to commit default and make payment. In cases where Corporate Insolvency Resolution Process triggered (admitted), the genuine Corporate Debtors are paying the default amount or reaching 'Terms of Settlement' with the Financial Institutions/ Banks/ Operational Creditors. A good habit has been developed amongst the borrower Companies, who are now approaching the Financial Institutions/ Banks/ Operational Creditors with request to settle their debt.

19. The Insolvency and Bankruptcy Board of India (IBBI) maintains records relating to Corporate Insolvency Resolution Process out of information received from Insolvency Professionals or other sources. As on 30th September, 2019, the details published in the **'Insolvency and Bankruptcy News' of IBBI reflects the details**:

[9]Company Appeal (AT) (Insolvency) No.224 of 2018

**Table 1: Corporate Insolvency Resolution Process**

| Quarter | CIRPs at the beginning of the quarter | Admitted | Closure by | | | | CIRPs at the end of the quarter |
|---|---|---|---|---|---|---|---|
| | | | Appeal/ Review Settled | Withdrawal under Section 12A | Approval of Resolution plan | Commencement of liquidation | |
| Jan-Mar, 2017 | 0 | 37 | 1 | 0 | 0 | 0 | 36 |
| Apr-Jun, 2017 | 36 | 129 | 8 | 0 | 0 | 0 | 157 |
| July-Sept, 2017 | 157 | 233 | 18 | 0 | 2 | 8 | 362 |
| Oct-Dec, 2017 | 362 | 147 | 38 | 0 | 7 | 24 | 440 |
| Jan-Mar, 2018 | 440 | 195 | 20 | 0 | 11 | 59 | 545 |
| Apr-Jun, 2018 | 545 | 246 | 20 | 1 | 14 | 52 | 704 |
| Jul-Sept, 2018 | 704 | 243 | 30 | 27 | 29 | 87 | 774 |
| Oct-Dec, 2018 | 774 | 275 | 8 | 36 | 17 | 82 | 906 |
| Jan-Mar, 2019 | 906 | 374 | 20 | 19 | 22 | 86 | 1133 |
| Apr-Jun, 2019 | 1133 | 294 | 14 | 19 | 27 | 93 | 1274 |
| July-Sept, 2019 | 1274 | 369 | 9 | 14 | 27 | 96 | 1497 |
| **Total** | **NA** | **2542*** | **186** | **116** | **156**** | **587** | **1497** |

*These CIRPS are in respect of 2538 CDs.

**This excludes 5 resolutions which have since yielded liquidation.

Source: Compilation from website of the NCLT.

**Table 2: Sectoral Distribution of CDs under CIRP as on 30th September 2019**

| Sector | No. of CIRPs | | |
|---|---|---|---|
| | Closed | Ongoing | Total |
| **Manufacturing** | 450 | 593 | 1043 |
| Food, Beverages & Tobacco Products | 41 | 87 | 128 |
| Chemicals and Chemical Products | 48 | 50 | 98 |
| Electrical Machinery and apparatus | 41 | 46 | 87 |
| Fabricated Metal Products | 31 | 33 | 64 |
| Machinery & Equipment | 48 | 70 | 118 |
| Textiles, Leather & Apparel Products | 79 | 92 | 171 |
| Wood, Rubber, Plastic & Paper Products | 48 | 71 | 119 |
| Basic Metals | 82 | 101 | 183 |
| Others | 32 | 43 | 75 |
| **Real Estate, Renting & Business Activities** | 201 | 299 | 500 |
| Real Estate Activities | 28 | 87 | 115 |
| Computer and Related Activities | 28 | 37 | 65 |
| Research and Development | 2 | 1 | 3 |
| Other business activities | 143 | 174 | 317 |
| **Construction** | 88 | 186 | 274 |
| **Wholesale & Retail Trade** | 117 | 133 | 250 |
| **Electricity & Others** | 22 | 47 | 69 |
| **Transport, Storage & Communications** | 30 | 42 | 72 |
| **Others** | 110 | 158 | 268 |
| **Total** | **1045** | **1497** | **2542** |

Note: The distribution is based on the CIN of CDs and as per the National Industrial Classification (NIC 2004)

The distribution of stakeholders, who triggered resolution process, is presented in Table 3. OCs triggered 48.5% of the CIRPs, followed by about 43% by FCs and remaining by the CDs.

**Table 3: Initiation of Corporate Insolvency Resolution Process**

| Quarter | No. of CIRPs Initiated by | | | |
|---|---|---|---|---|
| | Operational Creditor | Financial Creditor | Corporate Debtor | Total |
| Jan-Mar, 2017 | 7 | 8 | 22 | 37 |
| Apr-Jun, 2017 | 58 | 37 | 34 | 129 |
| Jul-Sept, 2017 | 100 | 94 | 39 | 233 |
| Oct-Dec, 2017 | 67 | 66 | 14 | 147 |
| Jan-Mar, 2018 | 89 | 84 | 22 | 195 |
| Apr-Jun, 2018 | 129 | 99 | 18 | 246 |
| Jul-Sept, 2018 | 132 | 95 | 16 | 243 |
| Oct-Dec, 2018 | 153 | 106 | 16 | 275 |
| Jan-Mar, 2019 | 166 | 187 | 21 | 374 |
| Apr-Jun, 2019 | 154 | 127 | 13 | 294 |
| Jul-Sept, 2019 | 177 | 183 | 9 | 369 |
| **Total** | **1232** | **1086** | **224** | **2542** |

The Status of CIRP as on 30th September, 2019 is presented in Table 4.

**Table 4: Status of CIRPs as on 30th September, 2019**

| Status of CIRPs | No. of CIRPs |
|---|---|
| Admitted | 2542 |
| Closed on Appeal/Review/Settled | 186 |
| Closed by Withdrawal under section 12A | 116 |
| Closed by Resolution | 156 |
| Closed by Liquidation | 587 |
| Ongoing CRP | 1497 |
| >270 days | 535 |
| >180 days <270 days | 324 |
| >90 days<180 days | 276 |
| <90 days | 362 |

Note: 1. The number of days is from the date of admission
2. The number of days includes time, if any, excluded by the tribunal

### Withdrawal under Section 12A

Till September 2019, a total of 116 CIRPs have been withdrawn under Section 12A of the Code. The distribution of claims and reasons for withdrawal in these CIRPs are presented in Table 5.

**Table 5 : Claim Distribution and Reasons for Withdrawal**

| Amount of Claims Admitted* (Amount in Rs. Crore) | No. of CIRPs |
|---|---|
| **< or = 01** | 43 |
| **> 01<10** | 32 |
| **>10<50** | 15 |
| **>50<100** | 6 |
| **>100<1000** | 5 |
| **>1000** | 2 |
| **Reason for Withdrawal**** | |
| Full settlement with the applicant | 34 |
| Full settlement with other creditors | 7 |
| Agreement to settle in future | 8 |
| Other settlements with Creditors | 35 |
| Corporate debtors not traceable | 2 |
| Corporate debtor stuck off the Register | 1 |
| Application not pursuing CIRP due to high cost | 2 |
| Others | 16 |

* Data awaited in 13 CIRPs

** Data awaited in 11 CIRPs

### Resolution Plans

It is seen that about 56.17% of the CIRPs, which were closed, ended in liquidation, as compared to 14.93% ending with a resolution plan. However, it is important to note that 72.86% of the CIRPs ending in liquidation (427 out of 586) were earlier with BIFR and or defunct (Table 6). The economic value in most of these CDs had already eroded before they were admitted into CIRP.

**Table 6: CIRPs ending with orders for Liquidation**

| State of Corporate Debtor at the Commencement of CIRP | No. of CIRPs initiated by | | | |
|---|---|---|---|---|
| | FC | UC | CD | Total |
| Either in BIFR or Non-functional or both | 153 | 190 | 84 | 427 |
| Resolution Value < Liquidation Value | 188 | 221 | 85 | 494 |
| Resolution Value > Liquidation Value | 43 | 26 | 23 | 92 |

Note: 1. There were 45 CIRPs, where CDs were in BIFR or non functional but had resolution value higher than liquidation value.
2. Where liquidation value was not calculated, it has been take as '0'
3. Data of 1 CIRP awaited

Till June 2019, 120 CIRPs had yielded resolution plans as presented in the last newsletter. 11 CIRPs were later reported as yielding resolution plans during that period, as presented in Part A of Table 7. During July-September, 2019, 27 CIRPs yielded resolution plans with different degrees of realisation in comparison to the liquidation value as presented in Part B of Table 7. During the Quarter, realisation by FCs under resolution plans in comparison to liquidation value is 183%, while the realisation by them in comparison to their claims is 34%. Till September 2019, realisation by FCs under resolution plans in comparison to liquidation value is 184%, while the realisation by them in comparison to their claims is 42%.

**Table 7: CIRPs Yielding Resolution**

| Sr.No | Name of CD | Defunct (Yes/No) | Date of Commencement of CIRP | Date of Approval of Resolution plan | CIRP Initiated by | Total Admitted claims of FCs | Liquidation on Value | Realisable by FCs | Realisable by FCs as % of their claims admitted | Realisable by FCs as % of Liquidation Value |
|---|---|---|---|---|---|---|---|---|---|---|
| **PART A : PRIOR PERIOD (TILL 30TH JUNE 2019)** | | | | | | | | | | |
| 1 | Garg Inox Limited | Yes | 25-07-2017 | 04-12-2018 | FC | 214.13 | 69.39 | 72.00 | 33.62 | 103.76 |
| 2 | United Seamless Tubular Private Limited | No | 12-06-2017 | 21-01-2019 | FC | 2032.78 | 597.55 | 472.25 | 23.23 | 79.03 |
| 3 | Say India Jewellers Private Limited | Yes | 01-08-2017 | 29-01-2019 | OC | 137.92 | 16.70 | 27.75 | 20.12 | 166.17 |
| 4 | Paramshakti Steels Limited | Yes | 03-07-2017 | 21-02-2019 | FC | 174.94 | 34.11 | 47.95 | 27.41 | 140.57 |
| 5 | Rainbow papers Ltd. | Yes | 12-09-2017 | 27-02-2019 | OC | 1468.25 | 424.01 | 564.31 | 38.43 | 133.09 |
| 6 | Star Agro Marine Exports Private Limited | No | 08-01-2018 | 11-03-2019 | FC | 287.23 | 22.65 | 48.09 | 16.74 | 212.32 |
| 7 | Inclbs Fila Limited | | 20-02-2018 | 10-05-2019 | OC | | | | | |
| 8 | Maiyas Beverages and foods Private Limited | No | 24-07-2018 | 10-05-2019 | OC | 109.09 | 58.39 | 109.09 | 100.014 | 186.83 |
| 9 | NSP Hospitech India Private Limited | Yes | 04-12-2018 | 06-06-2019 | OC | 1.15 | 1.09 | 1.01 | 88.60 | 92.66 |
| 10 | Uttam Strips Limited | No | 09-04-2018 | 06-06-2019 | OC | 558.83 | 107.00 | 109.00 | 19.51 | 101.87 |
| 11 | Korba West Power Company Ltd | No | 26-07-2018 | 24-06-2019 | CD | 5032.16 | 1454.93 | 1166.61 | 23.18 | 80.18 |
| **PART B : JULY -SEPTEMBER 2019** | | | | | | | | | | |
| 1 | Asis plywood Limited | No | 21-11-2017 | 01-07-2019 | CD | 8935.56 | 689.91 | 1114.09 | 12.47 | 161.48 |
| 2 | Network Industries Limited | Yes | 26-09-2018 | 04-07-2019 | FC | 196.22 | 31.65 | 35.80 | 18.24 | 113.11 |
| 3 | Olive Lifesciences Private Limited | No | 22-09-2017 | 09-07-2019 | CD | 47.51 | 15.20 | 40.23 | 84.68 | 264.67 |

| Sr.No | Name of CD | Defunct (Yes/No) | Date of Commencement of CIRP | Date of Approval of Resolution plan | CIRP Initiated by | Total Admitted claims of FCs | Liquidation on Value | Realisable by FCs | Realisable by FCs as % of their claims admitted | Realisable by FCs as % of Liquidation Value |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | Dinesh Polytubes private Limited | Yes | 11-12-2017 | 12-07-2019 | FC | 5.78 | 1.84 | 2.53 | 43.77 | 137.50 |
| 5 | BCIL Zed Ria Properties Private Limited | No | 09-08-2018 | 16-07-2019 | FC | 91.02 | 21.44 | 35.90 | 39.44 | 167.44 |
| 6 | Miditech private Limited | Yes | 16-02-2018 | 18-07-2019 | CD | 11.62 | 0.16 | 1.87 | 16.09 | 1168.75 |
| 7 | Sri Srivathsa Paper Mills Private Limited | No | 13-11-2018 | 19-07-2019 | FC | 153.44 | 12.00 | 20.50 | 13.36 | 170.83 |
| 8 | Beans & More Hospitality Private Limited | No | 13-03-2018 | 19-07-2019 | FC | 87.36 | 42.01 | 87.36 | 100.00 | 207.95 |
| 9 | Solidaire India Limited | Yes | 26-10-2018 | 19-07-2019 | FC | 133.87 | 6.11 | 1.20 | 0.90 | 19.64 |
| 10 | Ruchi Soya Industries Limited | No | 15-12-2017 | 24-07-2019 | FC | 9384.75 | 2391.16 | 4093.19 | 43.62 | 171.18 |
| 11 | Murli Industries Limited | No | 05-04-2017 | 25-07-2019 | FC | 2783.10 | 231.10 | 347.74 | 12.49 | 150.47 |
| 12 | Seven Hills Health care private Limited | No | 13-03-2018 | 26-07-2019 | FC | 1273.30 | 622.10 | 1002.54 | 78.74 | 161.15 |
| 13 | Lanco Teesta Hydro Power Limited | No | 16-03-2018 | 26-07-2019 | FC | 31.72 | 132.08 | 11.12 | 35.06 | 8.42 |
| 14 | Shrid Metal Technologies Private Limited | No | 16-04-2018 | 26-07-2019 | OC | 16.97 | 4.32 | 13.34 | 78.61 | 308.80 |
| 15 | MIC Electronics Limited | No | 13-03-2018 | 31-07-2019 | FC | 263.53 | 53.00 | 49.72 | 18.87 | 93.81 |
| 16 | Khandoba Prasanna Sakhar Karkhana Limited | Yes | 01-01-2018 | 01-08-2019 | FC | 30.89 | 13.53 | 18.53 | 59.99 | 136.95 |

| Sr.No | Name of CD | Defunct (Yes/No) | Date of Commencement of CIRP | Date of Approval of Resolution plan | CIRP Initiated by | Total Admitted claims of FCs | Liquidation on Value | Realisable by FCs | Realisable by FCs as % of their claims admitted | Realisable by FCs as % of Liquidation Value |
|---|---|---|---|---|---|---|---|---|---|---|
| 17 | Rustagi Impex Private Limited | No | 10-05-2018 | 06-08-2019 | FC | 126.71 | 8.57 | 7.15 | 5.64 | 83.43 |
| 18 | Feedatives Pharma Pvt. Ltd | No | 18-09-2018 | 06-08-2019 | | 56.42 | 5.90 | 8.00 | 14.18 | 135.59 |
| 19 | BCIL Red Earth Developers India Private Limited | No | 09-08-2018 | 09-08-2019 | FC | 199.74 | 21.05 | 79.56 | 39.83 | 377.96 |
| 20 | Sheon Skincare Private Limited | No | 08-12-2017 | 09-08-2019 | OC | 0.00 | 0.23 | 0.00 | 0.00 | 0.00 |
| 21 | Aristo Texcon Pvt. Ltd | No | 31-08-2018 | 20-08-2019 | CD | 36.32 | 8.43 | 8.51 | 23.43 | 100.95 |
| 22 | PRC International Hotels Private Limited | Yes | 24-07-2018 | 27-08-2019 | FC | 53.43 | 28.38 | 25.40 | 47.54 | 89.50 |
| 23 | Ramsarup Industries Limited | No | 08-01-2018 | 04-09-2019 | FC | 5851.96 | 614.41 | 351.00 | 6.00 | 57.13 |
| 24 | Bhushan Power & Steel Limited | No | 26-07-2017 | 05-09-2019 | FC | 47157.99 | 9513.63 | 19350.00 | 41.03 | 203.39 |
| 25 | Sunstar Overseas Limited | No | 20-07-2018 | 12-09-2019 | FC | 161.96 | 157.95 | 195.00 | 17.86 | 123.46 |
| 26 | Scott Garments Limited | Yes | 13-08-2018 | 16-09-2019 | OC | 564.04 | 160.00 | 160.00 | 28.37 | 100.00 |
| 27 | Jasper Engineers Pvt. Ltd | Yes | 05-09-2018 | 17-09-2019 | OC | 7.21 | 3.47 | 4.67 | 64.77 | 134.58 |
| | **Total (July – September, 2019)** | | | | | **78592.42** | **14789.63** | **27064.95** | **34.44** | **183.00** |
| | **Total (Till September, 2019)** | | | | | **332087.26** | **74996.82** | **137919.28** | **41.53** | **183.90** |

*Data awaited

Defunct: Not Going Concern/Erstwhile BIFR

Note: Two CIRPs of prior period (in respect of Zion Steel Ltd. and Adhunik Metaliks Ltd.) which had yielded resolution plans earlier, have moved into liquidation in this quarter.

### Liquidation

Till 30th June, 2019, a total of 475 CIRPs had yielded orders for liquidation, as presented in the previous Newsletter. The liquidation order passed with respect to one CD was set aside by the Appellate Tribunal during the prior period. 20 CIRPs were later reported as yielding orders for liquidation during that period. During the quarter July-September, 93 CIRPs ended in liquidation, taking the total CIRPs yielding liquidation to 587.

**Table 8: Status of Liquidation Process as on 30th September, 2019**

| Status of Liquidation | Number |
|---|---|
| Initiated | 587 |
| Final Report submitted | 37 |
| **Closed by Dissolution** | 24 |
| **Ongoing** | **550** |
| >Two years | **8** |
| >360 days | 193 |
| >270 days<_360 days | 82 |
| >180 days<_270 days | 86 |
| >90 days <_ 180 days | 92 |
| <_ 90 days | 89 |

20. The 'Financial Creditors' and the 'Operational Creditors' while dealing with the 'Corporate Insolvency Resolution Process' must apply positive approach to find out what is the benefit for the present and in future. The past dues can be compromised if by present resolution, it is seen that future is bright and there will be 100% return of the amount, if the Company remains a going concern through the genuine Promoter. This should be the approach of the members of the 'Committee of Creditors', Financial Institutions/ Banks/ NBFCs (Financial Creditors).

### The Recent Problems:

21. The Parliament made amendment of Section 30(2) & (4) of the 'I&B Code' to give weightage to the 'Secured Creditors' which came into force on 16th August, 2019.

22. In ***"Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta & Ors.[10]"***, the Hon'ble Supreme Court made a distinction between the 'Secured' and 'Unsecured Creditors' and observed that protecting creditors in general is, no doubt, an important objective. Protecting creditors from each other is also important. If an "equality for all" approach recognising the rights of different classes of creditors as part of an insolvency resolution process is adopted, secured financial creditors will, in many cases, be incentivised to vote for liquidation rather than resolution, as they would have better rights if the Corporate Debtor is liquidated. This would defeat the objective of the Code which is resolution of distressed assets and only if the same is not possible, should liquidation follow. The amended Regulation 38 does not lead to the conclusion that 'Financial Creditors' and 'Operational Creditors', or secured and unsecured creditors, must be paid the same amounts, percentage wise, under the resolution plan before it can pass muster. Fair and equitable dealing of Operational Creditors rights under the Regulation 38 involves the resolution plan stating as to how it has dealt with the interests of Operational Creditors, which is not the same thing as saying that they must be paid the same amount of their debt proportionately. So long as the provisions of the Code and the Regulations have been met, it is the commercial wisdom of the requisite majority of the Committee of Creditors which is to negotiate and accept a resolution plan, which may involve differential payment to different classes of creditors, together with negotiating with a prospective resolution applicant for better or different terms which may also involve differences in distribution of amounts between different classes of creditors.

23. In ***"Pioneer Urban Land and Infrastructure Limited & Anr. v. Union of India & Ors.[11]"***, the Hon'ble Supreme Court upheld the Explanation below Section 5(8) (f) to hold that allottees

[10] 2019 SCC Online SC 1478
[11] (2019) SCC Online SC 1005

(Homebuyers) of Infrastructure Company are 'Financial Creditors'. It further observed that RERA is in addition to and not in derogation of the provisions of any other law for the time being in force, also makes it clear that the remedies under RERA to allottees were intended to be additional and not exclusive remedies. Therefore, provisions of the Code would apply in addition to RERA.

24. The following are the problems which have now cropped up.

There is a difference in Form B and Form C for submission of proof claims by the Operational Creditors and the Financial Creditors. Prior to the Notification dated 27th November, 2019, Form B which is for 11 (2019) see Online SC 1005 submission of proof of claims by Operational Creditors before the Interim Resolution Professional, did not have any column for details of any security held by them, unlike Form C which had such a separate column. The inclusion of this column vide the aforesaid notification acknowledges the fact that Operational Creditors can also be secured and that earlier, due to absence of any such specific column, the Operational Creditors were deprived from submitting their claims and to 'state whether any security is held by them either by annexing it by way of supplementary documents. Hence, there was a need for this inclusion.

25. On the other hand, since inception of the Insolvency and Bankruptcy Code, 2016, at the time of liquidation, Forms B & C provided column for details of any security held by 'Operational Creditors' and the 'Financial Creditors'.

26. The 'allottees' (Homebuyers) come within the meaning of 'Financial Creditors'. They do not have any expertee to assess 'viability' or 'feasibility' of a 'Corporate Debtor'. They don't have commercial wisdom like Financial Institutions/ Banks/ NBFCs. However, these allottees have been provided with voting rights for approval of the plan. Many of such cases came to my notice where the allottees were the sole Financial Creditors. However, it is not made clear as to how they can assess the viability and feasibility of the 'Resolution Plan' or commercial aspect/ functioning of the 'Corporate Debtor' in terms of the decision of the Hon'ble Supreme Court in ***"Innoventive Industries Limited v. ICICI Bank and Anr.[12]" followed by "Swiss Ribbons Pvt. Ltd. & Anr. V. Union of India & Ors.[13]" and "Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta & Ors.[14]".***

27. In terms of the 'I&B Code' and the decisions of the Hon'ble Supreme Court, the 'Resolution Plan' must maximise the assets of the Corporate Debtor and balance the stakeholders (secured and unsecured creditors Financial Creditors/ Operational Creditors).

28. The Infrastructure which is constructed for the allottees by Corporate Debtor (Infrastructure Company) is an asset of the Corporate Debtor. The assets of the Corporate Debtor as per the Code cannot be distributed, which is meant for 'Secured Creditors'. On the contrary, allottees (Homebuyers) who are 'Unsecured Creditors', the assets of the Corporate Debtor which is the Infrastructure, is to be transferred in favour of 'Unsecured Creditors' and not to the 'Secured Creditors' such as Financial Institutions/ Banks/ NBFCs.

Normally, the Banks/ Financial Institutions/ NBFCs also would not like to take the flats/ apartments in lieu of the money lent by them. On the other hand, the 'unsecured creditors' have a right over the assets of the Corporate Debtor i.e. flats/ apartment, assets of the Company.

29. In most cases, the Committee of Creditors take 'haircut'. The Resolution Applicants satisfy them most of the time with lesser amount than the

[12](2018) 1 SCC 407
[13]2019 SCC Online SC 73
[14]2019 SCC Online SC 1478

total amount. In the case of allottees (Financial Creditors), can there be a haircut of assets/ flats/ apartment? No, there can't be.

The law is to be explained now again in a reverse way.

30. Recently, in ***"B.K. Educational Services Private Limited Vs. Parag Gupta and Associates[15]"; II Jignesh Shah & Anr. Vs. Union of India & Anr.[16]"*** and ***"Gaurav Hargovindbhai Dave Vs. Asset Reconstruction Company (India) Ltd & Anr.[17]",*** the Hon'ble Supreme Court held that an application under Section 7 is barred by limitation if it is more than three years from the date of default (NPA).

31. The Hon'ble Supreme Court held that Article 137 of the Limitation Act, 1963 which relates to application for which no period of limitation has been prescribed to be applicable in the case of application filed under Sections 7 and 9.

32. Section 238A of the 'I&B Code' was inserted by the Parliament, as follows:

**"238A. Limitation**

The provisions of the Limitation Act, 1963 shall, as far ***as may be, apply to the proceedings or appeals before the Adjudicating Authority, the National Company Law Appellate Tribunal***, the Debt Recovery Tribunal or the Debt Recovery Appellate Tribunal, as the case may be."

33. On plain reading of Section 238A, it will be clear that the Limitation Act is applicable only with regard to the 'proceedings' or 'appeals' before the Adjudicating Authority, the National Company Law Appellate Tribunal, the Debt Recovery Tribunal or the Debt Recovery Appellate Tribunal. The word 'applications' have not been brought with the ambit of Section 238A by the Parliament.

34. There is a provision of filing an 'appeal' under Section 42 of the 'I&B Code' before the National Company Law Tribunal. There is a provision of filing 'liquidation proceeding' under Section 59 of the 'I&B Code'. Section 60(5) of the 'I&B Code' empowers a person to file 'application' or 'proceeding' by or against the Corporate Debtor before the National Company Law Tribunal.

'Applications' under Sections 7 & 9 relate to Corporate Insolvency Resolution Process as distinct from a 'proceeding', as applicable in the case of liquidation proceeding. The Corporate Insolvency Resolution Process is also different from the appeal. Now it is to be explained as to how Section 238A is to be read and made applicable to 'an application' under Sections 7 or 9 of the 'I&B Code'. The word 'application' being absent in Section 238A, how Article 137 of the Limitation Act will be applicable.

35. The decisions of the Hon'ble Supreme Court in ***"B.K. Educational Services Private Limited Vs. Parag Gupta and Associates"; "Jignesh Shah & Anr. Vs. Union of India & Anr." and "Gaurav Hargovindbhai Dave Vs. Asset Reconstruction Company (India) Ltd & Anr."*** etc. are law of land under Article 141 of the Constitution of India and binding on all Courts and Tribunals. Section 238A is a law enacted by Parliament and is also binding on all the Courts/ Tribunals. Hence, the matter requires reconsideration.

36. What was the reason for the Parliament in not using the word 'application' in Section 238A, when the word 'application', 'proceeding' and 'appeal' all were existing as on 6th June, 2018 when it was introduced. Even if the claim is not barred by limitation, but now in view of the aforesaid decisions of the Hon'ble Supreme

[15](2019) 11 Supreme Court Cases 633
[16](2019) 10 Supreme Court Cases 750
[17](2019) 10 Supreme Court Cases 572

Court, many of the applications under Section 7 filed by the Banks / Financial Institutions/ NBFCs are now being dismissed being barred by limitation, by counting three years' period from the date of default/ NPA which has badly affected the Financial Creditors.

37. The bright side of 'I&B Code', which is yielding result at national level has been constantly highlighted. However, a stagnation point has come with regard to Operational Creditors, after the recent decisions. They are not being paid any amount, as they are neither secured nor financial creditors and their liquidation value in most cases is also 'zero'. Prior to the amendment, they were not given opportunity to mention that they were 'secured creditors' in absence of column pertaining to details of security in Form-B. This is the position which needs to be resolved mainly by the Banks/ Financial Institutions/ NBFCs, who are the members of the Committee of Creditors.

**Collation of claims by the Resolution Professional**

38. A claim which is barred by limitation is not payable in law. In "Innoventive Industries Limited v. ICICI Bank and Anr.[18]", the Hon'ble Supreme Court also observed that the Committee of Creditors can take plea that the claim is not payable in law or in fact. If a claim is barred by limitation, can such claim be filed before the Resolution Professional? Has the Resolution Professional any right to reject the claim on the ground that the claim is barred by limitation? The IBBI Regulations do not mandate to enclose a document in terms of Sections 18 & 19 that the claim is not barred by limitation. This is another issue which requires deliberation.

As the aforesaid issues have not been deliberated by any of the Resolution Professionals while collating the claim, they may not have knowledge.

39. The benefits of the I&B Code are huge, but many matters are required to be explained or to be re-looked in to by the appropriate forum such as National Company Law Tribunal, National Company Law Appellate Tribunal and the Hon'ble Supreme Court.

40. The problems given are illustrative, there are other problems too.



[18](2018) 1 SCC 407

# Linear & Non Linear Returns – Traditional & Alternative Investments

Narayan Kini*

Bank Deposits have remained the most favourite and the foremost choice of an investor for a long time. This is solely due to the reason that Bank Deposits are simple and easy to understand, offer linear returns over a period of time and have ease of operations. (Refer illustration 1 for FD returns)

Investments, beyond deposits require, a bit of understanding, as we start moving from linear to non-linear returns. Generally, non-linear returns come with an added benefit of capital appreciation but also carry a risk of loss to the principal. However, these products are not only emerging as attractive, their wider usage in the recent years is making them familiar too. So through this article, I welcome you to the world of Alternative Investments.

How we should be looking at alternative investment opportunities, depends solely on one's interest and ability to understand and migrate from simple to complex products. So just be on the look out whether the following investments have a place in your investment portfolio.

**Real Estate:** Simple to understand and the most loved possession of human investments during the last century, has been the residential and commercial properties for own use or to derive rent. The larger intent is to leave behind a legacy. Through real estate investment, one can benefit from the growth of local or micro markets.

**Traditional Approach**: Beyond self-occupied property, investment in multiple properties demands commercial decision making. Two critical factors favouring the decision to invest in a property are how much rental income can be earned and how much capital appreciation is possible. It goes without mentioning, that one has also to consider liquidity, cost of maintenance and efforts of supervision and tax implications.

**Real Estate Funds:** The Challenges faced in the traditional approach are overcome by investors coming together and pooling funds to own properties through proportionate units in the fund. A Professional Fund Manager is appointed and paid a management fee to deal with properties and generate returns. The Fund also offers a reasonable exit option. Through this vehicle, one can invest in large shopping malls, real estate development projects or even industrial sheds.

**Types of Real Estate Funds:** Real estate Debt Funds, Rental Yield Funds, Private Equity Funds etc. are some of the most popular real estate fund themes. One can invest in themes right from development to completed stages of real estate assets.

Another option available is to invest in real estate equity funds or developing a portfolio consisting of shares of real estate companies. Typically, these companies are into development of real estate projects.

**Investment in Gold:** Investing in gold has been an essential part of Indian investor's portfolio. This asset class is rather compulsive due to social practices and customs also. Mostly, gold is acquired for jewellery purpose. Of late, Gold is attracting a lot of interest

*Principal Advisor, First Assetz.

from investors due to higher returns generated since the beginning of year 2000. Investors have started buying high quality gold coins / bars etc.

Over the last one decade, investors are finding it easy to own gold through investing in Gold Funds offered by Mutual Funds and Gold Exchange Traded Funds listed on the stock exchanges.

Investors who hold physical gold, have an option to deposit the Gold with Banks at an interest, though interest earned is very low. This solves the problem of keeping the physical gold in safe custody. (Refer illustration No 2)

**Investment in shares, Debentures & Bonds:** A traditional investment avenue in India is to own listed shares over decades. Investors own shares through primary markets i.e. Initial Public offers or through primary dealers in the case of bonds and debentures. One can also buy shares, bonds & debentures through secondary market i.e. stock exchanges.

**Portfolio Management Services (PMS)** : One can build a portfolio of shares and manage on one's own or look for a Portfolio Manager who offers professional services. PMS Manager offers typically two types of services-(i) Discretionary Portfolio wherein the investor is not involved in investment decision making; and (ii) Non-discretionary portfolio wherein the investor is involved in the investment decision making process. The minimum investment required to go through the PMS route is Rs. 50 lakhs, effective 1st January 2020.

**Mutual Funds:** Investors can also invest through Mutual Fund Schemes to build their equity or debt portfolios. Mutual Funds in India are available largely based on asset class, risk, structure and themes.

**Equity Mutual Funds:** Large Cap Funds, Mid Cap Funds, Small Cap Funds, Multicap Funds, Sector Funds, Thematic Funds, Tax Saving Funds & Hybrid Funds.

Large cap shares means shares based on the market capitalization from the order of 1 to 100. Midcap shares are from the rank of 101 to 250 and Small Cap is from 251 and onwards. Equity Mutual Funds offer non-linear returns and over a longer period of time help investors to create wealth. ( Refer illustration no 3 & 3A)

SEBI on 6th October 2017 has come out with a circular to define shares based on the market capitalization and scheme classification so that investors are aware of the type of schemes in which they are investing. Mutual fund schemes must fall within these categories and should adhere to the scheme attributes as specified in the circular.

The following table is useful to understand the investment objectives of mutual fund schemes:

| Category of Schemes | Scheme Attributes | Type of Scheme |
|---|---|---|
| Large Cap Fund | 80% of total assets is the mandated minimum investment in large cap equity & equity related instruments. | Open ended equity scheme mainly investing in large cap stocks. |
| Mid Cap Fund | 65% of the total assets is the mandated minimum investment in mid cap equity & equity related instruments. | Open ended equity scheme mainly investing in mid cap stocks. |
| Small Cap Fund | 65% of the total assets is the mandated minimum investment in small cap equity & equity related instruments. | Open ended equity scheme mainly investing in small cap stocks. |
| Multi Cap Fund | 65% of the total assets is the mandated minimum investment in equity & equity related instruments. | Open ended equity scheme investing across large cap, mid cap and small cap stocks. |
| Large & Mid Cap Fund | 35% of the total assets is the mandated minimum investment in large and mid cap equity & equity related instruments. | Open ended equity scheme investing in both large cap and mid cap stocks. |
| Focused Fund | A scheme focused on a maximum 30 stocks and 65% of the total assets as the minimum investment in equity & equity related instruments. | Open ended equity scheme investing in maximum 30 stocks with disclosure of the scheme's focus. |

| Category of Schemes | Scheme Attributes | Type of Scheme |
|---|---|---|
| Sectorial/ Thematic Fund | 80% of the total assets is the mandated minimum investment in equity & equity related instruments of a particular sector/ particular theme. | Open ended equity scheme investing in a particular sector theme. |
| Dividend Yield Fund | 65% of the total assets, is the mandated minimum investment in equity, mainly dividend yielding stocks. | Open ended equity scheme mainly investing in dividend yielding stocks. |
| Value Fund | A value investment strategy is to be followed by the Scheme and 65% of the total assets is the mandated minimum investment in equity/equity related instruments. | Open ended equity scheme following a value investment strategy. |
| Contra Fund | Scheme follows a contrarian investment strategy with minimum 65% investment in equity & equity related instruments. | Open ended equity scheme with a contrarian strategy for investment. |

| Category of Schemes | Scheme Attributes | Type of Scheme |
|---|---|---|
| Equity Linked Savings Scheme (ELSS) | 80% of the total assets, is the mandated minimum investment in equity & equity related instruments - in accordance with Equity Linked Saving Scheme, 2005 notified by the Ministry of Finance. | An open ended equity linked saving scheme with tax benefits and a statutory lock-in period of 3 years. |

**Debt Mutual Funds:** Fixed income instruments like Govt Securities, Treasury Bills, Debentures, etc. that carry fixed interest coupons come under the purview of Debt Mutual Funds. Generally, investors invest in debt schemes depending on the tenor and risk of the schemes. Debt funds generate moderate returns with less volatility. Volatility in returns tends to get lower as the investors stay invested for longer periods (refer illustration No 4). The following scheme classification by SEBI is useful in selecting the right scheme for the purpose of investment.

| Category of Schemes | Scheme Attributes | Type of scheme |
|---|---|---|
| Overnight Fund | Investment in overnight securities having maturity of 1 day. | Open ended debt scheme investing in overnight securities. |
| Liquid Fund | Investment in Debt and money market securities with maturity of up to 91 days only. | Open ended liquid scheme. |
| Ultra Short Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 months - 6 months. | Open ended ultra-short term debt scheme investing in instruments with Macaulay duration between 3 months and 6 months. |
| Low Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 6 months- 12 months. | Open ended low duration debt scheme investing in instruments with Macaulay duration between 6 months and 12 months. |
| Money Market Fund | Investment in Money Market instruments having maturity up to 1 year. | Open ended debt scheme investing in money market instruments. |
| Short Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 1 year – 3 years. | Open ended short term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years. |
| Medium Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 years – 4 years. | Open ended medium term debt scheme investing in instruments with Macaulay duration between 3 years and 4 years. |
| Medium to Long Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 4 – 7 years. | Open ended medium term debt scheme investing in instruments with Macaulay duration between 4 years and 7 years. |
| Long Duration Fund | Investment in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years. | Open ended debt scheme investing in instruments with Macaulay duration greater than 7 years. |
| Dynamic Bond | Investment across duration. | Open ended dynamic debt scheme investing across duration |

| Category of Schemes | Scheme Attributes | Type of scheme |
|---|---|---|
| Corporate Bond Fund | 80% of the total assets is the mandated minimum investment in highest rated corporate bonds. | Open ended debt scheme mainly investing in highest rated corporate bonds. |
| Credit Risk Fund | 65% of the total assets is the mandated minimum investment in corporate bonds of below highest rated category. | Open ended debt scheme investing in below highest rated corporate bonds. |
| Banking and PSU Fund | 80% of the total assets is the mandated minimum investment in Debt instruments of banks, Public Sector Undertakings and Public Financial Institutions. | Open ended debt scheme mainly investing in Debt instruments of banks, Public Sector Undertakings and Public Financial Institutions. |
| Gilt Fund | 80% of the total assets is the mandated minimum investment in G-secs across maturity. | Open ended debt scheme investing in government securities across maturity. |
| Gilt Fund with 10 year constant duration | 80% of the total assets is the mandated minimum investment in G-secs such that the Macaulay duration of the portfolio is equal to 10 years. | Open ended debt scheme investing in government securities having a constant maturity of 10 years. |
| Floater Fund | 65% of the total assets is the mandated minimum investment in floating rate instruments. | Open ended debt scheme mainly investing in floating rate instruments. |

**Hybrid Schemes**

Hybrid schemes are the schemes which offer a mix of different class of assets like equity and debt in various proportions in order to enhance the returns of the schemes. It is easier for investors to select a single scheme that comes with the right mix of allocation.

| Category of Schemes | Scheme Attributes | Type of scheme |
|---|---|---|
| Conservative Hybrid Fund | Investment in:<br>• Equity & equity related instruments- between 10% and 25% of total assets;<br>• Debt instruments- between 75% and 90% of total assets | Open ended hybrid scheme investing mainly in debt instruments. |
| Balanced Hybrid Fund | Investment in<br>• Equity & Equity related instruments- between 40% and 60% of total assets;<br>• Debt instruments- between 40% and 60% of total assets<br>Arbitrage is not permitted in this scheme. | Open ended balanced scheme investing in equity and debt instruments. |
| Aggressive Hybrid Fund | Investment in<br>• Equity & Equity related instruments- between 65% and 80% of total assets;<br>• Debt instruments- between 20% 35% of total assets | Open ended hybrid scheme investing mainly in equity and equity related instruments. |
| Dynamic Asset Allocation or Balanced Advantage | Investment in dynamically managed equity/debt. | Open ended dynamic asset allocation fund. |
| Multi Asset Allocation | Investment in at least three asset classes with a minimum allocation of 10% each in all the three asset classes. | Open ended scheme investing in three different asset classes to be disclosed. |
| Arbitrage Fund | Scheme following arbitrage strategy with 65% of total assets as the minimum mandated investment in equity & equity related instruments. | Open ended scheme investing in arbitrage opportunities. |
| Equity Savings | Minimum investment in<br>• Equity & equity related instruments- 65% of total assets, and<br>• Debt- 10% of total assets.<br>Minimum hedged & unhedged to be stated in the Scheme Information Document.<br>Asset Allocation under defensive considerations also to be stated in the Offer Document. | Open ended scheme investing in equity, arbitrage and debt. |

Source: SEBI Circular-SEBI/HO/IMD/DF3/CIR/P/2017/114 dt 6th Oct 2017

**Alternative Investment Funds**

Rarely do we come across participation in unlisted shares except in certain cases where the investor wants to be part of the family owned business and/or to invest in friend's and relative's business to help them.

Unlisted space has generated enormous capital appreciation worldwide. Most of the new startup companies are sourcing their funds through private equity funds. New entrepreneurs find it easier to raise capital from venture funds instead of going through the traditional method of borrowing from banks or from friends and relatives.

Alternative investments provide an opportunity to invest in various themes like Private Equity Funds, Angel Fund, Hedge Funds, Infrastructure Funds, Commodities Funds etc.

Venture Capital Funds are run by highly experienced professionals who not only fund the new business but also help entrepreneurs in networking with experts. They closely monitor the progress in the companies and ensure higher valuation with suitable exit strategies.

**Art & Artifacts, Wine etc.:**

**Traditional Approach:** Affluent investors are desirous of possessing rare & unique items such as works of art, stamps, coins, post cards, currencies, paintings, musical equipment, jewellery, buildings of architectural importance, books, vintage cars etc. These items involve very high personal liking. Collecting, possessing and preserving such rare assets provide extra ordinary returns in the long term. Value increases with rarity and demand.

One of the bottlenecks of possessing such assets is to find the right buyer at the right price. Same is true while selling also, hence the difficulties in disposing with ease.

**Alternative approach:** There is not only an increase in the affluent class, even a moderate investor is desirous of owning such possessions though not affordable. Art Funds solves most of the draw backs of owning such precious items. One can invest in a fund with relatively smaller amounts of USD 100000 to 500000. This investment is to yet to catch up in India.

Several other investment strategies such as hedge funds, currency derivatives etc. have also started getting the attention of Indian investors, but in a limited way.

**Post Tax Returns and Deferring Tax incidence** are the other most considered points while investing. Interest yield or Dividends received from business are something periodical and it is not possible to avoid paying taxes in such cases.

On the other hand, investments in Funds of various other themes, offer flexible options to defer taxes or arrive at low tax incidence. For example; growth options in a Mutual Fund allow investors to indefinitely defer the incidence of tax as long as they do not redeem their investments. Growth in NAV is then subjected to Capital Appreciation, hence treated as Long Term Capital Gains. Similarly, Systematic Withdrawal Plan (SWP) is used as an effective tool in the place of dividends to avail the benefit of saving tax. Just to illustrate, let us consider that both Debt Fund and Bank Deposits offer exactly the same returns and investor is taxed at the highest marginal tax rate. Thus, the Investor in debt mutual fund stands to gain by opting for SWP instead of dividend. Interest from Bank deposits suffers maximum tax.

**Regulation of investments in India**

All securities collective investment schemes are regulated by Securities & Exchange Board of India (SEBI) with the objectives of protecting the interest of investors. SEBI regulates, develops and promotes the securities market.

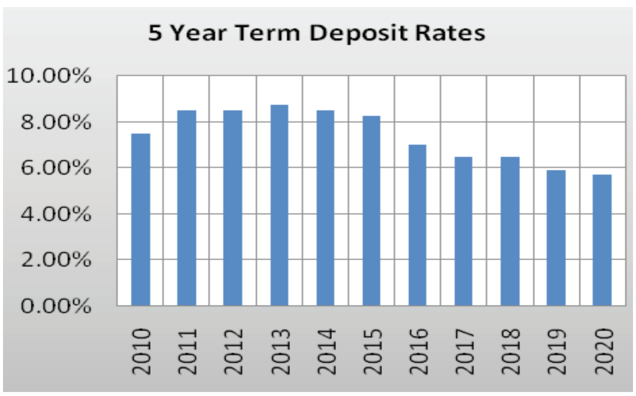
### Minimum Investment Requirements in Various Investments

| Type of Investments | Minimum investment |
|---|---|
| Mutual Funds | Rs. 1000 for lumpsum investment; Rs 500 through SIP |
| Portfolio Management Services | Rs. 50 Lakhs |
| Alternative Investment Funds | Rs. 100 Lakhs |

**Some alternative investments performances over different periods of time in terms of CAGR are given below:**

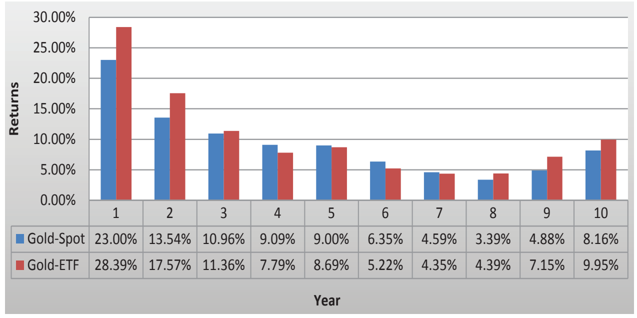
### Illustration No 1: Bank Term Deposits

| Year | 1 Year Rate | 5 Year Rate | 10 Year Rate |
|---|---|---|---|
| 2010 | 7.75% | 7.50% | 7.75% |
| 2011 | 8.25% | 8.50% | 8.75% |
| 2012 | 8.75% | 8.50% | 8.75% |
| 2013 | 8.75% | 8.75% | 8.75% |
| 2014 | 9.00% | 8.50% | 8.50% |
| 2015 | 8.00% | 8.25% | 8.25% |
| 2016 | 7.25% | 7.00% | 7.00% |
| 2017 | 6.90% | 6.50% | 6.50% |
| 2018 | 6.40% | 6.50% | 6.50% |
| 2019 | 6.65% | 5.90% | 5.90% |
| 2020 | 5.70% | 5.70% | 5.70% |



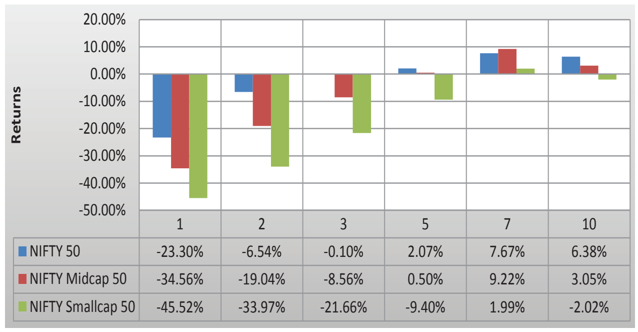

Source: State Bank of India, Term Deposit interest rates from archives

### Illustration No 2: Gold Vs Gold ETF – ETF a preferred option than physical gold



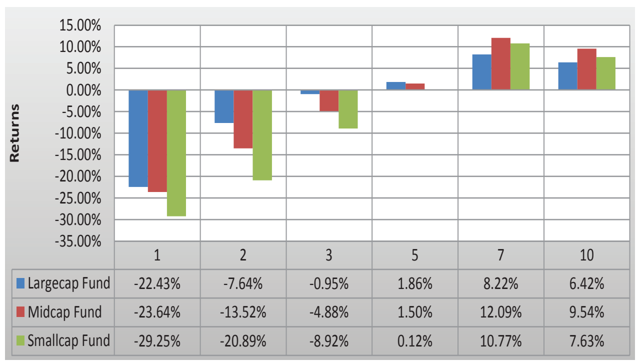

Source: SBI ETF Fund Value Research as on 27th March 2020

### Illustration No 3: Nifty Large, Mid and Small Cap returns




Source: NSE India as on 31st March 2020

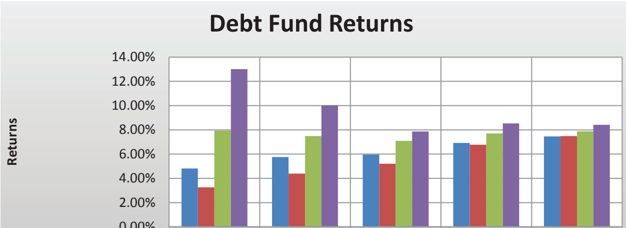
### Illustration No 3A: Equity Mutual Fund Schemes Category Average Returns – MF portfolios tends to perform better compared to their respective benchmarks




Source: Value Research MPFR Dt 27th March 2020

**Illustration no 4: Debt Mutual Fund Schemes Returns**

Long term returns tend to converge to risk free returns




| | 1 | 2 | 3 | 5 | 10 |
|---|---|---|---|---|---|
| Short Duration Fund | 4.81% | 5.76% | 5.96% | 6.92% | 7.46% |
| Medium Duration Fund | 3.26% | 4.39% | 5.21% | 6.78% | 7.48% |
| Corporate Bond Fund | 7.94% | 7.48% | 7.09% | 7.71% | 7.88% |
| Gilt Fund | 13.00% | 10.03% | 7.87% | 8.53% | 8.41% |

Source: Value Research as on 27th March 2020

**Illustration No 5: Returns generated by Term Deposits, Gold and Stock Market to understand the linear and non-linear returns over the last 10 years**


| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fixed Deposit | 7.75% | 7.47% | 7.22% | 6.98% | 6.77% | 6.57% | 6.39% | 6.22% | 6.06% | 5.91% |
| Gold | 23% | 13.54% | 10.96% | 9.09% | 9.00% | 6.35% | 4.59% | 3.39% | 4.88% | 8.16% |
| Nifty | -29.51% | -12.19% | -3.81% | 1.35% | 0.24% | 3.60% | 4.89% | 5.87% | 4.14% | 4.61% |

Source: SBI, Value Research, NSE India. Returns as on 27th March 2020.

**Conclusion:** There are many investment products available in the market, but all are not meant for all. In other words, one size does not fit all. We have to invest in a product that suits one's investment goals. Monitoring investment portfolios periodically to realign the asset allocation to meet one's objective is very important. Asset allocation is a critical part of building portfolio, which should consist of both linear and non-linear return generating products (refer illustration no 5 ). This essentially means that the Investment Portfolio should consist of cash flow generation for the short term and capital appreciation in the long term to build wealth.

**Disclosure of source of data used in this article**

Term Deposit Source: https://sbi.co.in/web/interest-rates/interest-rates/deposit-rates

Gold spot price: www.investing.com

SBI Gold ETF source: https://www.valueresearchonline.com/funds/13190/sbi-gold-fund?utm source=directclick&utm_medium=funds&utm_term=&utm_content=SBI+Gold+Reg&utm_campaign=vro-search

Nifty Indices Source: https://www1.nseindia.com/products/content/equities/indices/historical_index_data.htm

## Bank Quest included in UGC CARE List of Journals

IIBF's Quarterly Journal, Bank Quest has been included in the Group B of UGC CARE list of Journals. The University Grants Commission (UGC) had established a "Cell for Journals Analysis" at the Centre for Publication Ethics (CPE), Savitribai Phule Pune University (SPPU) to create and maintain the UGC-CARE (UGC – Consortium for Academic and Research Ethics). As per UGC's notice, research publications only from journals indexed in UGC CARE list should be used for all academic purposes.

# National Savings Schemes: An Important Channel of Investments

CA. Rakesh Mohan Kaushik*

The Banking Regulation Act, 1949 defines "banking" as 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. However, the concept of banking has undergone a drastic change because of liberalisation, product innovations, technological innovations and the customer's demands and preferences. The business of banking is now highly competitive. The bankers are, therefore, not only required to be up-to-date with the various products offered by their bank but are also required to be aware of various competitive products available in the market. In this article, we will talk about the various channels of investment introduced by the Government over a period of time, which, of late, have assumed growing importance in an individual's investment portfolio as is clear from the following table:

**DOMESTIC SAVINGS & NET INVESTMENTS IN NATIONAL SAVINGS SCHEMES**

**(All figures except Net Investment in NSS at Current Prices-Base Year 2011-12)**

*(Rs. Crore)*

| Year | Gross Savings | Household Sector Savings | Household Sector Savings as %age of Gross Savings | Gross Financial Saving | Net Financial Saving | Net Financial Savings as %age of Gross Financial Savings | Net Investment in National Savings Scheme(NSS) | Net Investment in NSS as %age of Net Financial Savings |
|---|---|---|---|---|---|---|---|---|
| | A | B | C=B/A*100 | D | E | F=E/D*100 | G | H=G/E*100 |
| **2017-18** | 5,216,022 | 2,938,203 | 56.33 | 1,869,578 | 1,129,012 | 60.39 | 158,180 | 14.01 |
| **2016-17** | 4,648,421 | 2,622,927 | 56.43 | 1,438,377 | 969,729 | 67.42 | 110,109 | 11.35 |
| **2015-16** | 4,282,259 | 2,474,913 | 57.79 | 1,496,232 | 1,110,844 | 74.24 | 98,149 | 8.84 |
| **2014-15** | 4,019,957 | 2,439,104 | 60.67 | 1,257,247 | 880,415 | 70.03 | 51,456 | 5.84 |
| **2013-14** | 3,608,193 | 2,285,301 | 63.34 | 1,190,770 | 832,091 | 69.88 | 39,717 | 4.77 |
| **2012-13** | 3,369,202 | 2,235,280 | 66.34 | 1,064,041 | 733,616 | 68.95 | 29,970 | 4.09 |
| **2011-12** | 3,026,837 | 2,065,566 | 68.24 | 932,729 | 642,609 | 68.90 | 2,040 | 0.32 |

Source : Central Statistics Office (CSO) and National Savings Institute

### Alternative Channels of Savings introduced by the Government

The legislative framework for savings in India has a long history and the savings movement can be traced to as early as 1834 when the Government established the first Savings Bank in Calcutta (now known as Kolkata).The Government passed the Savings Bank Act in 1873, and the Post Office Savings Bank of India was set up in 1882. The National Savings Organisation (now National Savings Institute) came into existence in 1948 as the Government considered small savings a priority concern. The Constitution

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of India, which was adopted in 1949, lists the 'Post Office Savings Bank' in its Seventh Schedule. The Ministry of Finance introduced several national savings products from time to time under different statutes like the Government Savings Certificates Act of 1959 and the Public Provident Fund Act of 1968.

Promotion of the habit of thrift and savings among Indian Citizens continues to be the main objective of the small savings programme. The programme is implemented mainly through the Post Office Savings Bank. However, accounts under small savings schemes like Public Provident Fund and Senior Citizen's Savings Scheme can also be opened at the designated branches of Public Sector Banks and the private banks like ICICI Bank, IDBI Bank, HDFC Bank and Axis Bank.

Let us now take a look at the various national savings products.

**National Savings Products**

**Post Office Saving Account**

This Saving Account is meant for transactions of small amounts and can be opened by a person individually or jointly with another adult person. Accounts can also be opened on behalf of a minor as guardian or on behalf of a person of unsound mind. An account can be opened independently by a minor aged 10 years and above. For beneficiaries of Government Schemes and MNREGA, a zero balance account can be opened. The current rate of interest being paid on such accounts is 4%. Under Section 10(15)(i) of the Income Tax Act, 1961, an exemption to the extent of Rs 3,500 in case of an individual account and Rs 7,000 in case of a joint account has been provided in case of interest earned on Post Office Savings Account. Further, deductions from Income up to Rs. 10,000 and Rs. 50,000 under Sections 80TTA and 80TTB (in case of senior citizens) of the Income Tax Act, 1961 respectively are allowed in a financial year in respect of interest income.

**National Saving Time Deposit Account**

These Time Deposit Accounts can be opened for short as well as long-term. The Government notifies the rate of interest on a quarterly basis. The interest is compounded quarterly but paid on an annual basis. The account can be opened individually, jointly and can also be opened by a guardian on behalf of a minor or a person of unsound mind. The minimum amount of the deposit can be Rs. 100 without any upper limit. The deposits for a period of five years qualify for deduction under Section 80-C of the Income Tax Act. The account can be closed any time after opening of the account with the payment being made along with interest at the Post Office Saving Account rate. Time Deposit Accounts for two, three and five years have the provision of premature withdrawal with reduced rate of interest.

**National Saving Recurring Deposit Account**

National Savings Recurring Deposit Accounts are meant to help small investors in the formation of capital for meeting future requirements. The account can be opened by an adult in his own name or by two adults jointly and a guardian can open an account on behalf of a minor or a person of unsound mind. The minimum amount for opening the account is Rs. 10 and thereafter in multiples of Rs. 5 without any upper limit. The interest rates are notified by the government from time to time on a quarterly basis. Premature closure of recurring deposit account is permitted.

**National Saving Monthly Income Account**

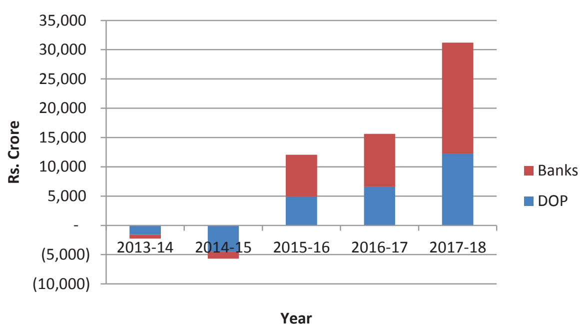
This Monthly Income Scheme with a maturity period of five years is ideal for retired and other persons who want a steady regular income. A maximum amount of Rs. 4.5 Lakh in single account and Rs. 9 lakh in joint account can be deposited under this scheme. Guardians can also open accounts on behalf of minors or persons of an unsound mind. The Government notifies the interest rates on quarterly basis and premature withdrawals after one year are allowed subject to the prescribed deduction.

### National Savings Certificate

Under the National Savings Certificates Scheme, a minimum amount of Rs. 100 can be invested without any upper limit and the initial deposit as also the accrued interest for the first 4 years gets the benefit of section 80-C of the Income Tax Act. The certificates can be issued on Passbook or exclusive e-mode. There are options for issuing single and joint type of certificates. The interest rate is notified by the government from time to time on quarterly basis and is computed on half yearly compounding basis.

### Senior Citizen's Savings Schemes

The Scheme is ideal for individuals who have attained the age of 60 years or above on the date of opening of an account or individuals who have attained the age of 55 years or more but less than 60 years and have retired under superannuation or otherwise. The Scheme is also available to retired Defence Services Personnel, who have attained the age of 50 years. The account can be opened individually or jointly with spouse and the amount of deposit can be in multiples of Rs. 1000/- with a maximum limit of Rs. 15 lakh. Interest payable on the deposit is notified by the Government and is paid on quarterly basis. The account may be closed after 5 years have expired from the date of opening of account and there is also a provision for extension for a further period of 3 years. Premature closure of the account is allowed after one year subject to certain conditions and the deposit qualifies for deduction under Section 80-C of the Income Tax Act.

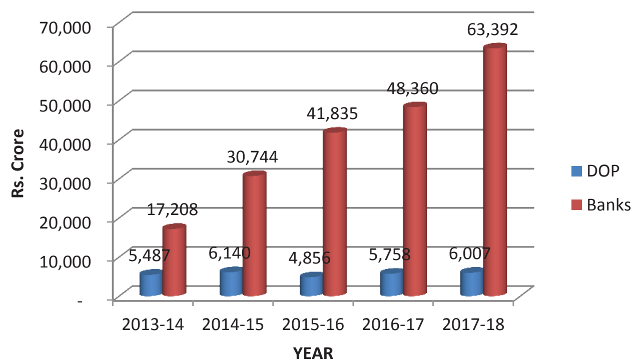



Net Collections in Senior Citizen's Savings Accounts from 2013-14 to 2017-18

Source: National Savings Institute Website

### Public Provident Fund Account

Public Provident Fund is not only a very popular and sound investment scheme, but also helps in tax saving. The minimum and maximum subscription to the Scheme in a financial year can be any amount between Rs.500 and Rs. 1,50,000. The rate of interest keeps changing as per government notifications. One can also avail loan from 3rd financial year up to 6th financial year and one withdrawal is permissible every year from 7th financial year. The account has a maturity period of fifteen years but it can be extended for any number of a block of 5 years with further deposits. It can also be retained indefinitely without further deposits after maturity with the prevailing rate of interest. The deposits qualify for deduction under Sec- 80 C of the Income Tax Act. Interest earned on PPF Account is totally exempt from income tax under Section 10(15) of the Income Tax Act. Further, the Account cannot be attached under any court order or decree.




Net Collections in PPF Accounts from 2013-14 to 2017-18

Source: National Savings Institute Website

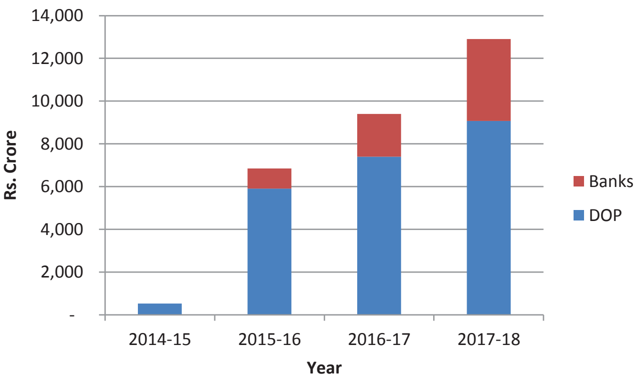
### Kisan Vikas Patra

Amount invested in Kisan Vikas Patra at present doubles in 124 months. The minimum deposit of Rs. 1000 and thereafter in multiples of Rs. 100 can be made with no maximum limit. The certificate can be purchased by an adult for himself or on behalf of a minor, by a minor above ten years of age, by a guardian on behalf of a person of unsound mind or by jointly by maximum three adults. Kisan Vikas Patra is sold by Post Offices and authorized banks.

Kisan Vikas Patra has the facility of nomination and is transferable from one person to another and from one account office to another. The facility of encashment is available after two and half years from the issue date. The rate of interest payable is notified by the government periodically.

### Sukanya Samridhhi Account

This is a Scheme for the benefit of girls under which an account can be opened in the name of a girl child till she attains an age of 10 years in Post Offices or authorised bank branches with a minimum amount of Rs. 250 and in multiples of Rs. 100 subject to a maximum of Rs. 1,50,000 in a financial year. Interest as notified by the government from time to time is calculated on yearly compounding basis. On the account holder attaining the age of 18 years, one withdrawal up to 50 % of the credit balance in the account as at the end of the preceding financial year is permitted and the account matures on completion of 21 years from the account opening date or on the Account holder's marriage, whichever is earlier.




Net Collections in Sukanya Samriddhi Accounts from 2014-15 to 2017-18

Source: National Savings Institute Website

**The salient features of the various National Savings Schemes are given in the following table:**

**SALIENT FEATURES OF NATIONAL SAVINGS SCHEMES**

| Scheme | Duration | Interest rate | Mode of Holding | Contribution | Taxability |
|---|---|---|---|---|---|
| Post Office Savings Account | NA | 4% p.a. | (i) A Single Adult<br>(ii) Joint Account (Maximum 2 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs. 500 | (i) Interest Exemption up to Rs. 3,500/7,000 on account operated singly/jointly<br>(ii) Interest earned is Tax Free up to INR 10,000/-(Rs. 50,000 for Senior Citizen) per year |
| Post Office Recurring Deposit Account | 5 Years. Extendible by further 5 Years | 5.8% p.a. w.e.f. 1.4.2020 with quarterly compounding | (i) A Single Adult<br>(ii) Joint Account (Maximum 3 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs. 100 or any amount in multiples of Rs. 10.<br>**Maximum:** No Limit | The interest is taxable as Income from Other Sources. |
| Post Office Time Deposit Account | 1/2/3/5 Years | 5.5% p.a. for 1-3 Years & 6.7% p.a. for 5 Years for the Quarter ended 30th June, 2020 | (i) A Single Adult<br>(ii) Joint Account (Maximum 3 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs. 1000 or any amount in multiples of Rs. 100.<br>**Maximum:** No Limit | Deduction under section 80C on deposits for 5 Years |

| Scheme | Duration | Interest rate | Mode of Holding | Contribution | Taxability |
|---|---|---|---|---|---|
| Post Office Monthly Income Scheme | 5 years | 6.6% p.a. w.e.f. 1.4.2020 payable monthly | (i) A Single Adult<br>(ii) Joint Account (Maximum 3 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs.1,000<br>**Maximum:** Rs.4.5/9.0 Lakh for single/joint accounts in multiples of Rs. 1,000 | Interest taxed as per the applicable slab rates |
| Senior Citizens Savings Scheme | 5 years. Extendible by further 3 years | 7.4% p.a. w.e.f. 1.4.2020 payable quarterly | (i) An individual of the Age of 60 years or more.<br>(II) An individual of the age of 55 years or more but less than 60 years who has retired on superannuation or under VRS<br>(iii) A retired personnel of Defence Services on attaining 50 years of age | One deposit in multiples of Rs. 1,000<br>**Maximum:** Rs.15 lakh | Deduction of Interest Income up to Rs.50,000. |
| PPF | 15 years. Extendible in blocks of 5 years | 7.1% p.a. w.e.f. 1.4.2020 compounded annually | (i) An individual (ii) A guardian on behalf of minor | **Minimum:** Rs.500 per annum<br>**Maximum:** Rs.1.5 lakh | Deposits and interest earned qualify for deduction under Sec. 80C of IT Act. |
| NSC | 5 years | 6.8% p.a. w.e.f. 1.4.2020 compounded annually | (i) A Single Adult<br>(ii) Joint Account (Maximum 3 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs. 1000 or any amount in multiples of Rs. 100.<br>**Maximum:** No Limit | Deposits and interest earned qualify for deduction under Sec. 80C of IT Act. |
| Kisan Vikas Patra | 124 months (10 years and 4 months) | 6.9% p.a. w.e.f. 1.4.2020 compounded annually | (i) A Single Adult<br>(ii) Joint Account (Maximum 3 adults)<br>(iii) Minor above 10 years of age<br>(iv) A guardian on behalf of a minor/ Person of unsound mind | **Minimum:** Rs. 1000 or any amount in multiples of Rs. 100.<br>**Maximum:** No Limit | Interest fully taxable but amount received on maturity is tax exempt. |
| Sukanya Samriddhi Account | 15 Years or until the girl child turns 21 years or when she gets married after 18 years of age | 7.6% p.a. w.e.f. 1.4.2020 compounded annually | A legal Guardian/Natural Guardian in the name of maximum two girl children up to age of 10 years from the date of birth. | **Minimum:** Rs.250 per annum and thereafter in multiples of Rs. 50<br>**Maximum:** Rs.1.5 lakh | Interest earned is tax-exempt. Contribution qualifies for deduction under Section 80C |

To sum up, National Savings Schemes are becoming an important part of the investment portfolio of individuals and small investors and banks are required to play an increasingly important role in encouraging savings, which is also in line with the Government's expectations. In addition to the Public Provident Fund Accounts, Senior Citizen Scheme Accounts, Kisan Vikas Patra Accounts and Sukanya Samriddhi Accounts already being allowed to be opened by banks, the Government also permitted the Public Sector as also select Private Sector Banks to receive subscription in the time deposit, recurring deposit and monthly income schemes to extend their reach to more and more people and to encourage savings. Investments in the National Savings Schemes are not only an important alternative channel of investment and savings, but also help in saving tax by providing tax exemptions and deductions. Needless to add, banks have a very important role to play in channelizing savings through these channels of investment and thereby help the economic growth of the country.

# Study of the Women Empowerment through Sukanaya Samiriddhi Yojana and its preference by parents in Mumbai.

Dr. Priti S. Aggarwal*

## Introduction

Women are building blocks of the society; their empowerment leads to countries empowerment. In order to empower the women, it is vital to empower the girl child who is a woman of tomorrow. The society can have more and more empowered women only when it can envisage a female child with high self-esteem, and in highly productive and dignified roles. The ultimate aim is to have a dynamic, healthy and confident girl who is emancipated by the socio-cultural patterns and traditional roles with equal access to education, knowledge, information and growth prospects. Education is the most important parameter for achieving girl empowerment.

An initiative by the Government of India in this direction was launching of the Sukanya Samriddhi Scheme, a girl child prosperity scheme under "Beti Bachao Beti Padao" program by Honourable Prime Minister Narendra Modi on January 22, 2015. This scheme was launched with an aim to warrant a bright future of the girl child in India, by providing her with financial support for education and marriage purpose, eventually supporting the economic development of our country. It will also improve the level of income and standard of living of the people by enhancing the literacy rate among females.

Every parent desires the best for their children. So the day a daughter is born, considering the current inflation trajectory, prudent parents start exploring the various investment avenues available in the market in order to save and invest for her future (education & marriage). Few of the popular investment avenues available for an Indian Investor are Fixed Deposits of Banks, Mutual Funds, Gold and several tax saving instruments like PPF or NSC etc. But not all of these avenues are best suited for everyone. A risk-averse investor (conservative) looking for assured returns, ideally will stay away from such of those schemes which provide market-linked or variable returns. In such a scenario, the Sukanya Samriddhi Yojana (SSY), a Government of India backed scheme, is a worthwhile option.

In the past, a number of initiatives had been taken by the GOI such as Sarva Siksha Abhiyaan and Beti Bachao Beti Padhao as a result of which, the position of an Indian women had improved considerably. Today, India has a large women work force with a good number of doctors, surgeons, scientists, professors etc.

Since its inauguration on January 22, 2015, the Sukanya Samriddhi Yojana scheme of financial inclusion is becoming very effective. The key role being played by post office and the commercial banks in the success of the scheme is remarkable. Sukanya Samriddhi Account may not fetch attractive returns like equity and mutual funds but it is a less risky investment product and can very well be considered as a part of one's investment portfolio.

As per data available as on 31st October 2018, 140 lakh accounts had been opened till 30th June 2018 under the Sukanya Samridhi scheme for a girl child as a part of ''Beti Bachao-Beti Padhao'' campaign through Post offices and Banks in India with effect from 1st February 2015 and the amount of deposits

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accumulated in these accounts amounted to Rs. 25,979.62 crores as on 30th June 2018.

Sukanya Samriddhi Yojana scheme has been well accepted by the people as it provides the financial security and independence to the girl child and also to her parents and guardians.

**Key Features of Sukanya Samriddhi Yojana**

- An account under the Sukanya Samriddhi Yojana can be opened for any girl child till she attains an age of 10 years. Only one account is allowed per girl child.
- The SSY account can be opened either through Post office or an authorized Bank in India.
- SSY Account can be opened with a minimum of Rs. 250/- and thereafter, any amount in multiples of Rs. 100/- can be deposited. A minimum of Rs. 250/- must be deposited in a financial year.
- In a financial year, the maximum amount that can be deposited in this account is Rs.1,50,000.
- The payment is supposed to be made for a continuous period of 14 years. In case an account is opened for a 10 year old girl child, an individual needs to pay till the girl child attains 24 years of age. (10 +14 years).
- Interest, as may be notified by the government from time to time, will be calculated on yearly compounded basis and credited to the account. Table 2 below indicates the interest rates being offered on the scheme since April 2014.
- One withdrawal shall be allowed on attaining the age of 18 years of the account holder to meet education expenses up to 50 % of the balance at the credit of the preceding financial year.
- The account can be transferred anywhere in India from one post office/bank to another.
- The account shall mature on completion of 21 years from the date of opening of account or on the marriage of account holder, whichever is earlier.

**Table 1: State wise number of accounts opened and total amount deposited under Sukanya Samridhi Scheme as on 31st October 2018**

| Name of States/ UTs | Accounts opened till June 30, 2018 | Amount deposited till June 30, 2018 (Rs. in Crore) |
|---|---|---|
| Andhra Pradesh | 7,11,392 | 1,385.21 |
| Arunachal Pradesh | 12,700 | 29.49 |
| Assam | 2,17,728 | 270.93 |
| Bihar | 6,01,464 | 692.44 |
| Chandigarh | 9,500 | 41.41 |
| Chhattisgarh | 3,94,836 | 504.30 |
| Delhi | 2,72,127 | 1,340.58 |
| Goa | 37,207 | 70.93 |
| Gujarat | 4,84,348 | 1,166.94 |
| Haryana | 4,62,377 | 1,657.32 |
| Himachal Pradesh | 2,24,028 | 525.75 |
| Jammu & Kashmir | 1,45,055 | 322.38 |
| Jharkhand | 5,81,408 | 503.80 |
| Karnataka | 11,99,310 | 2,126.88 |
| Kerala | 4,29,616 | 808.19 |
| Madhya Pradesh | 6,24,975 | 684.55 |
| Maharashtra | 11,66,040 | 3,249.00 |
| Manipur | 27,128 | 39.16 |
| Meghalaya | 10,072 | 16.95 |
| Mizoram | 4,073 | 4.05 |
| Nagaland | 5,472 | 5.33 |
| Odisha | 5,36,638 | 830.81 |
| Puducherry | 8,838 | 36.42 |
| Punjab | 3,72,761 | 1,015.10 |
| Rajasthan | 6,63,158 | 660.14 |
| Sikkim | 8,630 | 18.54 |
| Tamil Nadu | 15,94,443 | 2,940.01 |
| Telangana | 4,96,615 | 1,519.46 |
| Tripura | 25,868 | 46.17 |
| Uttar Pradesh | 15,08,668 | 1,288.05 |
| Uttarakhand | 3,45,041 | 746.63 |
| West Bengal | 7,99,538 | 1,421.18 |
| **Total** | **1,39,85,442** | **25,979.62** |

Source: data.gov.in

**Table 2: Interest Rates offered for Sukanya Samridhi Scheme since April 2014 till December 2019**

| Period | Rate of Interest (%) |
|---|---|
| FY 2014-15 | 9.1 |
| FY 2015-16 | 9.2 |
| April 2016 to September 2016 | 8.6 |
| October 2016 to December 2016 | 8.5 |
| July 2017 to December 2017 | 8.3 |
| January 2018 to September 2018 | 8.1 |
| October 2018 to December 2019 | 8.5 |

### Objectives of the Study

The objective of the paper is to study the concept and benefits of the scheme and to understand the parents' preference towards Sukanya Samridhi Yojana scheme under the existing competitive environment in the Mumbai suburban area. An initiative under financial inclusion inculcates the habit of savings among the parents of girl child in India. The accumulated funds under the scheme can be optimally utilised for the higher education and marriage of the girl child. Primary Data were collected through a structured questionnaire and the area of the study was confined to Mumbai City. The study was conducted on 100 customers residing in North Mumbai Suburban area. Secondary data on the various national savings schemes launched by the Government of India are tabulated in Table 3.

**Table 3: Interest Rates for various National Savings Schemes (FY 2016-17 to FY 2019-20)**

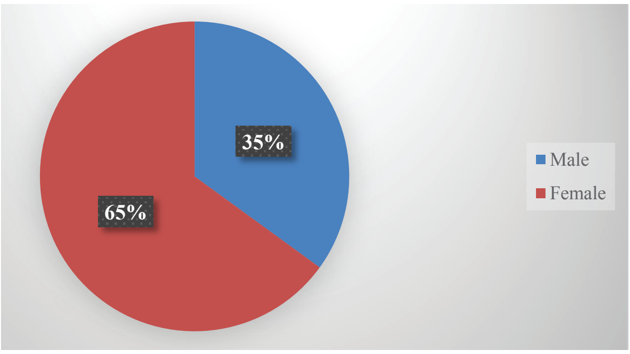
| Interest Rate on National Savings Schemes | 2016 - 2017 | | | | 2017- 2018 | | | | 2018 - 2019 | | | | 2019 - 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | April-June | July-Sep | Oct-Dec | Jan-Mar | April-June | July-Sep | Oct-Dec | Jan-Mar | April-June | July-Sep | Oct-Dec | Jan-Mar | April-June | July-Sep | Oct-Dec |
| Savings Account | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| 1 Year Time Deposit | 7.10 | 7.10 | 6.90 | 6.90 | 6.90 | 6.80 | 6.80 | 6.60 | 6.60 | 6.60 | 6.90 | 7.00 | 7.00 | 6.90 | 6.90 |
| 2 Year Time Deposit | 7.20 | 7.20 | 7.10 | 7.10 | 7.00 | 6.90 | 6.90 | 6.70 | 6.70 | 6.70 | 7.00 | 7.00 | 7.00 | 6.90 | |
| 3 Year Time Deposit | 7.40 | 7.40 | 7.30 | 7.30 | 7.20 | 7.10 | 7.10 | 6.90 | 6.90 | 6.90 | 7.20 | 7.00 | 7.00 | 6.90 | |
| 5 Year Time Deposit | 7.90 | 7.90 | 7.80 | 7.80 | 7.70 | 7.60 | 7.60 | 7.40 | 7.40 | 7.40 | 7.80 | 7.80 | 7.80 | 7.70 | 7.70 |
| 5 Year Recurring Deposit | 7.40 | 7.40 | 7.30 | 7.30 | 7.20 | 7.10 | 7.10 | 6.90 | 6.90 | 6.90 | 7.30 | 7.30 | 7.30 | 7.20 | 7.20 |
| 5 Year Senior Citizens Savings Scheme | 8.60 | 8.60 | 8.50 | 8.50 | 8.40 | 8.30 | 8.30 | 8.30 | 8.30 | 8.30 | 8.70 | 8.70 | 8.70 | 8.60 | 8.60 |
| 5 Year Monthly Income Account | 7.80 | 7.80 | 7.70 | 7.70 | 7.60 | 7.50 | 7.50 | 7.30 | 7.30 | 7.30 | 7.70 | 7.70 | 7.70 | 7.60 | 7.60 |
| 5 Year National Savings Certificate | 8.10 | 8.10 | 8.00 | 8.00 | 7.90 | 7.80 | 7.80 | 7.60 | 7.60 | 7.60 | 8.00 | 8.00 | 8.00 | 7.90 | 7.90 |
| Public Provident Fund | 8.10 | 8.10 | 8.00 | 8.00 | 7.90 | 7.80 | 7.80 | 7.60 | 7.60 | 7.60 | 8.00 | 8.00 | 8.00 | 7.90 | 7.90 |
| Sukanya Samriddhi Account Scheme | 8.60 | 8.60 | 8.50 | 8.50 | 8.40 | 8.30 | 8.30 | 8.10 | 8.10 | 8.10 | 8.50 | 8.50 | 8.50 | 8.40 | 8.40 |
| Kisan Vikas Patra | 7.80 | 7.80 | 7.70 | 7.70 | 7.60 | 7.50 | 7.50 | 7.30 | 7.30 | 7.30 | 7.70 | 7.70 | 7.70 | 7.60 | 7.60 |

Source: http://www.nsiindia.gov.in

## Study Analysis and Interpretations

### Gender of the respondents

**Figure 1: Gender wise composition of the Respondents**

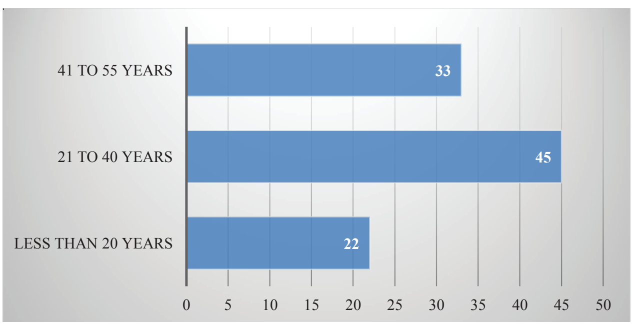



**Interpretation**

The above figure reveals the gender wise distribution of the respondents wherein 65% Females and 35% Males responded to the field level study done through a structured questionnaire.

### Age Group of the respondents

**Figure 2: Age group wise composition of respondents**

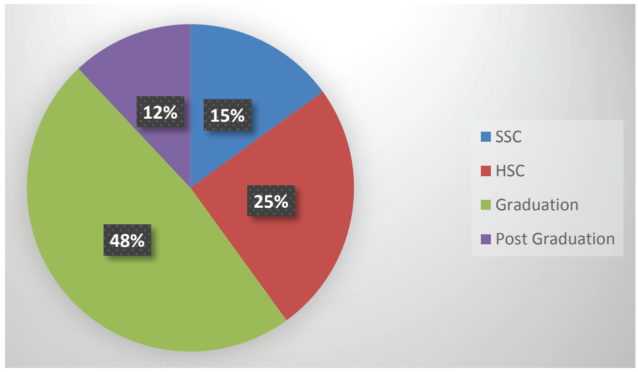



**Interpretation**

Our analysis proves that out of the sample population, respondents in the age group of 21- 40 years was the highest owing to the following key factors viz. Peak working age and hence regular income, High literacy rate, People are more or less Tech savvy and their risk appetite is relatively higher.

### Educational Qualification of the respondents

**Figure 3: Education-wise composition of respondents**

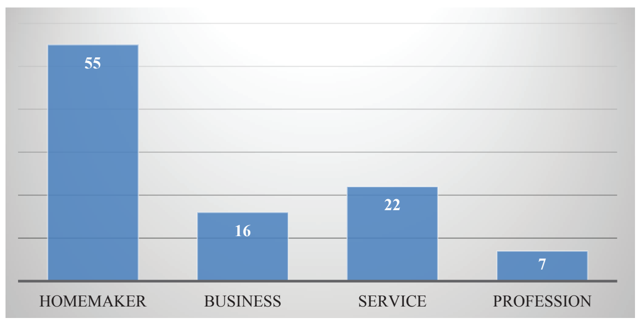



**Interpretation**

It is interesting to observe that while graduates form 48% of the respondents, postgraduates were 12%. As Financial literacy is considered as an important adjunct for promoting financial inclusion and ultimately financial stability, higher education levels among the masses can play a vital role in making financial inclusion viable in India.

### Occupation of the respondents

**Figure 4. Occupation-wise composition of respondents**

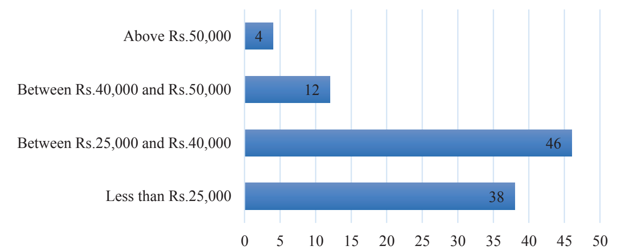



**Interpretation**

The above diagram represents the primary occupation of the respondents. 55% are Homemakers,16% run small businesses, 7% are professionals, and 22% are into service.

### Aggregate Monthly Income of the respondents

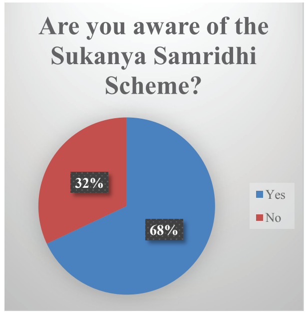
**Figure 5: Aggregate Monthly Income wise composition of respondents**

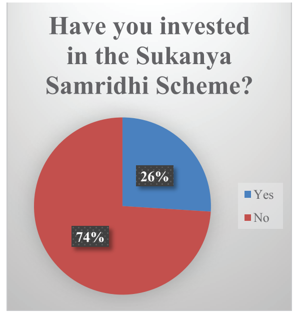



**Interpretation**

The above diagram represents the aggregate monthly income of the respondents. 46% of the respondents have a monthly income between Rs. 25,000 and Rs.40,000 which is a positive indicator of people having sufficient income for savings and invest in schemes like Sukanya Samridhi.

Awareness about Sukanya Samridhi Scheme among the respondents




**Interpretation**

Among the total respondents 68% of them were aware of the Sukanya Samridhi scheme but only 26% of them had actually invested in the scheme. This clearly indicates that the potential for people to invest in such small saving schemes in the northern suburbs of Mumbai is high.

### Factors influencing the consumers

**Table 4: Results of the average rank analysis of the factors influencing the Customer's Preference towards the Sukanya Samridhi Scheme.**

| Factors | Rank | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Mean | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Value | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | | |
| Rate of Interest | No. | 63 | 32 | 40 | 0 | 0 | 0 | 0 | 0 | 18 | 47 | 6.61 | VII |
| Initial Deposit | No. | 76 | 65 | 43 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 9.01 | IV |
| Lock in Period | No. | 0 | 0 | 0 | 0 | 34 | 34 | 35 | 44 | 53 | 10 | 3.81 | X |
| Flexibility | No. | 79 | 45 | 35 | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 8.78 | V |
| Withdrawals | No. | 0 | 32 | 17 | 28 | 33 | 31 | 0 | 0 | 23 | 34 | 5.27 | IX |
| Maturity Period | No. | 67 | 12 | 18 | 0 | 0 | 0 | 0 | 71 | 21 | 11 | 5.94 | VIII |
| Tax Savings | No. | 120 | 67 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9.54 | II |
| Frequency of Payment | No. | 70 | 12 | 32 | 11 | 30 | 5 | 17 | 23 | 0 | 0 | 7.42 | VI |
| Minimum & Maximum Contribution | No. | 139 | 61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9.70 | I |
| Easy Operation | No. | 86 | 68 | 14 | 32 | 0 | 0 | 0 | 0 | 0 | 0 | 9.04 | III |

### Interpretation

Among the various factors influencing customers to prefer the scheme, most of the respondents have given top priority to Minimum and maximum contribution followed by tax savings, easy operation, initial deposits, and flexibility.

### Conclusion

The respondents have ranked high towards Contribution, Tax Savings, Easy Operations, Interest rates followed by "payment flexibility" when compared to the other factors relating to the selection of this investment plan. Publicity campaigns can be conducted at crowded places like railway stations explaining the schemes in simple transparent language. NSS volunteers can spread awareness through street plays.

### Recommendations

Investors looking at short term investment avenues may find the maturity period under Sukanya Samridhi Scheme to be on the higher side. However, as the Interest Rate offered under the Sukanya Samridhi Scheme is attractive in comparison to other saving schemes available for the Indian investors, more investors (parents) may opt for the scheme.

Under the present scheme, the maturity proceeds can only be withdrawn for the purpose of higher education or for marriage of the girl child. During time of crisis, a premature withdrawal facility may be helpful to the investor.

In order to achieve true women empowerment and to reduce the gender gap, it is important to spread awareness about such government schemes and programmes. Promotion for this can be made by attaching leaflet of this scheme with birth certificate specially of a girl child. Schools can also take the initiative of creating awareness among the children and the parents, by distributing leaflets or advertising about the scheme in the school premises.


**STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS OF BANK QUEST, THE JOURNAL OF INDIAN INSTITUTE OF BANKING & FINANCE**

| | | | |
|---|---|---|---|
| 1. | Place of Publication | : | Mumbai |
| 2. | Periodicity of Publication | : | Quarterly |
| 3. | Publisher's Name | : | Dr. Jibendu Narayan Misra |
| | Nationality | : | Indian |
| | Address | : | Indian Institute of Banking & Finance<br>Kohinoor City, Commercial-II, Tower-1, Kirol Road,<br>Kurla (W), Mumbai-400 070. |
| 4. | Editor's Name | : | Dr. Jibendu Narayan Misra |
| | Nationality | : | Indian |
| | Address | : | Indian Institute of Banking & Finance<br>Kohinoor City, Commercial-II, Tower-1, Kirol Road,<br>Kurla (W), Mumbai-400 070. |
| 5. | Name of Printing Press | : | Onlooker Press, 16 Sasoon Dock,<br>Colaba Mumbai - 400 005. |
| 6. | The name and Address of the Owners | : | Indian Institute of Banking & Finance<br>Kohinoor City, Commercial-II, Tower-1, Kirol Road,<br>Kurla (W), Mumbai-400 070. |

I, Dr. J. N. Misra, hereby declare that the particulars given above are true to the best of my knowledge and belief.

01.03.2020

Dr. J. N. Misra
Signature of Publisher

# A Study on Satisfaction level and Improvements needed, for Home Insurance Policy

Dr. Rashmi V. Shetty*

Home Insurance is also termed as homeowner's insurance. Home insurance is a property insurance which covers private homes. It covers the home and belongings, loss of its use, and any loss or damage to the properties of the homeowner. It also offers coverage to liability in case of any mishaps that occurs at home or done by homeowner, if it is covered by the policy. There is a condition in the policy that at least one of the insured party has to reside at the home. For the others, there is the dwelling policy (DP) that covers seasonal and secondary residences as well as vacation and rental homes. Homeowner's insurance is a type of term plan that is effective for a specified time period. However, there are perpetual insurances that are available in certain areas without any such fixed terms.

The insurance sector when well-developed and evolved, can be a boon for the progress of a nation, since it offers funds which can be used for infrastructural development, while strengthening the risk-taking ability of the nation. In India, General Insurance Sector was in the public sector right from 1972, when the GIC was nationalized. Till 2000, it enjoyed monopoly. However, the sector was opened for private players once the Indian economy was liberalized. After privatization nevertheless, the business of the private sector insurance companies has been growing in a steady phase. Home Insurance coverage is provided by both private and public sector companies.

Swiss Re's 2015 Property Protection Gap study shows that India is among the most under insured countries relative to GDP, with penetration of property insurance being as low as 0.07%. Home insurance accounts for only about 2% of the total premium collected by general insurance companies in India.

In India, hardly 3% of houses are insured and most of those who have bought home insurance in India have taken home loans and it was a pre-condition for availing of home loans. The topic was selected to find out the reasons for the people not opting for home insurance.

**Objectives of the Study**

1. To study the reasons behind consumers not buying the Home Insurance policy.
2. To find out sector-wise change/improvement needed regarding the products of the insurance company.

**Hypothesis of the study**

- **Hypothesis 1**

  $H_0$: There is no significant difference between the choice of insurance company and consumer's satisfaction level offered by insurance companies.

  vs

  $H_1$: There is a significant difference between the choice of insurance company and consumer's satisfaction level offered by insurance companies.

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- **Hypothesis 2**

  $H_0$: There is no significant difference between consumer's satisfaction level offered by insurance companies and change/ improvement needed regarding the products of insurance company.

  vs

  $H_1$: There is a significant difference between consumer's satisfaction level offered by insurance companies and change/ improvement needed regarding the products of insurance company.

**Sources of Data**

The primary data was collected through structured questionnaire. Secondary data was collected through websites, journals, and newspapers. The target sample size was 262 consumers of general insurance products, residing in the western suburban area of Mumbai**.**

**Statistical Analytic Techniques**

Structured Questionnaire was used to collect data for the study. The respondents were requested to provide the information required for the study by answering the questions. Tools that were used in the analytical part included Cross tabulation, Chi-square test, multiple response technique, Kolmogorov-Smirnov test (used to check the normality assumptions), and Non-Parametric test. Descriptive analysis was done through tables, bar diagrams, and by calculating Percentages, Mean and Standard Deviation and Variance.

**Limitations of the study**

Consumers only from western suburban area of Mumbai have been considered for this study. There is no 100% guarantee of accuracy in the collection of primary data, as not all respondents may have given accurate data with respect to general insurance policies they have bought and their attitude and preferences towards general insurance products. The conclusion that is drawn cannot be applied to the whole of India. Since the preferences and attitudes differ from one geographical location to another, it is not feasible to generalize the findings to all parts of India.

**Analysis & Interpretation of Data**

**Objectives of the study:**

**1.To study the reasons behind consumers not buying the Home Insurance policy.**

**Table 1: Number of consumers opted for the home insurance**

| Home Insurance | | |
|---|---|---|
| | Frequency | Percent |
| Yes | 74 | 28.2% |
| No | 188 | 71.8% |
| Total | 262 | 100.0% |

- **Interpretation**

  Above table shows that out of 262 respondents, only 74 had the home insurance policy and 188 respondents did not opt for home insurance policy. It shows 71.8% of the general insurance consumers did not opt for home insurance**.**

  There are many consumers who have not purchased home insurance policy. The table given below, gives the reason for not buying the home insurance policy.

- **Multiple Response Technique**

**Table No 2: Reasons for not buying the home insurance policy**

| Reasons for not buying the home insurance policy | | |
|---|---|---|
| | Responses | |
| | N | Percent |
| Lack of knowledge about product/policy and from where to get it | 70 | 37.23% |
| No proper guidance from officers or agents | 28 | 14.89% |
| Policy conditions and exclusions are not clear/not in local language | 19 | 10.11% |
| Plenty of information availability creates confusion | 26 | 13.83% |
| Too much dependence on agents and officers for clarifying doubts | 13 | 6.91% |
| Relative worth of the claim is too low | 32 | 17.03% |
| Total | 188 | 100.0% |

- **Interpretation**

  There are many consumers who have not purchased home insurance policy. From the above table, an attempt was made to find out the reasons behind not buying the home insurance policy. The major reasons for not buying general insurance product is "Lack of knowledge about product/policy and from where to get it" and "No proper guidance from officers or agents", "Plenty of information availability creates confusion" and "Relative worth of the claim is too low".

**2. To find out sector-wise change/improvement needed regarding the products of the insurance company.**

**Cross-tabulation**

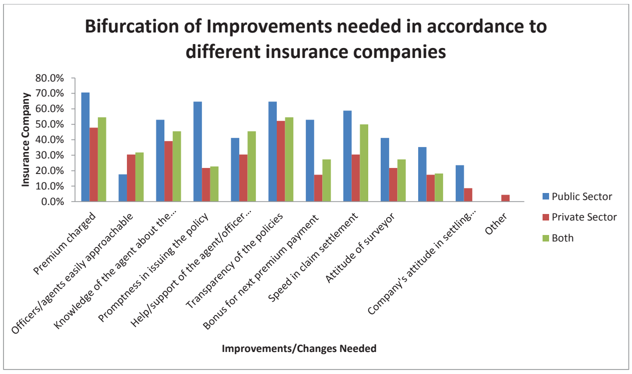
**Table No 3: Improvements needed as suggested by respondents.**

| Insurance Company vs Improvements needed Cross-tabulation | | | | |
|---|---|---|---|---|
| Improvements Needed | | Insurance Company | | |
| | | Public Sector | Private Sector | Both |
| Premium charged | Count | 12 | 11 | 12 |
| | % | 70.6% | 47.8% | 54.5% |
| Officers/agents easily approachable | Count | 3 | 7 | 7 |
| | % | 17.6% | 30.4% | 31.8% |
| Knowledge of the agent about the policy | Count | 9 | 9 | 10 |
| | % | 52.9% | 39.1% | 45.5% |
| Promptness in issuing the policy | Count | 11 | 5 | 5 |
| | % | 64.7% | 21.7% | 22.7% |
| Help/support of the agent/officer in issuing and after issuing policy | Count | 7 | 7 | 10 |
| | % | 41.2% | 30.4% | 45.5% |
| Transparency of the policies | Count | 11 | 12 | 12 |
| | % | 64.7% | 52.2% | 54.5% |
| Bonus for next premium payment | Count | 9 | 4 | 6 |
| | % | 52.9% | 17.4% | 27.3% |
| Speed in claim settlement | Count | 10 | 7 | 11 |
| | % | 58.8% | 30.4% | 50.0% |
| Attitude of surveyor | Count | 7 | 5 | 6 |
| | % | 41.2% | 21.7% | 27.3% |
| Agents attitude in guiding the claim settlement | Count | 6 | 4 | 4 |
| | % | 35.3% | 17.4% | 18.2% |
| Company's attitude in settling claims | Count | 4 | 2 | 0 |
| | % | 23.5% | 8.7% | 0.0% |
| Others | Count | 0 | 1 | 0 |
| | % | 0.0% | 4.3% | 0.0% |
| Total | Count | 17 | 23 | 22 |

### Interpretation

About 54.5% of the respondents feel that improvements are needed in the area of "Transparency of the policies" and 50% of the respondents opine that speed of claim settlement procedure should be improved. The other areas where the improvement needed are," bonus for next premium Payment" and "Attitude of the surveyor".

**Table No 4: Improvements needed in accordance to Public & Private Sector Insurance Companies.**




### Interpretation

In the table above, we have made the comparison between improvements with relation to different sectors. We focus on the variable needing more attention from each sector, in terms of changes/ improvements required, as per the responses. We have extracted the highest responses of the consumers, hence according to the highlighted part, we can observe that under public sector, consumers feel that changes/improvements should be incorporated for the following variables "Premium charged", "Knowledge of the agent about the policy", "Promptness in issuing the policy", "Transparency of the policies", "Bonus for next premium payment" and "Speed in claim settlement".

Under private sector, consumers feel that changes/ improvements should be incorporated for the variable "Transparency of the policies".

Under both (consumers purchasing insurance policy from both sectors), consumers feel that changes/ improvements should be incorporated for the following variables "Premium charged", "Transparency of the policies" and "Speed in claim settlement".

Also, according to consumers under each sector, we can observe that the main concern of the consumers is that there should be transparency of the policies.

- **Hypothesis Testing**
- **Hypothesis 1**

$H_0$: There is no significant difference between the choice of insurance company and consumer's satisfaction level offered by insurance companies.

vs

$H_1$: There is a significant difference between the choice of insurance company and consumer's satisfaction level offered by insurance companies.

- **Test Statistics: Kruskal Wallis Test**

**Table No. 5: Consumers satisfaction level for different home insurance policy**

| Test Statistics | | |
|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Kruskal Waliis test** | **Asymp. Sig. (p-value)** |
| Get comprehensive coverage to both content and structure of your home | 1.476 | .478 |
| Secure your assets from any mis-happening | 4.250 | .119 |
| Buy home insurance policy at comparatively lower premium rates than other insurance policies | 2.284 | .319 |
| Reduce stress and tension level for you'll have a home insurance to fall back to, in case of unforeseen circumstances | 1.798 | .407 |
| Timely insurance payouts allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives | .391 | .823 |
| **Grouping Variable: Insurance Company** | | |

- **Interpretation**

Since Asymp.Sig (p-value) > 0.05, for every home insurance policy when compared with different sector (insurance company), hence we do not reject $H_0$ and conclude that there is no significant difference between the choice of insurance company and consumer's satisfaction level offered by insurance companies.

Since the two variables under consideration show no difference, we can say that they are related. Hence, we can study consumers satisfaction level w.r.t different sectors chosen by the consumer. The mean rank table below, will help us understand the bifurcation of consumers according to different sectors and which sector consumers are more satisfied.

- **Mean Rank Table**

**Table No 6: Consumers satisfaction level for different home insurance policy**

| Ranks | | | |
|---|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Insurance Company** | **N** | **Mean Rank** |
| Get comprehensive coverage to both content and structure of your home | Public Sector | 21 | 41.69 |
| | Private Sector | 31 | 34.81 |
| | Both | 22 | 37.30 |
| | Total | 74 | |
| Secure your assets from any mis-happening | Public Sector | 21 | 43.86 |
| | Private Sector | 31 | 32.34 |
| | Both | 22 | 38.70 |
| | Total | 74 | |
| Buy home insurance policy at comparatively lower premium rates than other insurance policies | Public Sector | 21 | 42.76 |
| | Private Sector | 31 | 34.19 |
| | Both | 22 | 37.14 |
| | Total | 74 | |
| Reduce stress and tension level for you'll have a home insurance to fall back to, in case of unforeseen circumstances | Public Sector | 21 | 42.29 |
| | Private Sector | 31 | 34.89 |
| | Both | 22 | 36.61 |
| | Total | 74 | |
| Timely insurance payouts allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives | Public Sector | 21 | 38.76 |
| | Private Sector | 31 | 35.82 |
| | Both | 22 | 38.66 |
| | Total | 74 | |

- **Interpretation**

The mean rank table gives the mean rank sector-wise against the satisfaction level of home insurance coverage provided to consumers. Mean rank table helps us to understand the weightage; the more the mean rank value, more is the weightage of that particular variable over others.

In our outcome, the highlighted part shows that mean rank value is highest for consumers who purchased their insurance policy from public sector over private sector and both. In other words, we can say that the satisfaction level is highest for consumers purchasing their insurance policy from public sector.

- **Hypothesis 2**

$H_0$: There is no significant difference between consumers satisfaction level offered by insurance companies and change/improvement needed regarding the products of insurance company.

vs

$H_1$: There is a significant difference between consumers satisfaction level offered by insurance companies and change/improvement needed regarding the products of insurance company.

- **Test Statistics: Mann-Whitney Test**

**Table No 7: Consumers satisfaction level for different home insurance policy**

| Test Statistics | | |
|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Mann-Whitney U** | **Asymp. Sig. (p-value)** |
| Get comprehensive coverage to both content and structure of your home | 366.000 | .925 |
| Secure your assets from any mis-happening | 296.000 | .232 |
| Buy home insurance policy at comparatively lower premium rates than other insurance policies | 326.500 | .475 |

| Test Statistics | | |
|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Mann-Whitney U** | **Asymp. Sig. (p-value)** |
| Reduce stress and tension level for you'll have a home insurance to fall back to, in case of unforeseen circumstances | 355.500 | .793 |
| Timely insurance payouts allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives | 355.000 | .785 |
| **Grouping Variable: Improvements/changes needed** | | |

- **Interpretation**

  Since Asymp.Sig (p-value) > 0.05, hence we do not reject $H_0$ and conclude that there is no significant difference between consumers satisfaction level offered by insurance companies and change/improvement needed regarding the products of insurance company

  Since the two variables under consideration show no difference, we can say that they are related. The relationship between the two variables will help us get the result of consumers satisfaction level and whether they need any changes or further improvements in any of the insurance policy coverage. The mean rank table below will give us the bifurcation of consumers satisfaction level w.r.t whether they are in need of any changes or improvements.

- **Mean Rank Table**

**Table No 8: Consumers satisfaction level for different home insurance policy**

| Ranks | | | |
|---|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Improvements/ changes needed** | **N** | **Mean Rank** |
| Get comprehensive coverage to both content and structure of your home | Yes | 62 | 37.60 |
| | No | 12 | 37.00 |
| | Total | 74 | |

| Ranks | | | |
|---|---|---|---|
| **Consumers satisfaction level for different home insurance policy** | **Improvements/ changes needed** | **N** | **Mean Rank** |
| Secure your assets from any mis-happening | Yes | 62 | 36.27 |
| | No | 12 | 43.83 |
| | Total | 74 | |
| Buy home insurance policy at comparatively lower premium rates than other insurance policies | Yes | 62 | 36.77 |
| | No | 12 | 41.29 |
| | Total | 74 | |
| Reduce stress and tension level for you'll have a home insurance to fall back to, in case of unforeseen circumstances | Yes | 62 | 37.23 |
| | No | 12 | 38.88 |
| | Total | 74 | |
| Timely insurance payouts allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives | Yes | 62 | 37.77 |
| | No | 12 | 36.08 |
| | Total | 74 | |

**Interpretation**

In the above mean rank table, we can observe that responses for whether the consumers need improvements or not is studied with relation to their satisfaction level for different policy coverage. We can conclude that, since the mean rank is highest for the policy coverage "Get comprehensive coverage to both content and structure of your home" and "Timely insurance pay-outs allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives", as the highest value is for the consumers responding "Yes". Hence, we can say the consumers feel that there is a need of improvement for the policy coverage "Get comprehensive coverage to both content and structure of your home" and "Timely insurance pay-outs allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives", and that they are much satisfied. Whereas, the mean rank is highest for other policy coverage, corresponding to the responses "No". Hence, we can say the consumers feel that there is no need of improvement for the other policies, as they are satisfied with the coverage provided.

## Suggestions and Conclusion

The study shows that consumers of home insurance expects the insurance companies to provide a comprehensive coverage and settle the claims quickly. The consumers of public sector insurance companies feel that changes/improvements should be incorporated in the areas of Premium charged, Agents knowledge, Transparency in the policies and Speed in claim settlement. Consumers of private sector insurance companies feel that changes/improvements are needed in the areas of transparency in the insurance policies. The major reasons for not buying home insurance product is lack of knowledge about the policy and from where to get it and no proper guidance from officers or agents", and many other respondents believe that relative worth of the claim is too low.

As all insurance customers expect quick settlement of claims, the insurance companies should settle the claims quickly. This action from the insurance companies will enhance the trust factor towards insurer. Insurance companies can use technological inputs to reduce time for claim settlements.

Home insurance is not yet accepted by the buyers as insurance agents do not promote the products aggressively and distribution channels are not proactive towards home insurance business. Proper training must be provided to the agents along with proper incentives. Non-government organisations, cooperative societies, can be roped in to reach out to the consumers.

Whenever people buy the house property, they, look for aspects like, compliance with the law, timely delivery of the house, good quality construction and clear title deeds. Real Estate Regulatory Authority (RERA) Act should not only look into the above aspects, but also make the consumers more aware of insurance as a means of risk transfer.

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## Appendix: Home Insurance Questionnaire

**Dear Participant,**

**Thank You for taking the time to assist me in my endeavor. I am Rashmi Shetty and I'm conducting a survey on Consumer Buying Behavior Towards Home Insurance Products. Your answers are anonymous. All answers will be kept confidential. Only group results will be presented or documented, not individual answers. Your help with this research is strictly voluntary.**

**1. Gender**

O Male

O Female

**2. Age Group**

O 18-30

O 31-40

O 41-50

O 51-60

O Above 60

**3. Educational Qualification**

O No Schooling

O School

O Graduate

O Post Graduate

O Professional Graduate

O Others, Please Specify ___________

**4. Occupational Status**

O Govt. Employee

O Pvt. Employee

O Business

O Professional

O Others, Please Specify _____

**5. Marital Status**

O Single

O Married

O Others, Please Specify _______

**6. Monthly Income of the Family**

O Less than 5,000

O 5001-10,000

O 10,001-25,000

O 25,001-50,000

O Above 50,000

**7. Nature of Family**

O Nuclear

O Joint Family

**8. Family Size**

O Less than or equal to 3 members

O 4-5 members

O Above 5 members

**9. Number of dependent Family Members**

O Nil

O 1-3

O 4-6

O More than 6

**10. Have you opted for Home Insurance?**

O Yes

O No

**11. If No, what are the reasons for not buying the home insurance products**

O Lack of knowledge about product/policy and from where to get it

O No proper guidance from officers or agents

O Policy conditions and exclusions are not clear/not in local language

O Plenty of information availability creates confusion

O Too much dependence on agents and officers for clarifying doubts

O Relative worth of the claim is too low

O Office appearance

O Others, Please specify ________________

**12. If Yes,which insurance company?**

O Public Sector

O Private Sector

O Both

**13. Rate the type of coverage according to level of satisfaction received offered by insurance companies.**

| Factors | Excellent | Very Good | Average | Fair | Bad |
|---|---|---|---|---|---|
| Get comprehensive coverage to both content and structure of your home | | | | | |
| Secure your assets from any mis-happening | | | | | |
| Buy home insurance policy at comparatively lower premium rates than other insurance policies | | | | | |
| Reduce stress and tension level for you'll have a home insurance to fall back to, in case of unforeseen circumstances | | | | | |
| Timely insurance payouts allow families to go through rebuilding process quickly, helping them to move on and get back to their normal daily lives | | | | | |

**14. Does your purchasing decision depends on your requirement?**

O Yes

O No

**15. If Yes, what according to you is most required?**

O Safety

O Speed in claim settlement

O Low premium rates

O Policy conditions should be in clear language

O Officers/Agents easily available

O Others, Please specify ______________

**16. Rate the Home Insurance policy according to your product knowledge(1 for Bad and 5 for Excellent):**

O 1

O 2

O 3

O 4

O 5

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Printed at Onlooker Press: 2218 2939 / 3544