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CONTENTS

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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 बढाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है ।

Printed by Shri J. N. Misra, **published by** 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

The 6th R. K. Talwar Memorial Lecture was organized by the Institute on 17th July 2015 at the State Bank of India Auditorium, Mumbai. This annual lecture was instituted by the State Bank of India in memory of late R. K. Talwar. Late Talwar was the Chairman of the State Bank of India during 1969-76 and had played a significant role in the development and shaping of the bank. A highly principled banker, Talwar was known for his values, integrity, dynamism and professionalism. He was also one of the Governing Council members (1968-1976) of the Institute. We carry the text of the lecture delivered by Dr. Arvind Panagaria, Vice Chairman, NITI Aayog, Government of India on topic "Growth, Poverty and Economic Transformation in India" as the first article in this issue. In his lecture, Dr. Arvind Panagaria covered at length on "Why Growth Matters", "Growth Eliminating Poverty: A Digression to South Korea and Taiwan", "India During the First Three Decades: What Went Wrong?", " The Transition Decade of the 1980s", "Reforms Arrive, Growth Accelerates and Poverty Falls", "Why "Make in India," "Skill India" and "Smart Cities" Initiatives"? Finally Dr. Panagaria concluded by saying that India has the potential of becoming 3rd biggest economy in the world.

The Bank Executive Programme (BEP) for Senior Executives of Banks is a joint initiative of NIBM, IIBF and IDRBT. The BEP is a 6 days training programme for senior officers of Banks (Scale IV & above) consisting of three distinct modules on a) Current banking developments including HR, b)Risk Management and c) Information Technology. This programme aims at equipping bank executives, with appropriate skillsets to succeed in the emerging competitive market place. The Institute had organised the 5th Bank Executive Programme from 16th to 21st November, 2015 and Mr. G. Padmanabhan, Chairman, Bank of India delivered the inaugural address. We carry the text of his speech as the second article in this issue. His speech focused on the challenges of bankers in an emerging competitive domestic market scenario. He covered various gamut of challenges facing bankers which include the increasing competition from financial technology companies, rising consumer expectation, human resource management, reorganisation, restructuring and reengineering, financial Intermediation process, lending to critical sectors like MSME, infrastructure, etc., need for increased integration with the global financial system, *achieving scale, combat cyber crime and competition from non-bankers. He suggests bankers to become inquisitive, agile and customer centric to face these challenges.*

The 88th Annual General Meeting of the Institute was held on 24th August, 2015. The presidential address was delivered by Mr. Arun Kaul, then President of the Institute. The text of his speech is included as the third article in this issue. In his speech, he highlighted the performance of the Institute during the financial year 2014-15. Mr. Arun Kaul urged the Institute's members to make use of Institute's study support services such as e-learning, video lectures etc. while preparing for the examinations of the Institute. He also appealed to the members to actively participate in the Institute's research and other activities.

"Digital Payments: The next big wave in reshaping the payments in India" by Mr.B. Sambamurthy, Director, National Payments Corporation of India (NPCI) & former Director and CEO of IDRBT and Mr. Vipin Surelia, Sr.Vice President, NPCI is the fourth article in this issue. In this article, the authors explain how digital payment is changing the payments landscape in India and suggest a set of action plans for banks to play their role in this area. The suggested action plans include redefining & reorienting business by targeting cash segment, empowering customers digitally, enhancing technology infrastructure, creating staff & customer awareness, collaborating with partners, Mobile based Apps for retail banking, creation of a Chief Payment Officer position, etc.

The next article in this issue is "Whether North East India slipped in Development due to lack of Bank credit?" by Dr. S. S. Sangwan, Professor, SBI Chair, Centre for Research in Rural and Industrial Development. The author in this paper presents the analysis of key social and economic parameters of development in North East India vis-a-vis the country as a whole and has analysed the flow of bank credit in this region. He also discusses constraints for bank finance in the region and suggests measures to mitigate the same.

The All-India Debt and Investment Surveys (AIDIS) of the National Sample Survey (NSS) are the primary source of data on various indicators of stock of assets, incidence of indebtedness, capital formation and other indicators of rural/urban economy. The key indicators of the latest and 70th round survey were released by the Government of India in December, 2014. Mr. Manas Ranjan

Das, Former Assistant General Manager (Economist), State Bank of India in the sixth article on "70th All-India Debt and Investment Survey: Implications for Rural Banking" presents an analysis of the indicators pertaining to the rural households based on the above survey.

Further, the issue also includes the regular feature section on 'Legal Decisions affecting Bankers', by Mr. M. G. Kulkarni, Deputy Director, IIBF and a Book Review by Mr. Deenanath Jha, Chief Manager (Research), State Bank Institute of Information and Communication Management (SBIICM) on the book, 'How to Make the Right Decision' written by Prof. Arnab Kumar Laha.

We welcome readers' suggestions and feedback for improvement.

We wish all our readers a very Happy & Prosperous New Year.

Dr. J. N. Misra

Growth, Poverty and Economic Transformation in India

Dr. Arvind Panagariya*

It is common place for a speaker invited to deliver a memorial lecture to open with the remark that he is deeply honoured by the opportunity offered. In the present case, while true, this would amount to no more than stating the obvious. For R. K. Talwar was the rarest of rare officers that India has ever produced. So spotless had been his personal and professional life that even an all-powerful emergency-era government, determined to remove him from office for refusing to do its unjust bidding, could not muster enough courage to do so. As distinguished banker Naraynan Vaghul tells us in his inspiring "Profile of Professional Courage" of Talwar, even after a CBI inquiry and a legislative amendment later, the then government could only bring itself to asking Talwar to take a leave of absence for the last 13 months of his tenure.

Of course, accomplishments of Talwar went far beyond a life of honesty, integrity and courage. He was one of the most eminent bankers of India. He received accolades as a manager, friend, leader and Guru from nearly all those who were lucky enough to get a chance to work with him. So I can say without exaggeration that today we honour an extraordinary individual and that I could not be prouder to be invited to deliver this Sixth R. K. Talwar Memorial Lecture.

I must confess at the outset that in choosing the subject of today's lecture, I am guilty of breaking a tradition set by my predecessors. Unlike me, every one of the previous five speakers has chosen to speak on one or the other aspect of banking in their lectures. The main reason why I have decided to charter a different course is that I can tell you nothing on banking that you do not already know. As a trade economist, I have deep appreciation of the principle of comparative advantage and try to not just teach but also practice it.

Why Growth Matters

To introduce the subject of the lecture then, allow me to begin with a stylistic account of India's economic progress since 1950-51. In Figure - 1, I depict the evolution of real per-capita income in India from 1950-51 to 2013-14 with the income in 1950-51 normalized at 100. During the first three decades, India grew at a snail's pace with per-capita income rising just 50% by 1980-81. In the following decade, there was some acceleration with another 50% added to the original per-capita income by 1990-91. The 1990s saw further acceleration, adding full 100% over the 1950-51 income. The fastest gain came in the new millennium, however, with full 300% added to the original per-capita income.

Movements in poverty mirrored these movements in per-capita income. Figures - 2 and 3 showing poverty rates during 1951-52 to 1973-74 and 1993-94 to 2011-12, respectively, capture this fact.[1] Poverty rates during the initial two and a half decades when per-capita income rose at snail's pace saw no decline. Good weather during these years would push the poverty rate down while bad weather would do the opposite with no decline in trend poverty. With extremely low initial per-capita income, slow growth meant that per-capita income remained low and no perceptible assault on poverty could be done.

Once growth picked up, however, per-capita income rose and poverty too began to recede. The sharper the rise in incomes the sharper was the decline in poverty. Figure - 3 depicts poverty rates in 1993-94, 2004-05 and 2011-12 in rural and urban areas separately and combined. Both rural and urban poverty fell between 1993-94 and 2004-05 as well as between 2004-05 and 2011-12. The decline was significantly sharper, however, during the latter period, which was characterized by substantially higher rate of growth. Moreover, poverty fell more sharply in rural areas thereby partially bridging the gap in poverty between the two regions. The association between growth and decline in poverty is unmistakable.

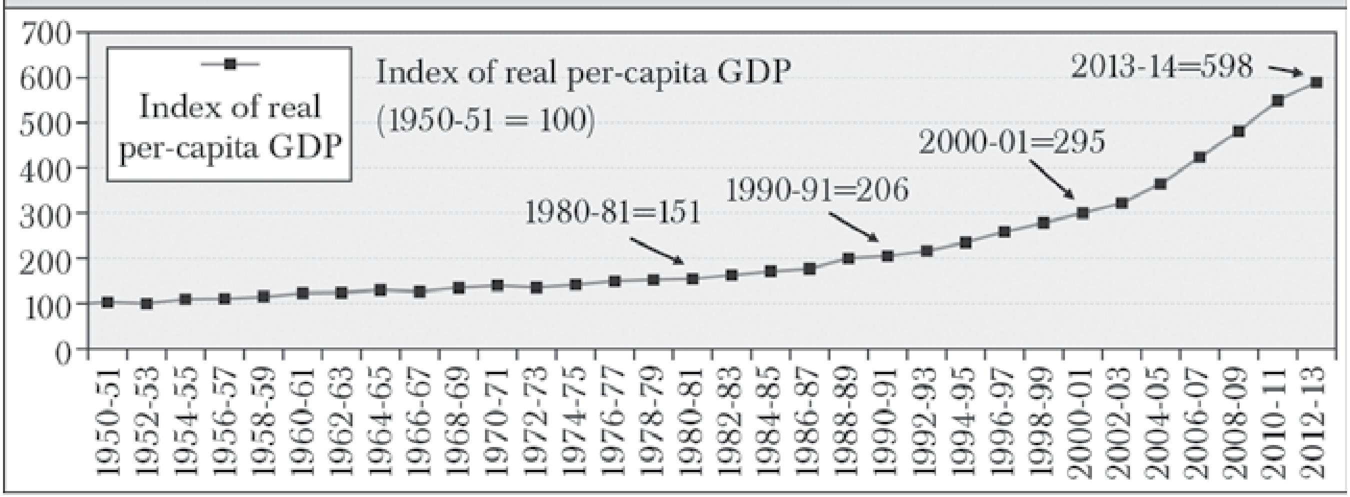
Skeptics sometimes argue that poverty may have fallen at the aggregate level but growth did not benefit all groups.

* Vice-Chairman, NITI Aayog

This lecture liberally draws on my past work. Specifically, I would like to mention the following works : (i) Jagdish Bhagwati and Arvind Panagariya, 2013, Why Growth Matters : How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries, New York : Public Affairs; (ii) Arvind Panagariya, 2013, Indian economy : Retrospect and Prospect, 11th Richard Snape Lecture, Sidney : Productivity Commission; and (iii) Arvind Panagariya and Vishal More, 2014, "Poverty by social, religious and economic groups in India and its largest states : 1993-1994 to 2011-2012," Indian Growth and Development Review, Vol. 7(2), pp.202 - 230.

[1] In Figure - 2, poverty ratios are computed at the Alagh-Lakdawala poverty line and in Figure - 3, the Tendulkar poverty line. Each figure holds the poverty line constant in real terms throughout the period covered.

Figure - 1 : Evolution of real per-capita income in India from 1950-51 to 2013-14.



They content that growth has left the disadvantaged and minority groups behind. But we show in Panagariya and More (2014) that nothing could be farther than the truth. Whether we group the data according to social, religious or economic criteria, poverty declines for every single group. Furthermore, the decline is invariably sharper during 2004-05 to 2011-12 when per-capita incomes rose faster than during 1993-94 to 2004-05. It also turns out that the percentage point decline is larger for groups with larger initial poverty levels so that there is convergence in poverty ratios between initially worse off and better off groups.

Why does growth turn out to be so crucial for poverty alleviation? There are two reasons for it. First, growth raises wages and pulls the poor into gainful employment. Accompanying increases in incomes give beneficiaries better access to food, education and health. Second, growth generates larger volume of revenues, making large-scale anti-poverty programs feasible. Accelerated growth beginning in 2003-04 allowed India to enact the Mahatma Gandhi National Rural Employment Guarantee Act and the National Food Security Act.

Figure - 2 : Annual poverty rates in India from 1951-52 to 1973-74.

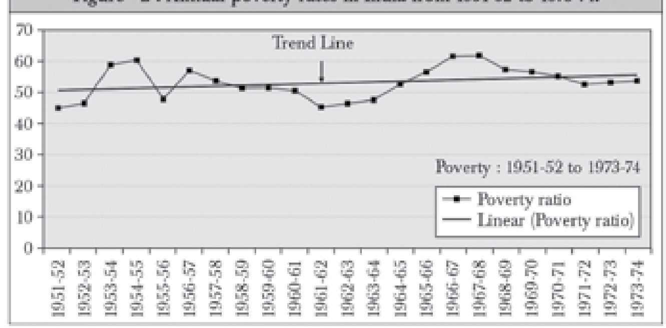
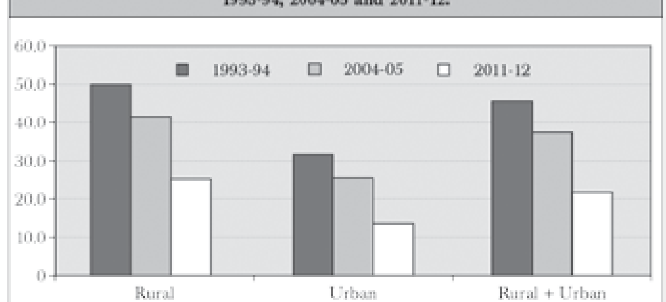


Figure - 3 : Poverty rates in rural, urban and all India in 1993-94, 2004-05 and 2011-12.



Growth Eliminating Poverty : A Digression to South Korea and Taiwan

Before elaborating on the experience of India, it is worthwhile to briefly digress to East Asia. South Korea, Taiwan and Singapore offer examples of countries that eliminated abject poverty nearly exclusively via growth during the 1960s, 1970s and 1980s. A set of policy measures led to rapid expansion of labour-intensive manufacturing in the 1960s onwards in all three of these countries. Reaching the annual rates nearing 15 percent per annum, this growth in manufacturing created jobs that pulled workers out of agriculture into gainful employment. Additionally, accelerated manufacturing growth led to accelerated growth in services. This process worked through two channels. First, manufacturers used many services as inputs so that faster growth in them led to a rise in the demand for the latter. Second, rapidly rising incomes via faster growth in manufactures led to increased spending on services. Accelerated growth in services created additional well-paid job opportunities for low-wage workers in agriculture thereby accelerating their movement out of agriculture.

Table - 1 captures this process as it played out in South Korea between 1965 and 1990. Within 25 years, the output share of agriculture fell from 38.7% to 9.1% while its employment share fell from 58.6% to 18.3%. Correspondingly, the combined share of industry and services in employment rose from 41.4% to 81.7%. Alongside, real wages rose at an approximate annual rate of 9%. Consequently, Korea managed to entirely eliminate abject poverty by 1990. The experience of Taiwan closely tracks that of South Korea. Activist social programs in these countries came after much of the abject poverty had been eliminated. Even Communist China has relied nearly exclusively on growth to eliminate abject poverty with social safety nets beginning to receive attention less than a decade ago.

I offer these examples not to downplay the importance of social expenditures that are absolutely essential in a democratic society but to underline the point that the direct role of growth in combating poverty must not be underestimated. As I will argue below, while growth acceleration surely played an important direct role in bringing poverty down in India, this channel has not been fully exploited by the country. Growth in the country has been concentrated in capital- and skilled-labor-intensive manufacturing and services undermining the growth in good jobs for the masses.

Table-1 : Changes in Sectoral Shares in the GDP and Employment in South Korea

Year	Agriculture, forestry and fisheries	Mining	Manufacturing	Other
A. Gross domestic product by sector (as per cent of the GDP)				
1965	38.7	1.8	17.7	41.8
1970	25.8	1.3	21	51.9
1975	24.9	1.4	26.6	47.1
1980	15.1	1.4	30.6	52.9
1985	13.9	1.5	29.2	55.3
1990	9.1	0.5	29.2	61.2
B. Employment by Sector (as per cent of total employment)				
1965	58.6	0.9	9.4	31.1
1970	50.4	1.1	13.1	35.4
1975	45.7	0.5	18.6	35.2
1980	34	0.9	21.6	43.5
1985	24.9	1	23.4	50.7
1990	18.3	0.4	26.9	54.4

Source : Economic Planning Board, Major Statistics of Korean Economy, Various issues and Bank of Korea, Economic Statistics Yearbook 1962 [as cited by Yoo (1997, Table-2) from which this table is reproduced].

India During the First Three Decades : What Went Wrong?

It is useful to return to the early decades and ask what went wrong. Before I offer my own answer to this question, let me address two related myths. First, it is sometimes suggested that India's mistake lay in the wrong choice of objective : we opted for growth whereas we should have gone for redistribution. And, second, we failed to conquer poverty because we neglected elementary education. Consider each myth in turn.

Even a cursory reading of history would show that growth in itself was never the objective. The early leadership in India had thought of and written about growth as the instrument and poverty alleviation as the objective in clearest terms. As early as 1938, a fifteen-member National Planning Committee had been tasked with evolving the development strategy that would be implemented once independence was achieved.

In his monumental work, The Discovery of India, Jawaharlal Nehru reports on the deliberations of the committee in these words, "Obviously we could not consider any problem, much less plan, without some definite aim and social objective. That aim was to be to ensure an adequate standard of living for the masses, in other words, to get rid of the appalling poverty of the people ... To ... ensure an irreducible minimum standard for everybody the national income had to be greatly increased ... We calculated that a really progressive standard of living would necessitate the increase of the national wealth by 500 or 600 per cent. That was, however, too big a jump for us, and we aimed at a 200 to 300 per cent increase within ten years." The Planning Committee's ideas eventually influenced the design of India's development plans. If you read virtually any of the early plans, you will find that while poverty alleviation and equitable distribution remained true goals, growth, complemented by redistribution, remained the central instrument. The reason redistribution played limited role in the early years was that there were too few from whom we could redistribute and too many to whom we needed to redistribute. Revenues raised were meager and competition for them across many heads intense.

Turning next to the claim that India's failure to conquer poverty lay in its neglect of elementary education, the first point to note is that as an objective, the latter was very much an integral part of our development strategy. This is reflected in the Constitution, which lists primary education as the only directive principle of state policy with a specified deadline, 1960. Where the failure occurred in this area was in implementation. In part, this was due to insufficient financial resources but perhaps a lack of will to carry out the mandate in mission mode played a far more important role. South Korea too had very limited resources in the 1950s and 1960s but it took the matter on a war footing, ran multiple shifts including night shifts in schools and successfully raised the literacy rate from 22 percent in 1945 to 84.5 percent for males and more than 85 percent for females by 1966. It was successful in bringing not just children but also adults into the fold of literacy.

While the desirability of elementary education as a social goal is beyond question and is the key reason behind the 86th Constitutional amendment that makes it a fundamental right, its connection to growth is tenuous. The Soviet Union had achieved near universal literacy by the early 1960s. But its anti growth policies led to low and declining growth rates from 1970 onwards even in the face of high and rising investment-to-GDP ratio. Even in South Korea, rising literacy levels in the 1950s and early 1960s did not translate into high growth. It was only after the country switched to outward oriented policies in the early 1960s that growth accelerated. Closer to home, Kerala has had a long history of high literacy rates but states such as Tamil Nadu, Haryana and Gujarat have dominated it in growth. And India as a whole still remains far from achieving universal literacy and yet could grow at the average annual rate of 8.3% during 2003-04 to 2011-12 by adopting growth friendly policies.

None of this implies, of course, that education has no role to play in accelerating growth. Economists consider investment in human capital just as important for growth as investment in physical capital. Without civil engineers, we cannot build roads and bridges and without computer scientists, we cannot become a software powerhouse. The argument I have made is that, as with the Soviet Union in the 1970s and subsequently, investment in human capital would fail to translate into sustained growth if the policy framework does not reward efficiency and risk-taking.

This then was the central failing of the Indian policy framework during the first three decades. By adopting autarkic trade policies, we stamped out foreign competition and by adopting investment licensing we eliminated domestic competition as well. Producers lucky enough to get a license had an assured market since imports licensing restricted supply from abroad and investment licensing restricted supply from domestic sources. Facing neither the threat of losing the market nor the prospect of expanding it, producers had no incentive to improve quality. Unsurprisingly, the Hindustan Motors could continue to sell the same Morris Oxford Series III model of Ambassador car in the 1980s that it had introduced in 1958.

Strict investment licensing, reinforced by protection against imports, promised guaranteed monopoly profits, which were anathema under the prevailing socialist norms. Therefore, the government came to fix the prices of many of the products such as cement, steel, scooters and automobiles at levels that would rule out obscene profits. Price controls in turn produced shortages and had to be complemented by controls on distribution through permits. So queues and corruption emerged as natural responses. If you wanted an automobile, you had the option to either wait in a years-long queue or pay a bribe to jump the queue. And even then you received a vehicle of quality that no customer today would buy.

This regime was reinforced by the Small Scale Industries (SSI) reservation, which came to cover nearly all labour-intensive products in which India had a comparative advantage on account of its vast labour force. Allowed less than $100,000 in investment, the SSI enterprises were too small to either exploit scale economies or have an incentive to produce high quality products. So once again product quality suffered to the detriment of the consumers. Product quality also suffered further because of the prevailing policy of diversification that required manufacturers to indigenize the product by using locally produced inputs. Products could be only as good as the inputs used in them.

With neither scale nor quality, there was no chance that India could exploit its comparative advantage in labor-intensive products and generate export revenues in vast volumes. Export pessimism, passionately shared by all Indian economists of the day save Jagdish Bhagwati and T. N. Srinivasan thus found justification ex post. With export revenues so constrained, import controls seemed justified as well. The latter gave additional teeth to investment licensing since it was now necessary to ensure beforehand that machinery and raw material imports for the success of the proposed project would be available.

The policy regime turned so restrictive of imports that they fell to just 4.1 percent of the GDP in 1969-70 after having reached 10 percent at their peak in the 1950s. The proportion remained below 7 percent through much of the 1970s. And growth in per-capita income in India plummeted to just 0.3 percent between 1965-66 and 1974 75. India had witnessed its slowest growth during a decade in which the world economy was booming and outward oriented countries such as South Korea and Taiwan were registering near double-digit growth rates.

The Transition Decade of the 1980s

As the 1980s approached there was realization in at least some quarters of the government that controls had gone too far and that they were having seriously negative effects on India's prospects for combating poverty. That realization translated into some easing up of restrictions on investment and import licensing. Import liberalization was also made feasible by remittances from the Middle East, which created some modest space on the foreign exchange front. The process of liberalization accelerated in 1985-86 and 1986-87 under Prime Minister Rajiv Gandhi but it could not be sustained. Two measures that nevertheless could be introduced and made some difference during the second half of the 1980s were steady depreciation of the rupee and a set of export incentives that helped spur export growth.

The 1980s also witnessed a rapid expansion of fiscal deficit. On the one hand, this expansion complemented liberalization measures in spurring growth but on the other, it sowed the seeds of a macroeconomic crisis. From 3.6% during the preceding three decades, growth accelerated to 4.6% between 1981-82 and 1987-88 and to 7.2% during the following three years. But since cheap loans abroad had substantially financed fiscal deficits through the 1980s, foreign debt grew and by 1990-91, debt service payments came to account for one- third of what were meager export earnings in the first place. A spike in oil price following the invasion of Kuwait by Iraq and subsequent retaliatory action by the United States against the latter turned an already fragile balance of payments situation in India into a crisis.

Reforms Arrive, Growth Accelerates and Poverty Falls

By 1991, three factors had come together to pave the way for systemic reforms in place of what had so far been ad hoc measures by stealth. First, the Soviet Union, which had served as the model for the adoption of planned development in many developing countries including India, collapsed. Various republics of what became ex-Soviet republics went on to quickly embrace market led development. Second, China, a Communist country that was even more populous than India and had opened its economy steadily beginning in the late 1970s, saw its economy grow at near-double-digit rates during the 1980s. Finally, thinking among Indian policy makers had also been shifting and many had come to conclude that inward-looking trade policies and licensing system had outlived their utility. As luck would have it, 1991 also brought to the helm Prime Minister Narasimha Rao who saw an opportunity in the crisis and launched a major programme of systemic reforms.

The first set of reforms introduced by the Rao government ended investment and import licensing (except for consumer goods imports) and opened the economy to foreign investment. Many experts had predicted that once the economy was stabilized, reforms would come to a halt and business as usual will begin. But that did not happen. The government continued to liberalize trade and foreign investment, introduced major reforms in the financial sector, gave entry to private carriers in the domestic airline business, brought private players into telecommunications and launched a programme of dis investment whereby minority stakes in many public sector enterprises were sold to the public.

Reforms slowed down towards the end of the term of Prime Minister Rao and during the tenures of three immediate, short-lived successor governments. But they resumed in a major way after Prime Minister Atal Bihari Vajpayee came to office in 1998. Vajpayee government carried forward trade liberalization in a sustained manner and brought the highest tariff on industrial products down to 25% by 2004. It also ended import licensing on consumer goods imports in 2001 and raised foreign investment caps in many sectors. It opened life and general insurance to the private sector with foreign investment permitted up to 26 percent. The small-scale industries reservation was substantially ended.

The New Telecom Policy of 1999 paved the way for telecommunications revolution. Tele-density rose from just 2.8 per one hundred people in 1999- 2000 to 76.5 percent in January 2015. Even rural India came to boast of two phones per household on average. The government also introduced major reforms in the indirect tax area replacing a large number of complex excise duties by a central value added tax rate. It also undertook outright privatization of several public sector enterprises.

In agriculture, the government initiated the reform of Agricultural Produce Marketing Committees (APMC) Act in the states through a model APMC Act. In the social sector, it launched Sarva Shiksha Abhiyan (SSA), accelerated the building of houses for the poor and initiated Prime Minister's Gram Sadak Yojana (PMGSY). The latter aimed to build all-weather roads to link villages to nearby cities. The government also built major highways and modernized ports. The golden quadrilateral project connected Delhi, Mumbai, Chennai and Kolkata via four lane highways in record time.

Vajpayee Government also freed administered interest rates on many savings instruments. It pioneered the fiscal responsibility legislation. Successful monetary management brought inflation down to five percent. On the external front, the current account deficit remained low with the last three years of the NDA rule showing a modest current account surplus. Foreign exchange reserves rose from $29.4 billion at the end of March 1998 to $113 billion at the end of March 2004.

Accumulated reforms over a period of about a dozen years paid a handsome dividend. Growth accelerated beginning in 2003-04 and average 8.3% over the nine-year period ending in 2011-12. It was this rapid growth that allowed the major expansion of social spending. India saw the launch of the National Rural Employment Guarantee Scheme, expansion of the public distribution system and a rapid rise in expenditures on education. A measure of the importance of growth for social expenditure is that per-capita public expenditure on education achieved by the allocation of 4% of the GDP to that sector in 2013-14 would have required the allocation of 24% of the GDP in education in 1950-51.

Why "Make in India", "Skill India" and "Smart Cities" Initiatives?

Massive expansion of output and exports of labour-intensive manufactures such as apparel, footwear, light consumer goods and assembly activities played a crucial role in the early stages of miracle-level growth in each of South Korea, Taiwan, Singapore and China. In contrast, it is skilled-labour-intensive services and capital-intensive manufactures that have propelled high growth of recent years in India. Sectors that have flourished in India include software, telecommunications, transportation, finance, engineering goods, automobiles and auto parts, petroleum refining and chemicals.

This pattern has meant that India's share in the world merchandise exports has grown very slowly and remains just 1.7 percent today. In parallel, domestically, the share of manufactures in GDP has remained constant at the low 15 percent level since 1991 (17 percent in 2014-15, according to the new GDP series). In turn, job growth in the organized sector has been considerably slower than in South Korea and Taiwan in the 1960s and1970s and China in the 1990s. The end result has been continued dependence of half of the workforce on agriculture despite a decline in the output share of the sector to below 15%. There has been limited rural-urban migration and urbanization has progressed extremely slowly.

Within industry and services, good jobs remain scarce. Of the half of the workforce they employ, only 11 percent have formal jobs : 7 percent in the public sector and 4 percent in the private organized sector. A solid 89 percent of the workers in industry and services rely on informal, unorganized sector jobs.

One may ask why is it important to create formal sector jobs. The answer is that these jobs typically pay significantly higher wages than informal sector jobs. Figure - 4, provided by Raginee Baruah, Rana Hasan, Nidhi Kapoor and Aashish Mehta from their ongoing research, illustrates this point. The lower line in this figure shows wages paid by firms in unorganized sector and the upper line those paid by organized sector firms. Two observations follow : wages rise with the firm size and, for a given firm size, organized sector firms pay higher wages. Of course, the largest firms pay the highest wages and they are all to be found in the organized sector. In India, firms in employment-intensive sectors have chosen to be small and stay in the unorganized sector. The most dramatic case is that of the apparel industry. According to 2010-11 data, 88% of the workers in this industry are employed in unorganized sector. Not only do these firms generate meager income and pay low wages, they are also largely absent from export markets. In turn, this explains the tepid performance of India in clothing and accessory exports when compared to China. As Figure - 5 shows, India exported one-tenth of clothing and accessories exported by China in 2013. Moreover, in 2013, India had not been able to catch up with even 1997 level of the Chinese exports of these products.

Therefore, to create well-paid jobs for those at the bottom of the pyramid, it is important that policy environment

Figure - 4 : Wages by firm size and by formal versus informal sector, 2010-11.

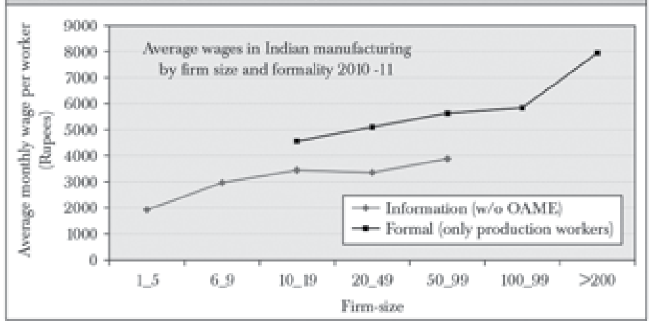
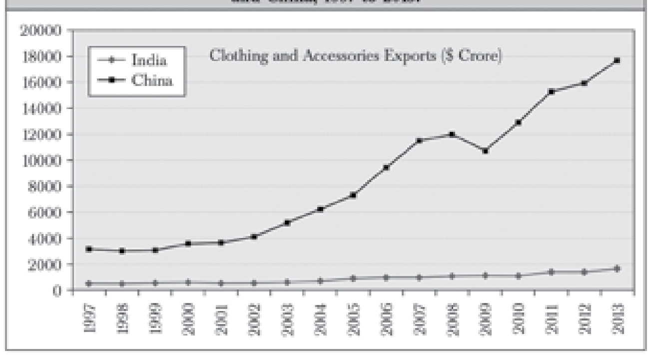


Figure - 5 : Total exports of clothing and accessories by India and China, 1997 to 2013.



be made conducive to healthy growth of employment-intensive sectors such as apparel, leather products, electronic assembly, food processing and construction. While the immediate relief to the vast rural population must naturally come from crop insurance, reforms that help farmers receive remunerative prices for their produce and higher productivity, genuine inclusion in the long run requires creation of good jobs in industry and services. The economy must offer the farmers and their children the same opportunities in industry and services that lucky few have had in the past, allowing them to migrate to industry and services and bequeath better lives to their children and grandchildren.

It is in this context that initiatives such as Make in India, Skill India and Smart Cities, launched by Prime Minister Narendra Modi, assume special significance. These three initiatives, propelled by policy actions on land acquisition, labour-market reforms and reduced uncertainty on taxation, can potentially create a large number of good jobs for the masses and accelerate growth further. With China poised to exit the basic labour- intensive sectors such as apparel and light consumer goods, the timing for India could not be more opportune. India must aim to capture a significant part of the space in the world market for manufactures that China is poised to vacate.

In Conclusion

Let me conclude by stating that the prospects for India to become the third largest economy of the world in less than fifteen years are excellent today. Taking into account the real appreciation of the rupee, during the decade of 2003-04 to 2012-13, we have grown above 10 percent per annum in real dollars. At this pace, we can turn the current $2 trillion economy at 2014-15 prices into $8 trillion in fifteen years or less. That would place us well above Japan, the economy that currently ranks third.

Can we grow at the rate we grew during 2003-04 to 2012-13? The answer is a resounding yes. Our savings rate remains nearly 30 percent of the GDP with prospects to rise above 35 percent, a level reached in 2007- 08. We have a young population so that labour shortages will not be an impediment to growth. We also remain an open, competitive economy. Our per-capita income being low, we are far from the global technology frontier so that we have a lot of scope to catch up. Above all, we have a highly motivated and responsive government at the center and governments in numerous states that are in a race with each other to move the nation forward at brisk pace.

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Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) – 2015-16

The last date for submitting application for

Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) – 2015-16

has been extended upto 31.03.2016.

For details visit www.iibf.org.in

Emerging challenges and evolving issues in banks**

G. Padmanabhan*

1. It is a pleasure to be here, my first visit to the Institute in my transformed role as a commercial banker. As soon as the news of my appointment came, one of the TV channels called me to congratulate and asked the question what are your priorities for Bank of India? I told them I have not even seen the bank's head office so far, let alone study it's issues. They would not let go and prodded that having been in the RBI, I would be knowing the bank from the back of my hand. I said yes but that would not help since the job assigned to me is to lead the bank and not regulate it. It is an altogether different ball game. In a way this dilemma of mine knowing the basics but having to learn to use it differently summarises what I think is the main theme of the challenge bankers are facing today and hence the theme of my talk.

2. All of us know that the Indian banking sector particularly the public sector banks are at a critical tipping point. There are several concerted efforts to professionalise them. RBI is visibly discouraging the extend and pretend culture as far as credit portfolio is concerned. The capital and liquidity norms are getting stricter although I have often wondered even when I was in the RBI whether the Indian banks are facing a double whammy in some aspects. For instance, how LCR and SLR can co- exist or why India should be front running in implementing enhanced capital norms when 70 percent of bank business is government owned. This debate will rage on anyway. From the government side, there is a focussed Indradhanush launched by the government to revitalise the public sector banks. The over arching approach seems to be to go for a whole new strategy rather than running after incremental changes.

3. In the invite sent out to me I was informed that this programme aims at equipping the Executives, Senior Management Officers in Scale IV and Scale V or equivalent, with appropriate skill-sets to succeed in the emerging competitive global market scenario. Let me start by asking the question can any one in this audience say with certainty what is the emerging global scenario? To set this discussion in the proper context, it would be important to understand what is the emerging Indian scenario as well which today offer more challenges. Why so? In my view while competition is all but gone in the global financial centres post global crisis, evident from the fact that inter bank markets have virtually disappeared with central banks donning the new role of lender of the first rather than the last resort. This situation may take some more time to correct. But back home, government and the RBI have unleashed a spate of reforms which is likely to change the landscape of the Indian financial sector.

4. In the meeting last month that public sector banks had with MoS, the message was clear, the bank boards are being empowered to take independent and appropriate business decisions. The follow up actions also point to this direction. Take the example of power sector reforms Uday for instance. I have never in my RBI career come across a package where Govt itself says banks to take no further exposure to entities towards funding losses whose debts are being restructured. So with government starting to walk the talk I believe that you people will have to unlearn and relearn to strategise. You need to equip yourself to function in a environment where innovation is continuous, and ensuing changes a day to day challenge.

5. Let me try and flag some of the more important challenges where I think strategic thinking is important.

- **Challenge of increasing competition from financial technology companies**

The increasing popularity of these companies is disrupting the way traditional banking has been done. This creates a big challenge for traditional banks because they are not able to adjust quickly to the changes – not just in technology, but also in operations, culture, and other facets of the in-dustry. A related issue is the inability of the regulations to catch up with these rapid changes.

*** Chairman, Bank of India.**

**** Key note address delivered while inaugurating the "Bank Executive Programme" held at leadership Centre, IIBF, Mumbai on 16th November 2015.**

- **Challenge from rising Consumer expectations**

Customer expectations have grown to new levels and it has now moved beyond customer satisfaction to customer delight. However, many banks are feeling pressure because it becomes challenging if not impossible to deliver the level of service that consumers are demanding, especially in regards to technology linked services.

- **Human Resource Management Challenge**

The biggest asset of any service industry, like banking, is its People. And this is where the biggest challenge is emerging out, especially for the Public Sector Banks (PSBs) and Old Private Sector Banks. According to one recent estimate by McKinsey, PSBs are going to see natural attrition to the tune of around 7 lakh employees in the coming years. This is going to be the biggest challenge for us considering not only the scale of recruitment but also ensuring proper skill-match.

Banks will have to recruit the right kind of people in the right numbers, and at the same time, will also have to develop the skills and capacities of their existing staff to meet the needs of the changing time. Apart from specialised expert skills in specific areas where banks may have to recruit from the market, it is clear that there will be a huge gap in these and other skills for the system as a whole. Hence, emphasis should be on the re-skilling of the existing staff looking at their strengths and competencies for meeting the gaps in various areas of the banks businesses.

Some critical questions that come to my mind in this area particularly as far as the public sector banks are concerned are:

How to achieve specilaisation without coterisiation ? Is the answer to specialisation or capacity building specialised recruitment? How to work towards outcomes rather than just following practices? How to differentiate between acts of commission and omission? Between expected risk taking and vigilance?

In the case of Public Sector Banks, Performance Management System (PMS) is also a big challenge. A good PMS has to be the backbone of any organisation, as it is performance that helps it to grow, develop and strive for excellence. It has to be the only system that ensures that human capital is properly utilized and encouraged to achieve business results. But is it the case today? Let us learn to accept that each one of us is unique. Each one of us has certain abilities. Every single one of you has something you are good at. Every single one of you has something to offer. And you have a responsibility to yourself to discover what that is. It is equally important for the HR to be able to spot this. Can my friends from the public sector banks say this is happening? You have to accept what I call the new normal that those who succeed are not always the best, and are in no way more gifted than the rest. But what the selection process needs to ensure that such events are exceptions and not the rule. But banks face a new challenge if they do not have a credible process. Their best get poached and you are left with the mediocre. Please remember the best of treasury managers today in the Indian system were incubated by the public sector banks. It is a different issue that treasuries of public sector banks are least dynamic. We have to ask the question why we could not retain them? Because the system on some convoluted logic did not allow them to pursue their interest. I disagree that money was the reason. It is often not so.

- **Challenges of the 3-R: Reorganisation, Restructuring and Reengineering.**

In spite of large scale infusion of technology into banking operations, intermediation cost is still high in India. Cost of banking transactions is also high for both the banks and customers. Though, one of the principal objectives of technology infusion has been to bring about significant reduction in the cost of banking transactions, the banking industry is still to see a significant drop in the overall cost of intermediation.

After the implementation of a Core Banking Solution (CBS), the next most critical challenge for the PSBs is to usher in ‘Business Process Re-engineering’ and ‘Change Management’ in a comprehensive manner in order for them to be able to reap optimum benefits out of CBS. We need to address the following critical issues. We have data but do we have information? We all have CBS but have we improved MIS? How can we transform data into information? I also have a strong view that technology adoption has another big causality. People have stopped to think. Most of us do not try to understand the whys of whatever we are doing. We need to develop this inquisitiveness to also ensure that we do not waste time doing useless things. As Peter Drucker said, ‘there is nothing so useless as doing efficiently that which should not be done at all’. Further, this can lead to out of the box or innovative thinking. Such people end up as winners in this world.

Large scale use of technology without the required process changes and re-skilling of employees has the potential danger of increasing the cost of operations rather than reducing it. For branch transformation to take place in the true sense, banks would, therefore, have to undertake a holistic review of their business processes and work flows, which have been in vogue for nearly a century. This will inevitably involve some labour practice issues. You have to face them and solve them.

- **Challenges in Financial Intermediation Process**

The Indian financial system has shown significant growth, thereby lending support to capital accumulation and overall economic growth. The commercial banks in India constitute the single-most important component of the Indian financial system in bringing about the bulk of financial intermediation process in the country.

However, compared to Asian and other countries the depth of the Indian financial sector is relatively low. For instance, the average spreads between bank lending and deposit rates in India are about 3% higher than the average spreads in the USA, South Korea, Chile, Malaysia and Singapore. Intermediation costs in banking, though coming down, are still high and the productivity of investments may be improved further. Domestic interest rates are not adequately market determined, corporate bond markets are underdeveloped and the insurance, pensions sectors are lagging well behind international comparators. There is another challenge we have to recognise. If NIMs are to compress, I wonder how badly they will further impact the balance sheets at a time asset quality start deteriorating.

- **Challenges of Lending to the Critical Sectors**

Take the Micro & Small Enterprises (MSEs) Sector. It constitutes over 90 per cent of total industrial units of the country and after agriculture, provides the maximum job opportunities. This sector contributes nearly 40 per cent of the total industrial production and accounts for approximately one-third of the total exports. The banking sector has always been a major source of financing to this critical sector. However, there are a number of issues in this sector –there is lack of full information and a degree of opacity, there are hurdles in obtaining the application in the matter required by banks, credit scoring models are yet to be tested through business cycles, the sector is vulnerable to downturns and business conditions of the larger units to whom they sell their goods and services. Credit history is unavailable or even where available not reliable. While relationship or transaction banking characterizes this sector, there are a whole lot of non fund based services that the sector needs that can be provided by banks. Banks will have to approach this sector differently with investment in handholding which perhaps does not yield results immediately but will be critical if banks have to lend to this sector without the fear of rising NPAs and without lending to this sector no bank can have a steady and sustained growth. Infrastructure financing is another area of concern. Today banks are truly in a catch 22 situation.

- **Challenges of greater integration with the Global Financial System**

In 2008, when the global banking industry was being shaken by the tremors of the unfolding financial crisis, only one bank in India felt the aftershocks, and this, only because one of its overseas subsidiaries had made an opportunistic bet on debt issued by the failed investment bank Lehman Brothers. While the market valuations of all the leading banks in India slipped as equity prices tumbled, their businesses were not affected and their balance sheets remained healthy.

This holds testimony to the inherent strengths of the Indian banking industry and several commentators have lauded the Reserve Bank of India (RBI) for sticking with its conservative approach. But safety achieved by staying indoors all the time with a double lock is no situation to be boasted about for long. We need to open up more and more. This is the direction in which government is moving and banks need to equip themselves with better risk management techniques.

- **Challenges of attaining Global scale**

Indian banks are still to attain size of being considered an important global player. In the Top 50 Banks of the World in 2015, barring the HDFC Bank (45th) and State Bank of India (46th), no other Indian Bank has come into the list (based on Market Capitalisation as on January 2015). Whereas, our Asian-peer China has Ten banks in the list (USA had eight); and of these four were in top ten. In terms of asset size, Indian banks have a lot of catching up to do. HDFC Bank, for instance, has assets of $84 billion, only a fraction of ICBC's $3 trillion. At $400 billion, SBI has the highest assets among Indian lenders, though it is still a far cry from $2.4 trillion, the average asset size of the top five global banks.

In the light of the global trends in economic growth, several Indian business houses have started expanding their businesses and forging relationships in especially South East Asia, Africa and Latin America. This calls for a similar move by at least some of the banks to attain a size at par with the larger global banks although not in the top ten or even twenty. The growth of banks globally has been linked to the crossing of borders by the country's businesses and people. Indian companies that have gone global have already established banking relationships with the global banks. Hence, the Indian banking industry should seize this opportunity and increase its global footprints, while building up in size-through organic or inorganic strategies.

- **Cyber-crime challenges – Facing the 'New Wave' of criminal**

It is now exceptional to read about a bank robbery where criminals have entered into a bank branch and physically taken money out of the building. The introduction of more effective security systems, such as bullet proof windows and barriers and closed-circuit television, means that only the foolhardy would risk trying to steal from a branch.

Unfortunately, that does not mean that the banking sector is safe. On the contrary, the banking sector is facing a more serious threat where the perpetrators do not even need to physically enter the branch. The IT systems of the banks are now the focus of determined criminals who can transfer funds within seconds to different accounts and move money across jurisdictions and borders with a few strokes of a keyboard. The full extent of the threat of cyber-crime is only emerging and poses greater threat today. With IT systems of many banks under scrutiny for failures and inadequate controls, it is open to question whether the level of security and infrastructure will be sufficiently robust to withstand the challenge of cyber-crime. There is another related issue that we need to recognise. We are at a unique stage within the bank as far as computerisation is concerned. Sort of half there. This is the most dangerous stage. I often worry how much of our IT systems are in a true sense abdicated rather than outsourced. Further, today we have a generation of middle and senior management in public sector banks who cannot claim to be technologically nor technically savvy. They render the banks vulnerable through their ignorance of business processes and inadequacy in keeping pace with subordinates ... which can lead to managerial paralysis and insider technology risk. You want proof? Go back and check how many frauds happen due to failure of the basic maker checker system.

- **Challenges from 'Non-Bankers' and New Competitors**

When Eastman Kodak, the pioneer in photography, filed for bankruptcy in 2012, it was not because rivals Fuji and Konica were gobbling up its market share. Mobile phone-fitted cameras and the digital revolution in the imaging business swallowed the iconic company. The Indian banking industry is probably full of Kodaks with decades of history and having been a pioneer in enabling the march of the Indian economy to where it is.

For long, banks were comfortable that competition from them were only from similar entities and that the Reserve Bank of India was ensuring that only the least number entered to compete with them. But as it happens in any business, technological innovation and the regulator's delay in waking up to developments have allowed a new set of companies to play the role of financial intermediary with a different name.

As a new breed of digital consumer has emerged, so has a new breed of competitor. These competitors are differentiated by the ability to turn big data into meaningful customer insights. In addition, as the banking industry value chain continues to fragment, more competitors are ready to take on traditional banks especially on the payment services, offering discrete financial services without becoming full fledged banks.

Today it is CitrusPay, Oxigen, Paytm, which had nothing much to show in terms of pedigree, except that they had the commitment to innovate. And that is forcing banks to keep launching a feature a day on phones, or for tablets.

According to a report, 'India Payments 2015' by broking firm Motilal Oswal, payment volumes through e-wallets are expected to increase by 100% year on year over the next few years. "mWallets" may become a key driver for digitisation of flows that traditionally were dominated by cash such as payment to taxi drivers, domestic help, local merchants etc.

An often ignored competitive threat is disintermediation, which could take the form of Peer-to-Peer (P2P) services such as Lending Club, the use of capital markets, third party product offerings (like prepaid cards) or a complete vacating of banking services overall.

With the recent RBI's list of 'Payment' and 'Small' Banks, existing banks in India are going to expe-rience intensified competition from 21 new 'banking' entities. Do we compete or co-operate?

7. Conclusion

To conclude, these are interesting times for the economy as well as the Indian Banking industry. The challenges that India, as one of the fastest growing economies in the world, presents are enormous, multidimensional and far-reaching. In such a scenario, every one of us will have to be inquisitive, agile, thorough and customer centric if we need to strategise and win.

Wish you all the best.

88th Annual General Meeting - Speech**

Arun Kaul*

Ladies and Gentlemen,

It is my pleasure in welcoming you all to this 88th Annual General Meeting of the Indian Institute of Banking & Finance. The report of the Council and the audited accounts for the year 2014-15 has already been circulated and with your permission, I take them as read.

Dr. R. Bhaskaran retired from the services of the Institute after completion of his term on 17th December 2014. Dr. J. N. Misra has joined the Institute as its Chief Executive Officer on 15th December 2014. Dr. Misra was earlier working as the Deputy Managing Director, in-charge of Corporate Development and Human Resource Department of State Bank of India.

Now, I would like to dwell briefly on the performance of the Institute during 2014-15.

As all of you are aware, the Institute is not only involved in offering examinations/ certification, but also involved in education, training, research and consultancy; the aims of which are towards professionalizing the banking personnel. In this regard, I am happy to state that during the year under review, the Institute has performed quite well in all these aspects. Let me share with you some of the highlights.

Membership

As regards membership, the number of new individual members who joined the Institute during 2014-15 was 64,658 and during the last five years, more than 3.09 lakh new members have joined the Institute. The number of individual (ordinary) members has reached 6,39,990 (including 16755 life members who have completed 35 years) as of 31.3.2015. The individual members come from almost all constituents of the financial sector and a majority of them come from Public Sector Banks. The Institute gratefully acknowledges the support received from both institutional and individual members in this regard. During the year, 21 new institutions have taken the membership of the Institute and as a result, the total number of institutional members has increased to 736.

Examinations

Your Institute is known for its Associate (JAIIB & CAIIB) Examinations. The Institute offers many levels of examinations (viz. Certificates, Diplomas, blended courses, Associate Qualifications (JAIIB & CAIIB) and Management Course) aimed at building competency levels within the banks and financial institutions.

The number of candidates enrolled and appeared for Associate Examinations (JAIIB & CAIIB) has shown a good increase during the year. Among the electives for CAIIB, Retail Banking was the most preferred choice followed by HRM and Rural Banking.

The Institute also offers the electives as part of the Continuing Professional Development for the candidates who have already passed CAIIB. In this CPD, the most sought after elective was Risk Management followed by Treasury Management. The number of candidates who appeared for Diploma and Certificate Examinations together increased by about 25% during the year.

The pass percentage of Associate Examinations has shown an increasing trend during the year. While the pass percentage under JAIIB increased by about 7%, the pass percentage under CAIIB remained at around the same level as in the previous year. DB & F recorded a pass percentage of 44% in 2014-15. While the pass percentage under Diploma Exams registered an increase of around 12%, the pass percentage under Certificate Exams remained almost at around the same level as in the previous year.

Over the years, technology has played an important role in scaling up Institute's activities. The Institute has been in the forefront in using latest technology. Today, the

* Former President, Indian Institute of Banking & Finance

**Held on 24th August, 2015

Institute has a robust data base management system. Its applications are on-line and all exams are on-line as well. Both JAIIB & CAIIB are supported by e-learning covering all lessons. Video lectures have also been recorded covering all the subjects under JAIIB and the two compulsory papers under CAIIB. In this connection, it is indeed, a matter of pride for all of us that more than 2.53 lakh candidates had appeared for the flagship courses offered by the Institute during 2014-15.

Study Support Services

In order to make distance learning a value proposition, apart from publishing the courseware, the Institute provides academic support in terms of e-learning, video lectures, mock tests; regular subject updates and condensed RBI Master Circulars on its website, newsletter and contact classes.

E-learning

You are also aware that the Institute has been offering E-learning for the JAIIB/DB&F examinations, all subjects of CAIIB, Diploma in Treasury, Investment & Risk Management, Certificate Course in Customer Service & Banking Codes and Standards and AML/KYC. The Institute has made arrangements with most of the banks to place its e-learning material in their intranet such that candidates who are pursuing JAIIB/CAIIB and others can also have access to the e-learning in their work place. This e-learning has been offered to candidates from the May/June 2014 examination onwards.

Video lectures

During the year, your Institute has prepared video lectures on all 3 subjects of JAIIB and 2 compulsory subjects of CAIIB. The recorded video lectures are made available to the candidates appearing for May/ June, 2014 examinations onwards.

I would urge upon all those appearing for the Institute's examinations to make use of all these study support services provided by the Institute.

New Courses and Activities

During the year, the Institute has introduced two specialised certificate courses viz.

(i) Certified Credit Officer (CCO)

(ii) Certified Risk Professional

The first examination for the Certified Credit Officer was held in January 2015. The response was quite encouraging. The CCO is a blended course i.e., an online examination followed by 5 days of classroom learning.

The Institute has launched the Certified Risk Professional course jointly with the Chartered Institute for Securities & Investment (CISI) London. A candidate has to pass an online examination in a paper on Risk Management from IIBF and a paper on Risk in Financial Services from CISI, London separately to get a joint Certificate from IIBF and CISI.

The Institute has published the revised courseware under JAIIB and the first examination under the revised syllabus was held during May / June 2015.

APABI Conference 2014

The Asia-Pacific Association of Banking Institutes International Conference/Executive meetings are organised by one of the APABI Members chosen on a rotation basis. Your Institute hosted the APABI Conference 2014 at Mumbai. The theme of the Conference was "Talent Management in Banks". The Conference was well attended with active participation by the audience in all the panel discussions. As a part of the APABI Conference, your Institute also organised the 31st edition of the prestigious annual Sir Purushotamdas Thakurdas Memorial Lecture. The topic was " Talent Management – Mental Models and Bottom Line Results". Dr. Chip Cleary, Consultant Talent Management, USA delivered the lecture. Your Institute will also be hosting the APABI Conference 2015 at New Delhi on the theme "New Paradigms in Banking".

Foundation Day

Your Institute celebrated its 87th Foundation Day on April, 30, 2015 for the first time. This function was combined with awarding of Certificates to the successful candidates of the Advanced Management Program (AMP) batch of 2014-15.

Continuing Professional Development

As you are aware, your Institute has introduced a system of certification, which recognises the efforts of bankers who are endeavouring to build their professional development. The Continuing Professional Development Certificate aims at enhancing the professional competence through involvement in formal, structural and verifiable activities of the Institute. Your Institute continues to offer services such as monthly

IIBF Vision, Fin@Quest and quarterly theme based Bank Quest, annual lectures, regional seminars etc.

A seminar on Customer Education, Awareness & Empowerment was conducted by the Institute in March 2015. Workshops covering some of the Diploma Courses were also conducted by the Northern and Southern Zonal Offices of the Institute.

Training Activities

The Institute has started its full fledged training activities since 2012. The training programmes are conducted as per the overall banking system's contemporary requirements on the one hand and in-house programmes as per individual Banks' and Financial Institutions' specific training needs. The total number of candidates trained in all these training programmes (both in-house and customized programmes) together was 1,689 during the year. During the year, the Institute has conducted customised training programmes to TJSB Bank, Abhyudaya Co-operative Bank Ltd, Dena Bank, DBS Bank, UCO Bank, Bharatiya Mahila Bank (BMB), IDBI Bank, HDB Financial Services, Central Bank of India and Bassein Catholic Co-operative Bank Ltd,.

The Institute also had organized the fourth International Trainers Training Programme at its Leadership Centre during February 2015 which was attended by 33 participants. The participants included 7 participants from 5 overseas institutions.

Prime Minister Jan Dhan Yojana (PMJDY): Training of BC Agents

In order to provide the impetus to achieve financial inclusion, a flagship programme called the "Pradhan Mantri Jan Dhan Yojana (PMJDY) was announced by Hon. Prime Minister in his Independence Day address on 15th August 2014. As the BCs have a pivotal role, it was felt necessary to equip them with proper training. IBA has made it mandatory to certify BC agents by IIBF. The Institute has launched a new Certificate Examination to meet this goal. Training of BCs was planned to be accomplished through RSETIs, FLCCs and Staff Training Centres/ Colleges. In order to train the trainers of BCAs, the Institute has conducted Trainers Training Programmes across the country with support of SLBCs. The trainers trained by IIBF are expected to in turn train BC agents for 3 days. Till 31st March 2015, the Institute has trained 438 trainers in 12 batches with the support of 9 SLBCs. As of 12th August 2015, the Institute has trained 859 trainers in 23 batches with the support of 18 SLBCs.

Advanced Management Programme (AMP)

The Institute has so far conducted three AMPs at the Leadership Centre. The fourth AMP has commenced from July 2015. The case based and practical oriented course contents under AMP are delivered over a 10 months period by internal faculty and faculty from B Schools.

Research Initiatives

Your Institute has been encouraging various research activities through three major initiatives viz., Macro Research, Micro Research and Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBOR). The Institute had received 33 research proposals under its Macro Research for the year 2014-15 and awarded 3 Research Fellowships for conducting the Macro Research study. In respect of Micro Research, the Institute had received 50 papers for the year 2014-15. The Institute awarded 1st, 2nd and 3rd prizes to 5 bankers. The Institute could not award DJCHBBOR Fellowship in 2014 for want of good research proposals.

There will be scope for greater selectivity if more research scholars send in their proposals. Hence, I appeal to the eligible members to make use of this opportunity to do research and come out with innovative research proposals which may be more useful to the Industry.

Collaborations/Consultancies

As you are aware, your Institute has been working with other national and international Institutions and providing its consultancy services to them in the area of capacity building. In this regard, the Institute continued to moderate the question papers/suggested solutions and answer sheets of candidates in respect of the examinations conducted by Botswana Institute of Bankers. The Institute prepared the question papers for the exams conducted by the Zambia Institute of Banking and Financial Services. The Institute had also received a consultancy assignment from GIZ for preparing case studies covering 10 topics identified by GIZ. The process of customising the JAIIB and CAIIB courseware for banks operating in Nepal is in progress. Besides international consultancies, the Institute had offered consultancy services on the process of pledge finance to the Warehousing Development and Regulation Authority, New Delhi.

Future Perspectives

As mentioned by me earlier, the Institute will be organising the APABI 2015 Conference at New Delhi. This Conference will be attended by banking and finance executives from India and international delegates from APABI member Institutes and other banking institutes with whom the Institute has collaborations.

The Institute will be launching a course for sub staff today. The objective of this course is to upgrade the job knowledge of the sub staff so that they can play a greater role in customer engagement.

The Institute will be entering the social media. The Facebook page is being launched today. This initiative will enable it to receive constructive inputs / feedback from the members regarding the courses being offered by the Institute. The Institute is also planning to develop a mobile application to enable candidates/ members and others to access information about IIBF, its courses, examinations etc on the mobile. This will be introduced in phases viz. Phase I: Informative and Phase II: Interactive.

Awards/Recognitions

The Dewang Mehta Business School Awards recognizes talent and leadership amongst the educational institutes across India. Your Institute has been honored with "business school with best academic input (syllabus) in Finance". This is the second time the Institute has been given this award.

I take this opportunity to thank my colleagues on the Council and Members of various Committees of the Institute, whose contributions have helped the Institute. I thank all the patrons, well wishers and Resource Persons of the Institute for their contribution in the ever growing activities of the Institute. I would like to appreciate and place on record the excellent work done by the staff of the Institute in making the Institute vibrant and relevant to the banking industry.

Proposal

Now, I propose that the Report of the Council and Audited Statement of Accounts of the Institute for the year ended 31st March 2015 be adopted and passed.

Thank you for your kind attention.

जी२० की प्रतिबद्धताएं और भारत में ओटीसी डेरिवेटिव बाजार में सुधार

वर्ष २००७ के वैश्विक वित्तीय संकट के प्रतिक्रिया स्वरूप जी२० ने वित्तीय प्रणाली के विनियमन और निगरानी को सुदृढ बनाने की दृष्टि से कई सुधारमूलक कदम उठाए तथा वित्तिय स्थिरता बोर्ड (एफएसबी) को इन कदमों के समन्वय का कार्य सौंपा। सुधारमूलक कदमों के अंतर्गत पारदर्शिता बढ़ाना और ओटीसी डेरिवेटिव बाजारों की आघात-सहनीयता को उन्नत बनाना शामिल है। वित्तीय स्थिरता और विकास परिषद (एफएसडीसी) की उप समिति के निदेशानुसार ओटीसी डेरिवेटिवों के लिए गठित एक कार्यान्वयन समूह (अध्यक्ष: श्री आर. गांधी) ने इन सुधारमूलक कदमों के लिए रूपरेखा बनाई है।

मानकीकरण

- ऋण चूक स्वैपों (सीडीएस) में अंतर-बैंक व्यापारों और ओवरनाइट माइबोर पर आधारित रुपया ओवरनाइट इंडेक्स स्वैप (ओआईएस) के मानकीकरण किए जाने के बाद अन्य बेंचमार्को के लिए संदर्भित ब्याज दर स्वैपों (आईआरएस) को चरणबद्ध रूप से मानकीकृत किया जाएगा।
- विदेशी मुद्रा डेरिवेटिवों के मानकीकरण के संबंध में २०१५ के अंत तक कारवाई की जाएगी, क्योंकि वे अक्सर 'बिल्कुल सादा' स्वरूप के होते हैं और करेंसी स्वैपों, विदेशी मुद्रा में आईआरएस (एफसीवाई) और ब्याज दर ऑप्शनों में बाजार चलनिधि कम रहती है।
- एक्सचेंज या इलेक्ट्रॉनिक प्लैटफार्म ट्रेडिंग जैसे-जैसे फोरेक्स ऑप्शनों, करेंसी स्वैपों (सीएस), एफसीवाई-आईआरएस और एफसीवाई व सीडीएस में ब्याज दर ऑप्शनों का विकास होगा वैसे-वैसे ट्रेडिंग प्लैटफार्म शुरू करने की संभावनाओं पर विचार किया जाएगा।

ट्रेड रिपोजिटरी (टीआर) को रिपोर्ट करना

- सभी ओटीसी फोरेक्स और ब्याज दर डेरिवेटिवों, रुपया आईआरएस /वायदा दर करार (एफआरए) और सीडीएस में ग्राहक के लेनदेनों के मामले में एफसीवाई ब्याज दर ऑप्शनों को तब रिपोर्टिंग ढांचे के अंतर्गत लाया जाएगा, जब चलनिधि में बढ़ोतरी होने लगेगी।
- अत: टीआर को ओटीसी डेरिवेटिवों की रिपोर्ट्िंग संबंधी जी २० प्रतिबद्धता के मामले में भारत पूर्णत: कंप्लाएंट बन गया है।

केंद्रीय समाशोधन

- ८० प्रतिशत से अधिक आईआरएस ट्रेडों को बिना किसी विनियामक अधिदेश के गैर-गारंटीकृत आभार पर केंद्रीय रूप से समाशोधित किया जाता रहा है। आईआरएस ट्रेंडो के लिए समाशोधन आधारित केंद्रीय प्रतिपक्षकार (सीसीपी) उपलब्ध कराने हेतु सीसीआईएल को सिद्धांतत: अनुमोदन दिया गया है, जिसका परिचालन शीघ्र ही शुरू होगा।
- फोरेक्स डेरिवेटिवों के मामले में फोरेक्स वायदों के सीसीपी समाशोधन को अनिवार्य बना दिया गया है। फोरेक्स ऑप्शनों के लिए सीसीपी समाशोधन, सीएस, आईआरएस और एफसीवाई में ब्याज दर ऑप्शनों तथा सीडीएस, जिनमें चलनिधि कम रहती है, की समीक्षा २०१५ के अंत तक की जाएगी।

मार्जिन अपेक्षाएं

- ओटीसी डेरिवेटिवों, जिनके अंतर्गत सीडीएस भी शामिल है, के लिए विस्तृत तौर-तरीके मार्जिन अपेक्षाओं और अन्य अंतरराष्ट्रीय गतिविधियों से संबंधित बासेल कार्य समूह की सिफारिशों पर विचार करने के बाद विनिर्दिष्ट किए जाएंगे।

गैर-केंद्रीकृत ओटीसी डेरिवेटिवों के लिए पूंजी अपेक्षाएं

- सीसीपी को दिए गए बैंकों के एक्सपोजर के लिए पूंजी अपेक्षाओं संबंधी नियम ०१ जनवरी २०१४ से लागू हुए हैं, जिनके कारण केंद्रीकृत समाशोधित उत्पादों के लिए पूंजी अपेक्षाएं कम हुई हैं। इसके अलावा, गैर-केंद्रीकृत समाशोधित डेरिवेटिवों के लिए ऋण मूल्यांकन समायोजन (सीवीए) पूंजी प्रभार को भी लागू कराया गया है।

स्रोत: भारतीय रिज़र्व बैंक वार्षिक रिपोर्ट के माध्यम से

Digital Payments: The next big wave in reshaping the payments in India

B. Sambamurthy*

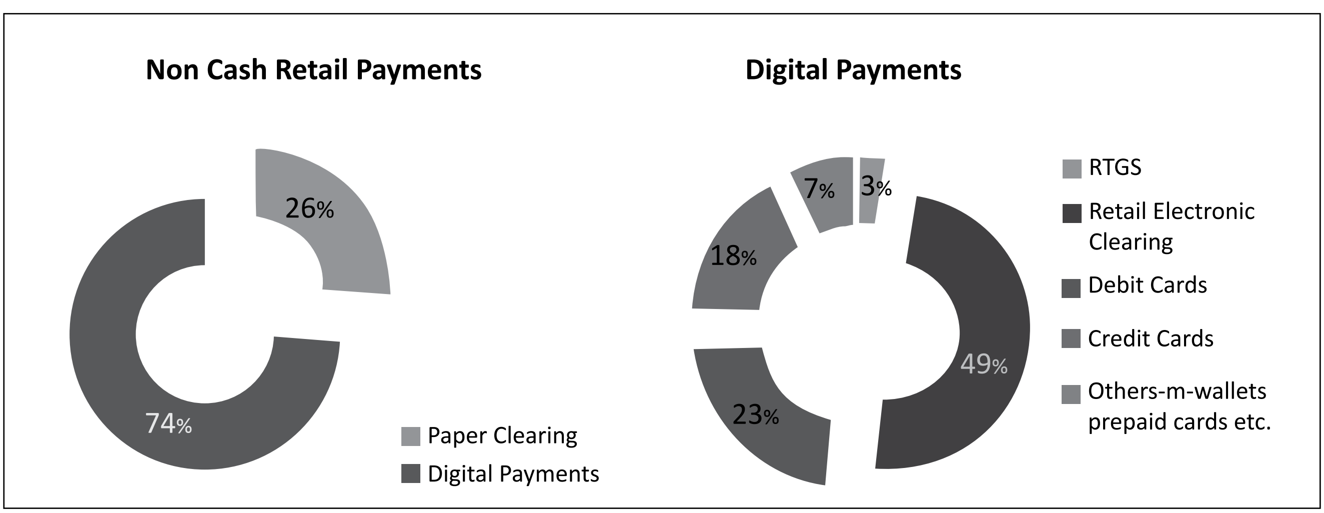
Vipin Surelia**

The Payments Landscape in India is changing and is changing fast, based on the regulatory focus on creating robust payments infrastructure, technology enabling the solutions to be available in millions of hand held devices, the number of literate populace, the evolving payments marketplace with new players and existing players riding the enhanced culture of innovation in the country to create solutions that are Make In India and Made for India.

	Population	ATM	PoS terminals	Cards with Cash Function	Cards with Debit Function	Cards with Credit Function
Brazil	201	195908	6.89	348.2	291.2	182.4
Russia	143	188789	0.97	248.6	188.3	29.2
India	1170	203000	1.1	414	394.4	19.2
China	1331	520000	10.63	4213.9	3823.1	390.8
South Africa	26	13883	0.11	17.8	17.8	NAV

BIS Statistical Data 2013, NAV - Not Available, all figures except ATM in Mn

The payments landscape in India has started changing from one that was dominated by cash and cheque to digital and real time. As per RBI data (2014-15), 74% of India's transactions are now digital. With card based transactions leading the digital payment scape and mobile a strong 4% with the potential to accelerate further manifolds.



Source: RBI Annual Report

***Director, National Payments Corporation of India.**
****Senior Vice President, National Payments Corporation of India.**

The mobile continues to demonstrate the ability to disrupt payments and offers hitherto never dreamt of opportunities to overhaul and redefine the landscape; in the process, dislodging CASH from being the king. With 520 million unique wireless subscribers in the month of January, 2015 as per the TRAI with 58% in the urban area and a whopping 42% of the subscribers in the rural areas, the mobile as the device which is a centerpiece of any payments Institution is a foregone conclusion.

- Have an efficient "digital" 24*7 model of customer engagement
- Tap opportunities created by the "accelerated" velocity of digital money
- Leverage the largest virtual banking distribution footprint and franchise globally

The shift to digital in general and mobile in particular offers enormous opportunities for the both payment

The Digital payments ecosystem has expanded much beyond the banking fold with more and more innovators and specialized institutions emerging to add value.

Source: Author's Own

Given this backdrop, having a digital strategy with mobile at the front and centre in place to drive the next wave of growth helps both the traditional players and the new players to ensure that they are equipped to

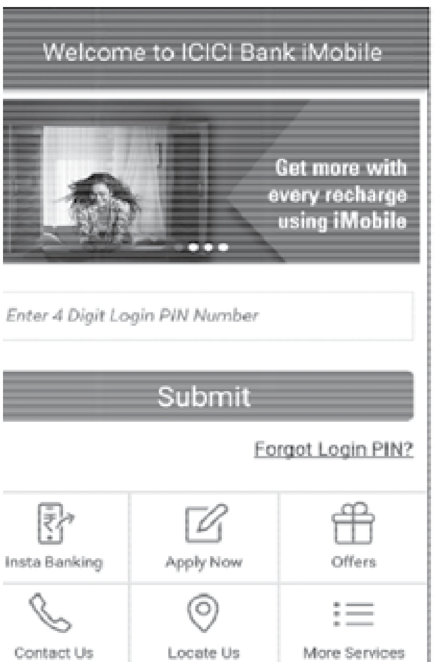
- Open up their products and services to the unserved and underserved segments

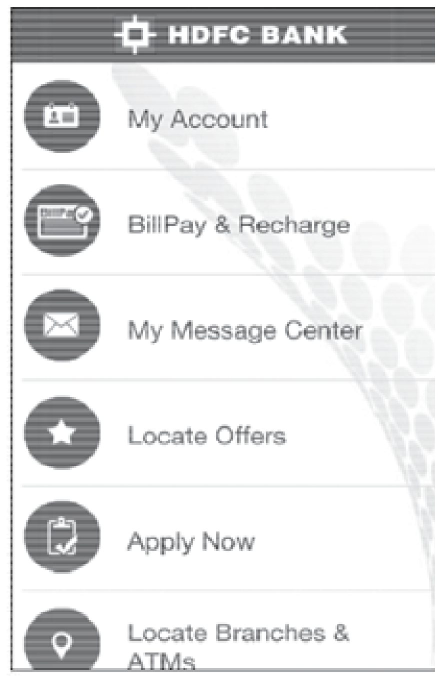
and non-payment innovators to create value for end consumers. It also poses a threat to the traditional and established methods of payments and the existing set of players. The following set of action plans would be useful for banks to create and execute its digital strategy and adopt early.

1. Redefine and Reorient Business

Target the cash segment. Cash accounts for total 95% of payments. The potential to transform and innovate is therefore, not restricted to the already enabled 5% of the digital consumers but a much broader spectrum is available. It is imperative that the banks build a payments franchise, not restricted to now passé “click versus brick model”.

The incremental organic growth can reduce cash over a horizon of next decade. However, the coming of the 4G networks, growing number of tablets and handhelds, young population, number literacy and complex interfaces being replaced by simplified Apps, cloud networks and the smartphone boom with their ever dropping price points, the government launching a Digital India Programme are a big game changer for the digital strategy that banks can leverage to accelerate the migration of payments to digital in a much shorter time span. These drivers will ensure that the consumer is connected online to the bank more often using the mobile and therefore, a place and space strategy is more contextual and appropriate than the click and brick model.





2. Empower Customer Digitally

The key actor at the center of the universe for banks being able to build a strong Payments Franchise is the Customer. Enabling every customer account to do digital transaction is the stairway to digital heaven. Only a quarter of the banking customers today are enabled for digital or mobile banking since banking has preceded mobile technology. It would serve banks well if all new accounts in the banking system are ab initio mobile banking enabled, with a definite early timeline to digitally enable at least 60-70% of the savings accounts. The cheque book in the “joining kit” should become a relic and customer receiving the video link on his mobile at the time of enrolment on how to do a mobile banking transaction at his bank. Simplifying and standardizing the digital enablement process across the banking community at the time of onboarding and allaying concerns around security will additionally remove the two biggest entry barriers customers today on digital banking.

Arming the customer with digital enablement will have a network effect with close to a billion people enabled for digital banking and turning suppliers of digital banking transactions rather than demanding the digital banking transactions. This supply surplus will have a prominent network effect by instilling confidence in the merchants and aggregators to have in place infrastructure to consume digital payments rather than create fragmented infrastructure to handle cash, cheque and disparate modes of electronic and mobile payments.

The power of the digitally enabled network of consumers will create a viral effect on both the scale and scope of digital payments.

3. Enhance technology infrastructure end to end

The IOT revolution, big data, mobile and social technologies and the connected digitally enabled customer will force banks to rethink a “siloed”and “verticalised” application strategy with alternative channels, in the front end connecting bank to the Siloed applications, entry posting real time or in batch to the core banking and feed going back to the DataWarehouse at “End of Day”. The off line and application specific reconciliation processes, multiple customer IDs across applications, spreadsheet based solutions require a rethought as the customer is not looking at alternative channels (for which the technology of today has been patched with multiple sticky tapes) but looking for the alternative to channels to fulfil the service needed like buying a television or getting a loan without caring for the channel.The bankers need to move from multi-channel to omni-channel.

Additionally, banks can leverage the cloud providers’ for making technology led digital product implementation more nimble, drive low cost and reduce technology implementation turnaround time and save the bank from tech obsolescence.

One important component of technology implementation is to hide all the complexity in the backend and simplifying the customers’ mobile experience.

4. Staff is customer - create staff awareness

A right mix of strategy, products, technology is the enabler for the bank staff to engage with the customer. However, the bank staff can only engage with the customer in offering digital products that suite his requirements, if she herself understands and experience digital products, their features and the benefits. The aware staff is the banks’ best bet in digitizing payments and will be able to help end consumer adopt digital platforms. With the plethora of payment products being available across the board and new ones emerging every day, banks’ investing in the reskilling and enriching its human capital would be the ones benefitting the most.

The train the trainer program, the e-learning modules on digital payments, posting contents online, creating intra bank training portal, animation videos on how to do transactions digitally, creating specific workshops to “Do It Yourself” digital transactions will help the bank staff accelerate the learning and create confidence to be able to do transactions themselves, experience benefits personally and hence advocate to the customers based on the self-experience.

5. Create Customer Awareness to build Digital Relationships

The consumer is not on-boarded to digital platform primarily because of his lack of awareness of the product itself or its attendant benefits or complicated on-boarding process.

A more proactive design approach in simplifying the on-boarding process, making it standard across all banks which give unified experience to the customer in registering for digital service will be a big boost for digital banking. The Customer Relationship Manager can himself demonstrate and carry out a token digital transaction with the customer and handhold him in doing the customers’ first digital transaction.

Traditional channels like print and TV/Radio can be continued to be leveraged for creating user awareness on digital products. FAQs, creating “SIRI” like virtual assistants while the customer is carrying out digital transaction, creating user experience and knowledge sharing portals where customers can leverage the knowledge and power of experienced user to solve for their problems and allay their fears will be a big boost for digital banking and create first time success stories. Umbrella Institutions like NPCI can be inducted by banks to co-create digital content for creating user awareness.

6. Collaborate, Think Different to create Exponential and not Incremental

The route to digital payments is through collaboration with partners and thinking new use cases. This has been amply demonstrated by Apple which with its apps ecosystem processes close to 30 Bn transactions annually.

Alliances with educational institutions and universities to create digital awareness will ensure that we are creating citizens of tomorrow who are less dependent on cash.

Entity	Roles and Responsibilities
Mobile Network Operator	Provide communication infrastructure for Digital Payments Strategy of Banks
Crowd Sourcing	Generate new ideas, Solve Challenges, Scout Talent
Merchant Aggregators	PoS terminals, Integration with payment processors, Merchant Website, Bank connectivity
Payment Processor	Network Availability, Connectivity with PSP, Merchant Integration, Settlement , MIS Reporting
Application Service Provider And System Integrator	Infrastructure, Security Modules, Processing Capability, Tech Support, Facilities Management
Card/Terminal Manufacturers	Manufacturing Tools, Supply Chain, Support Services, Infrastructure
Payment and Identity Network	Creating Switch Infrastructure, Clearing & Settlement, MIS reporting, Dispute Management System, Risk Mitigation Tools, Leverage identity verification services
Analytics	Primary and secondary data, Data Analysis Tools, Market Research

Banks can harness the power of partnerships to go digital and grow exponentially

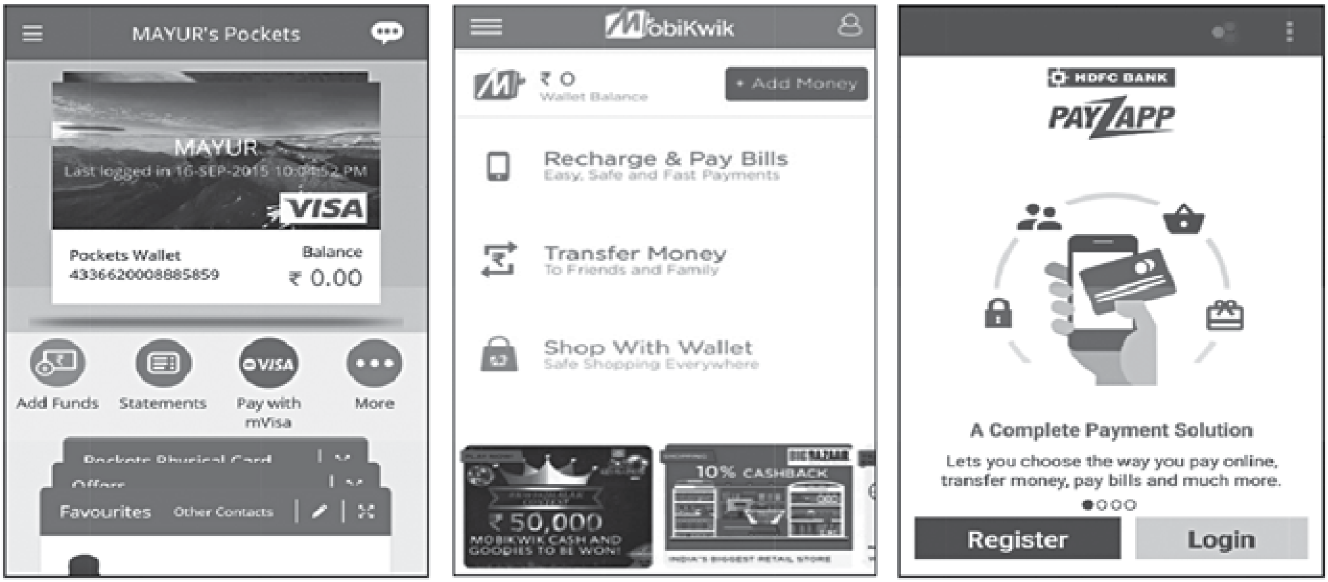
The educational campuses are the place where great movements have started in the past and the campuses should be the first target for enabling digital payments. Power of students can also be harnessed in coming up with innovation around digital payments. Hackathons and Idea Workshops, Campus Innovation Challenges for creating banks' digital strategy should be initiated by the banks. Banks can adopt campuses and drive digital payments in mission mode. Similarly large employers like railways, Government salary payment, tax collections should be converted to electronic by banks creating digital alliances and providing digital options to Governments to make or receive payments. Use of Aadhaar for authentication and payments can be the entry point for digitizing payments in the Government sector.

The mobile gives the power to consumer to pay when he wants and where he wants. This translates to a rich source of data to the banks, far richer than the credit data or cash withdrawal data. The transaction data coupled with the merchant location details are the biggest key insight to the banks on the customers' spending behaviour and more. The data becomes a source of profiling the customer spends and lifestyle, needs and requirements, shopping pattern; all of which can be harnessed to offer the right product to the right consumer or design banks' marketing or product strategies as per the insight obtained or promotions offered based on the profile or create online real time customer specific offers. The capture of the mobile based spending and analysis of the captured data has the potential to become an alternate to CIBIL score, much more powerful than the CIBIL itself which is just a credit score.

With majority of the accounts in the banking system having average balances of less than 1 lakh, bank led Mobile Wallet strategy to serve this customers on the lines of what Payment Banks is the need of the moment.

7. App Banking-Apps is the front end of the Retail Banking

All this while, the branch and also now for last decade or so, the internet was the front end of the retail banking to the customer. Mobile based Apps are now set to change the ground rules by being the front end of the retail banking to the customer in the always connected world. These thumb size icons are ubiquitous and let customer do splitting and pooling payments, push and pull money, make an enquiry for the loan, pay for a cab direct from the wallet or the bank account, gift money to friend for birthday, order a pizza.



Bank and Non-Bank apps allow customers to stay connected real time to their bank and service providers and do shopping, purchase movie and train tickets any time from the comfort of their home or office or on the go.

The Apps based Human Mobile interface will span a number of new innovations, make payments digital by creating next generation use cases, monitor and track the status of transaction real time, lodge a service request or a complaint online real time.

Given their simplicity and the usability only limited by imagination, Apps are here to stay forever and the sooner the banks start using this powerful front end to the customer, the faster will be the scaling of the digital ecosystem.

8. Chief Payment Officer in each bank

To drive the agenda of digital strategy, it is recommended that the banks create a position of Chief Payment Officer as part of the bank's leadership team. The Chief Payment Officer will lead the integrated digital strategy of the bank cutting across marketing, business development, operations, product, marketing and technology. She will be the leader of the matrix organization. She will be responsible for consolidating the digital leadership governance and executing the strategy end to end.

She will sponsor the bank's payments agenda to the Board, define the cornerstone of digital strategy, collaborate and synthesise with ecosystem stakeholders in delivering the strategic objectives. She will be payments evangelist who will identify digital opportunities and innovation,develop execution roadmaps,define and create value enablers, reduce inefficiencies and drive down costs and put in place risk measurement and mitigation framework.

END GAME

Having a well-crafted and nimbly executed Digital Strategy will open new avenues for banks apart from the traditional methods of banking. Make mobile banking simple, convenient and secure. Mobile banking would surpass all other channels in cash less economy for the benefits of all stakeholders. Productivity would increase and cost decrease by an order of magnitude and mobile banking is a powerful for Financial Inclusion and government shall invest heavily in infrastructure and R&D to come up with more innovative services which would focus on ease of use and convenience of common man.

A day is not too far when there are rating websites for Indian Banks' digital apps in India too like the one that is there on one of the international websites. The customer is and will be truly the king and the banks listen to the king!

Whether North East India slipped in Development due to lack of Bank credit?

Dr. S. S. Sangwan*

Introduction

The North East India (NEI)[1] is known all over the world for its ethnic diversity as well as rich natural biodiversity. Owing to the region's fertile land, numerous rivers, rivulets and high rainfall; the agricultural productivity of its main State Assam was about one and half times of All India average during 1962-65 and 1970-73(GOI, Tenth FYP). The growth rate of Net State Domestic Product (NSDP) of then Assam was 4 percent compared to 3 percent of all India during 1960-61 to 1969-70 (ibid, page 35). Even the population below poverty line in 1973-74 was less in all North Eastern States (NES) compared to country as a whole. But after 1970s, notwithstanding its rich natural resource background, the region has lagged behind in development with respect to rest of the country. It may be due to number of territorial, political and social changes in NEI and non adoption of technological changes at par with the rest of India. Historically, the four factors of production viz., land, labour, capital and entrepreneurship were like four distinct socio-economic groups owing to their pattern of ownership. Land owners, the 'landed gentry', almost never did manual labour especially in Eastern India, nor did they get involved in starting own business or owning factories. The labourers, rarely owned capital or land, nor did they aspire for starting their own businesses. Entrepreneurship was also confined to a few select castes that used to make economic profit from their ideas by combining them with capital investment and all other factors of production. However, these four resource categories are frequently blurred in the modern complex economy and society especially due to the emerging capitalist mode of production. Farm land is no more, just a natural resource but requires use of new equipment and machinery, many labourers also own land (homes & small piece of land) and use capital to start their small businesses and entrepreneurship is also imbedded with capital through education and training.

Thus, role of capital has increased in the above classical economists' factors of production. Capital investment through education, machinery and technology enhance the productivity of the factors of production. The recently developed data set by Food and Agricultural Organisation (FAO) on Agricultural Capital Stock (ACS) from 1975 to 2007 is a good example to highlight the impact of ACS on the productivity of land and livestock (Stephan et al, & Schmidhuber et al; 2009).The other studies (FAO 1999 and 2001) with macro level data also bring out impact of capital on agricultural growth in different countries. In India, the positive association between capital formation and agriculture growth has very well been documented (Bisaliah and Mahender Dev, December 2010). Further, there are other empirical evidences to indicate impact of capital formation on regional disparities in agricultural development (NABARD). These studies also brings out that that bank credit, Ceteris Paribus, is found to have positive impact on the productivity of land and labour through capital formation.

Initiatives to Boost Investment in NEI

As the disparity in growth between the NEI and the rest of country were increasing since 1970, Government of India (GOI) decided to take the development of North Eastern Region (NER) as a National Mission due to its strategic location, unique ethnic and bio diversity. GOI has infused huge amount by supporting the budgets and development plans of North Eastern States (NES) as special category States. The per capita gross disbursement by Central Government in 2012-13 was ₹ 14741 in the NES as compared to ₹ 7047 in all States (Rakhi Bhattacharya, 2014). A number of projects in horticulture, fisheries and livestock were sponsored in mission mode especially after 1980. Shukla Commission (1997) by Planning Commission estimated the investment requirement for basic minimum services and infrastructure. Since 2000, 49 New National Highways have been initiated in the eight NES which

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[1]NEI constitutes eight States namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim. Sikkim joined the Indian Union through a referendum in 1975 and became part of NEI in the 1990s. The terms NES (North Eastern States) and NER (North Eastern Region) indicates the same meaning and these are used interchangeably in this paper.

are at various stages of completion (www.mdoner.gov.in). Union Government set up a separate Department for Development of North Eastern Region (DONER) in September, 2001 and upgraded it to a Ministry in May 2004 to harness the potential of the region's human and natural resources (ibid). However, most of these grants and loans are routed through State Governments and the private capital formation was relegated to background due to slow off take of bank credit in the region. To address the issue of bank credit, RBI constituted a Committee known as 'Financial Sector Plan for NER" in 2006 (Chairman, Usha Thorat, Deputy Governor, RBI). The Committee emphasized on more recourse to bank-SHG linkage, Business Correspondent model and extensive use of information technology to facilitate off-site banking. However, these measures are just the peanuts only as discussed ahead. In 2009, to address the issues related to Micro, Small and Medium Enterprises in the NER, Prime Minister set up a Task Force (Chairman, TKA Nair) which recommended for skill development and setting up of more industrial estates. However, these suggestions did not touch the pertinent constraints in credit flow in the NES.

Objectives of the Paper

In view of the positive impact of bank credit on private capital formation and hence on productivity in farm and non-farm sectors, this paper attempts to study the status flow of credit in the NES. To start with, the important social and economic parameters of development in NEI vis-a-vis India as a whole are compared and discussed in section I of the paper. In section II, the share of bank credit in the NES is analysed with respect to India as a whole in terms of implementation of various credit linked schemes. In section III, the constraints in financing by the banks in the NES are identified to suggest solutions thereof. The last Section VI of the paper outlines the strategy for increasing bank credit in the NES.

Section I: Social and Economic Status of NEI verses India.

Social Development in NEI

The important social development parameters in the NEI and All India are given in Table-1. The NES accounts for about 3.7 percent of All India population in 2011 and 7.9 percent of the geographical areas. Thus, NES is thinly populated, having population density of 178 persons per square km compared to 368 persons in the country as whole. However, the state of Assam has higher density of 397 persons and it accounts for about 68 percent of the all states of NEI. It means NEI is like a pendulum with Assam at the base in term of population.

Among the social development indicators, overall literacy is higher in the NES except Arunachal Pradesh and Assam. The infant mortality rate of all NES is slightly higher than All India but it is lower in the States like Manipur, Nagaland, Mizoram, Sikkim and Tripura where literacy rates are higher than All India. The households' access to safe drinking water is lower than all India which may adversely affect the mortality rate and longevity of life. The average life expectancy is 69 years in Assam compared to 72 years in India as per 2011 Census. The sex ratio in NE states is also higher than India except Nagaland. Worst of all the above, the crime rate of IPC cases is higher in the NES than all India especially in the State of Assam. It is to be noted that the approach of all the NES is through the territory of Assam.

Table 1: Social Development Indicators of North Eastern States and All India

State/India	Population in 2011 (in 000)	Density of Population per sq.km.	Literacy (Percent)	Infant Mortality rate/ 000	% of HHs with Safe drinking Water(2011)	Sex Ratio Per 000	Crime Rate of cognizable crimes in 2013/lakh Pop.	
							SLLs	IPC
Arunachal	1383	17	65.38	33	78.6	938	11	218
Assam	31169	397	72.21	55	69.9	958	8	277
Manipur	2722	122	79.21	10	45.5	992	30	126
Meghalaya	2964	132	74.43	49	44.7	989	8	121
Mizoram	1091	52	91.33	35	60.4	976	55	166
Nagaland	1981	119	79.55	18	53.8	931	21	53
Sikkim	608	86	81.42	24	85.3	890	45	135
Tripura	3671	350	87.22	28	67.5	960	9	167
All NES	45589	174	74.67	46	67.3	955	14	231
All India country	1210193	368	74.02	42	85.5	940	325	216

Sources: *www. databank.nedfi.com, and **planningcommission**.nic.in/Data and statistics/data tables and ncrb.gov.in/; Notes: SLL= Statutory local laws, IPC= Indian penal code, HHs= households*

Thus, the State of Assam is almost singled out as the main laggard to pull down the social development indicators of the NEI otherwise most of NES are better than All India in terms of literacy, infant mortality rate and crime rate. The above analysis suggests the need to focus on individual state strategy instead of NEI as whole. As the crime rate is the highest in Assam which is like spinal cord to all NES except Sikkim and hence, any disturbance in Assam has direct impact on supply, marketing and working of all other NES.

Economic Status in NEI and India

The comparative indicators of economic development in the NEI and all India are given in Table-2. The per capita NSDP of all NES except the States of Sikkim and Arunachal Pradesh is lower than the All India. Assam and Manipur have the lowest per capita income among NES and these States are also having the more share of families below poverty line both in rural as well as urban areas.

Table-2 shows that the yield per hectare of cereal in NES in 2012-13 is 1692 kg. as compared to 2078 kg. of All India. Thus, agricultural productivity in NES has come down to about 4/5th of All India in 2011-12 which used to be one and half time in 1962-65. Inspite of that, the share of agriculture in GSDP of NES is higher at about 21 percent as compared 14 percent in All India. Among the NES, Arunachal Pradesh, Nagaland and Tripura have much higher share of agriculture.

Table 2: Economic Indicators of NES and All India

State/NES/ India	Per Capita NSDP 2012-13 (₹)	Poverty %:Tendulkar Methodology 2011-12		Yield/ha of Cereals 2011-12	Share in GSDP of the State (2012-13)		Credit Deposit Ratio 2012
		Total	Rural		Manufacturing	Agriculture	
Arunachal Pradesh	78145	34.67 (25.9)	38.93 (26.20)	1767	2.26	28.38	22.49
Assam	40475	31.98 (37.9)	33.89 (39.9)	1704	7.88	21.53	37.32
Manipur	36474	36.89	38.80	2393	4.70	19.67	30.08
Meghalaya	59513	11.87	12.53	1873	6.41	16.24	25.28
Mizoram	60836	20.40	35.43	1382	1.66	17.72	38.10
Nagaland	65908	18.88	19.93	1920	1.73	26.27	26.77
Sikkim	142625	8.19	9.85	1495	35.80	8.07	32.02
Tripura	60963	14.05	16.53	2620	4.62	24.33	31.26
All NE States	47221	30.57	32.84	1692	7.37	20.74	33.83
Entire country	67839	21.92	25.70	2078	14.95	13.95	78.09

Sources: As given in Table1,
Note: Figures in brackets for Arunachal and Assam are the %age of BPL families in 2009-10

The share of manufacturing in the GSDP is about 7 percent in all NES against 15 percent in All India. Among the NES, it is about 2 percent in Arunachal Pradesh, Mizoram and Nagaland and about 5 percent in Manipur and Tripura and 8 percent in Assam. Sikkim is the only State with higher manufacturing share than All India. Thus, the lower productivity of agriculture and negligible share of manufacturing in the GDP of NES compared to India as a whole may be the main factors for pulling down development of the region. With rapid technological development in recent years, *capital investment* is sine qua non not only in manufacturing but even in agriculture. The large scale capital investment especially in private sector cannot possible from own resources alone and it must be supplemented from borrowed funds. The NES are far behind in availing bank credit as seen from their credit deposit ratio which is just 34 percent as compared to 78 percent of All India (last column of Table 2). The flow of credit in the NES especially through banks is discussed in the next section.

Section II: Flow of Bank Credit in NES

As discussed in earlier section, the Credit Deposit (CD) ratio in NES is much less at 34 percent compared to 78 percent of all India in 2012. It is not only low but it has continuously declined from 39 percent in 2007 to 34 percent in 2012 (RBI, September 2014). To ascertain the reasons for the less flow of bank credit in the NES, their financial inclusion is examined in terms of saving-linkage as well as credit-linkage of the population and through their share in various special credit linked schemes implemented all over India.

RBI Initiatives for Financial Inclusion

Financial Inclusion (FI) is a buzz word now a days. Since the year 2005, RBI has taken a number of steps for opening saving accounts of weaker sections of society all over the country (Sangwan, 2013). A saving account especially in banks with all India core banking facilities[2] is considered as the basic bank account to link people with banks (ibid). To expedite the linkage weaker section with banks, RBI in November 2005, directed all banks to open the 'no frills' savings accounts with a zero balance requirement for small account holders(annual transactions upto ₹50000). It has been renamed as Basic Saving Bank Deposits Account[3] for all persons since August 2012, by RBI and it removed the stigma of small account. Further, to enhance access to banking facility, since January 2006, banks were permitted to utilize the services of Non-Government Organizations, micro-finance institutions and other civil society organizations as intermediaries in providing financial and banking services through engagement of Business Correspondents (BCs) and Business Facilitators (BFs). The BC/BF model has been liberalised overtime to even use the NBFC as BC by the banks (June 24, 2014). Besides, the Know Your Customer procedure for opening accounts has been simplified from time to time and as per the latest instructions of RBI (June 9, 2014), one permanent address can suffice in opening account anywhere in India. During April 2010 to March 2013, the 3-year Financial Inclusion Plan was implemented by all banks through opening new branches and engaging BCs, so as to provide a point of sales[4] in all villages above 2000 population. All these measures enabled GOI to implement the Direct Benefit Transfer (DBT) to beneficiaries of Central Government schemes since January 2013 in the selected districts. Further, RBI is implementing another Financial Inclusion Plan during 2013-2016 to increase the access of financial services in the habitats below 2000 population. Present Central Government has emphasized financial inclusion in its budget in July 2014 and the 'Pradhan Mantri Jan-Dhan Yojana' was announcement on 15 August 2014, by the Prime Minister, wherein each account holder will get a RuPay debit card, accidental insurance cover of ₹ One lakh and even overdraft of ₹ 5000 overtime. It indicates the commitment of theGovernment to FI, though some operational issues are yet to be finalised (Sangwan, August 2014).

Extent of Saving Linkage in NES

In practice, linkage of adults with banks through savings deposit accounts is termed as saving linkage. The status of the linkage is worked out for Scheduled Commercial Banks (SCBs) including Regional Rural Banks which are giving core banking facility all over the country. The adult population above the age of 14 years was considered for bank linkage in view of children's working age. The NES account for about 3.68 percent of such adults all India while their share in saving accounts is only 2.74 percent as shown in Table 3. Hence, the percentage of saving linked adults is 61 percent in NES as compared to 82 percent in All India (Column 4). Among the NES, only Sikkim has higher level of linkage than all India and in other states the linkage is between the minimum 37 percent in Manipur to the maximum 76 percent in Tripura. Though, the branch and ATM density per lakh of population at about 14 and 15 in the NES is higher than all India average of about 10 and 14 as on March 2014, but it has not revealed positive association with saving linkage as found in case of other states of India (Sangwan, 2008). It may due thinly spread out population in other NES except the states of Assam and Tripura. Hence, the access to bank branch may still be difficult and costly in other NE States.

Table 3: Comparative Indicators of Bank Linkage in NES and All India

State/ India	Saving Accounts as on March 2012 (in 000)	Population >14 years in lac[2]	%age of Adult saving linked	Branch density/lac Population	ATM Density/ lac Population	Index of Financial inclusion[2]
1	2	3	4	5	6	7
Arunachal						
Pradesh	578	953	60.66	19.88	9.40	0.57
Assam	13857	21475	64.52	9.16	9.84	0.49
Manipur	701	1875	37.38	8.45	38.54	0.36
Meghalaya	1140	2042	55.82	19.47	10.53	0.62
Mizoram	450	752	59.84	21.63	9.26	0.64
Nagaland	622	1365	45.57	16.91	13.53	0.43
Sikkim	370	419	88.32	34.54	47.10	0.71
Tripura	1941	2529	76.75	13.57	26.81	0.57
All NES (% of AI)	19289 (2.74)	31411 (3.68)	61.41	14.27	14.96	0.50
All India	702741	853186	82.37	9.74	13.79	0.59

Source: 1. RBI Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: June 2014 and
2. Sangwan SS (2013), State-wise comparison of Financial Inclusion in India, Working paper-1, May 14

The second important factor for FI is the per capita income (ibid) which is also low in NES except Sikkim and Arunachal Pradesh, compared to average of All India. Another determinant of FI is the literacy level which has weak positive relation with level of bank saving linkage even for all States(ibid). It is not important in the NES as inspite of higher literacy in the states of Manipur, Mizoram, and Nagaland, their bank saving linkage is lower. The index of FI, computed with level of saving linkage, branch density and credit & deposit as a ratio of GDP in 2012 is 0.50 for the NES compared to 0.59 for India as whole. The above discussion brings out that distant location of branches and lower per capita income may be reasons for lower bank saving linkage in most of the NES.

Extent of Credit Linkage in NES

Table 4 shows that population group-wise outstanding (O/S) bank credit in of the NES and All India. In the overall credit, the share of NES is 0.89 percent against its adult population of 3.68 percent, though accounts

[2]Normal core banking functions will include transaction accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, internet banking, and branches. Core banking is a centralized system and every data has been kept at a server and a costumer can open an account and use it in every branch of that bank.

[3]The BSBDA can be opened by any person irrespective of income with no balance requirement and all other facilities except limitation of four drawls in a month including ATM as per RBI circular, 'Financial Inclusion-Access to Banking Services–Basic Savings Bank Deposit Account, 10 August 2012.

[4]A POS is a place through which a sale transaction is done by a retail shop owner using the customer's credit/debit card.

are only are 2.0 percent of All India. Therefore, the adult linked with credit are just 8.57 percent in the NES compared to 15.34 percent in All India as whole (column 10). Population group–wise, the O/S credit is largely in rural and semi urban areas (column 3 & 5) where shares of NES are 2.57 percent and 3.02 percent as compared to only 0.81 in urban areas (there is no metropolitan area in NES). The per account and per adult credit (column 8 & 9) is also lower in the NES at ₹13601 and ₹15877 against all India average of ₹33699 and ₹ 56298, respectively.

Table No 4 : Outstanding Credit of Scheduled Commercial Banks in NEI and India
(Amount Outstanding in ₹ Millions)

State/ NES /India	RURAL		SEMI-URBAN		Total Including urban & Metropolitan				
	No. of Accounts	Amount Out standing	No. of Accounts	Amount Out standing	No. of Accounts	Amount Out standing	Amt per Account (₹)	Credit Per adult (₹)	%age of adult linked
1	2	3	4	5	6	7	8	8	10
Arunachal Pradesh	33716	6033	37685	10288	71401	16320	22857	17125	7.49
Assam	874046	63736	597730	93059	1787055	268523	15026	12504	8.32
Manipur	25068	2759	25835	3923	92537	13495	14583	7197	4.94
Meghalaya	77605	7472	25200	6441	143681	31194	21711	15276	7.04
Mizoram	26573	2697	27784	6729	82112	14066	17130	18705	10.9
Sikkim	22944	15243	15524	7981	38468	23225	20029	65265	32.5
Nagaland	33212	4871	103317	22475	136529	27346	60375	17014	2.82
Tripura	179690	10714	115111	8782	339014	33038	9745	13064	13.4
NES	**1272854**	**113525**	**948186**	**159678**	**2690797**	**427207**	13601	**15877**	**8.57**
% to all India	3.05	2.57	3.03	3.02	2.06	0.89	0.37	0.28	0.56
All-India	**41749363**	**4422120**	**31292440**	**5282891**	**130881297**	**48032669**	**36699**	**56298**	**15.3**
Source : RBI Statistical Return, Table 4.9, 22 July 2013									

Among the NES, Sikkim is only NES with higher credit per account than all India average while Tripura has the least. In terms of credit linkage of adults, the States of Sikkim and Tripura are ahead of others and Nagaland has the least credit linkage of adults indicating bigger loans in the States. The State of Sikkim even surpasses the level of credit linkage of India. It may be due to fact Sikkim has the highest density of branches/ATMs, share in manufacturing and per capita income among all the NES. The analysis shows that NES except Sikkim are lagging in overall access to credit in rural and urban areas both in terms of amount per account as well as percentage of adults linked through credit accounts. To understand the reasons for less credit in NES, the implementation of important credit schemes is discussed below.

Implementation of KCC Scheme in NES

Since 1999, Kisan Credit Card (KCC) is one of the most important loan products for financing the production expenses of crops to farmers. Such loans are known as crop loans. Under KCC scheme, cash credit limit for crop loan is sanctioned which can be operated for repeated withdrawals and repayment. This scheme is very popular among the farmers all over the country due to its good features and hence, 87 percent of about 138 million All India holdings have already been covered upto March 2013(Table 5).

Table 5: Access of NES to Popular Banking Products of KCC and SHGs(As on 31 March 2013)

States/ Region/ India	KCC as on 31 March 2013(No)	No of Holding (in 000)	Percent Holding covered by KCCs	SHGs Saving linked (No)	Saving Amount (₹ lakh)	SHGs with O/S Credit (No)	O/S loan Amount (₹ lakh)	Loan Amount per SHG (₹)	NPA as to O/S SHG loans
1	2	3	4	5	6	7	8	9	10
Arunachal Pradesh	32803	109	30.09	5033	412.09	7.79	387.78	98923	10.81
Assam	1024783	272	37.69	271072	10750.76	44.82	64856.42	53384	8.12
Manipur	49537	151	32.81	12656	235.24	36.28	2092.57	45580	35.56
Meghalaya	115673	209	55.35	9573	515.66	24.82	1761.58	74141	8.13
Mizoram	39476	92	42.91	3117	612.21	85.56	1946.60	72988	1.49
Nagaland	42002	178	23.60	8478	185.85	28.64	1793.85	73882	14.32
Sikkim	14966	75	19.95	3529	79.48	80.93	1237.84	43342	9.85
Tripura	276567	552	50.10	10438	21934	65.72	5599	81618	3.95
All NES	1595807	4086	39.06	323896	13010.63	44.35	79675.59	55461	8.56
%age to all India	1.33	2.97	39.06	4.43	1.58	3.23	2.02		-
All-India	120307780	137757	87.33	7317551	821725.47	60.83	3937529.72	88455	7.08

Source: NABARD, Status of microfinance in India 2012-13 and *Indiastat.com, Ministry of Agriculture, GOI for KCCs and number of holdings in 2010-11

In the NES, only 39 percent holdings have availed KCC till March 2013 with the maximum 55 percent in the States of Meghalaya and 50 percent in Tripura (column 4). It is to be noted that the effective rate of interest on KCC limit is four per cent after subvention by Central Government for limit upto three lakh. The less KCC coverage in the NES means their fewer shares in interest subsidy too. In this regards, the absence of tenure records of lands is one of the biggest constraints as per the personal experience of author in Arunachal Pradesh. The Tribal dominated states like Arunachal Pradesh, Nagaland, Meghalaya and Mizoram and parts of Tripura and two districts of Assam are still governed by customary laws with community ownership of land. Over the years, the land tenure laws are getting superimposed on the customary land-laws especially for availing bank credit but this updating is very slow and limited. Though, Central Government has given grants for computerisation of land records of the states but the progress is dismal except Tripura, Sikkim and Mizoram *(dolr.nic.in/hyperlink/LRC-status)*

Financing through SHG Approach

Microfinance through Self Help Groups (SHGs) is the second most popular mass credit scheme with focus on poor especially women. The programme has been spearheaded by National Bank for Agriculture and Rural Development (NABARD) through banks with facilitation from NGOs. Under this programme, the NES accounts for 4.42 percent of all India savings linked SHGs against their population of 3.68 percent (column 5 of Table 5). It indicates better achievement of the scheme in forming the SHG but their saving amount is just 1.58 percent of All India which means less saving per SHG/member in the NES. In terms of credit linkage, the NES have 44 percent SHGs with O/S credit as compared to 61 percent in All India (column 7) and the loan amount outstanding is 2.02 percent of All India which is better than 0.89 percent in the overall credit. But, the somewhat better achievement through SHGs programme may also slip, if recovery is not improved which is already lower in the NES (Column 10 of Table 5).

Share of NES in Credit Linked Schemes for Rural Development

NABARD is an apex bank for facilitating rural credit through refinance to banks, providing loans for rural infrastructure projects to State Governments and channelizing the subsidy of Central Government credit linked schemes. The cumulative progress under these schemes since their inception for All India and the individual NES is presented in Table 6.

Table 6: NABARD Refinance and Bank Loan availed in Important Central Subsidy Schemes (Cumulative since inception upto March 2014 in ₹ lakh)

States/ Region/ India	Refinance for Invest-ment Credit	RIDF Loans-Sanctions	Utilisation age of (3)	Cold storage	Rural goods	Agricultural Marketing	Agri-clinic & Agri-Business	NPOF* (subsidy Released)	DEDS# (subsidy released)
1	2	3	4	5	6	7	8	9	10
Arunachal Pradesh	9251	977	75.51	111.0	9.2	0.0	6.3	0.0	36.0
Assam	207964	3054	61.4	2710.9	17155.8	1388.9	541.0	74.3	3606.4
Manipur	8898	329	51.1	0.0	0.0	0.0	5.0	0.0	39.0
Meghalaya	18239	608	82.8	0.0	0.0	0.0	8.0	5.7	21.3
Mizoram	24002	506	67.6	0.0	0.0	0.0	0.0	0.0	292.1
Nagaland	5196	749	59	0.0	20.0	0.0	69.7	0.0	16.2
Sikkim	8252	476	72.7	0.0	21.0	0.0	0.0	0.0	41.5
Tripura	52812	766	59.7	195.0	81.6	0.0	0.0	20.0	121.3
NEI	334614	7465	62.3	3016.9	17287.6	1388.9	630.0	100.0	4174.0
% age to all India	1.70	4.10	0.00	1.6	2.1	0.3	8.4	5.6	5.2
All-India	19824253	183989	71.7	185188	819412.2	509060.4	7462.8	1778.9	79838.9

Source: NABARD: Management Information System(MIS) for higher Management
*National Programme for Organic Farming, # Dairy Entrepreneur Development Scheme)

Share of NES in NABARD Refinance

Refinance from NABARD is one of the most important indicators for flow of bank credit for agriculture and rural development. Since NABARD's inception in 1982, the cumulative refinance support in the NES (column 2) upto March 2014 is ₹ 334614 lakh which 1.7 percent of All India as against its population of 3.7 percent. This is inspite of fact that the rural population in the NES is 86 percent compared to 68 percent in All India. In this regard, absence of land records may be main constraint.

Share of NES in RIDF

The second most important source of bank credit for rural development is the Rural Infrastructure Development Fund (RIDF) which was started in 1995-96 to compensate the targeted shortfall of bank credit to agriculture. Under RIDF, the share of the NES (column 3) is 4.1 percent of all India which is slightly more than the region's population. However, it is to be noted that borrowers are the individual State Government and not private entrepreneurs. Even the utilisation of RIDF sanctioned amount was 62.3 percent in the NES compared 71.7 percent for all India which indicates slow implementation of RIDF schemes in the region except the State Arunachal and Sikkim.

Share of NES in CCIS schemes

There are 15 other main Capital Investment Subsidy Schemes (CISS) of Central Government where subsidy is available between 25 to 33 percent. The achievement of a few important schemes since their inception is presented in Table 6 for the NES and all India. Under cold storage Scheme (column 5) implemented during about 1999-2013, only Assam along with Arunachal Pradesh and Tripura has availed some bank loan which is just 1.6 percent of all India. Under another important scheme of rural godowns (column 6) since 2001, only Assam and Tripura have availed loan amount accounting for 2.1 percent of all India. Under agricultural marketing improvement scheme since 2006, only Assam availed loan which is just 0.3 percent of all India (column7). The silver lining is that NES have claimed higher bank loan/ subsidy than all India in the smaller schemes of Agri-clinic & Agri-business, National Project for Organic Farming and Dairy Entrepreneur Development Scheme with shares of 8.4, 5.6 and 5.3 percent, respectively (columns 8 to 10).

The discussion in section 2 reveals that all NES especially smaller ones like Manipur, Meghalaya Mizoram and Nagaland have lagged much behind the other states of India in availing credit. The RIDF is the only scheme under which all NES have borrowed better than India where State Governments themselves were borrowers. To ascertain the reasons for less flow of bank credit through the general credit schemes and the Central Government's Capital Investment Subsidy Schemes.

Section III: Constraints in Flow of Bank Finance in NES

Loans from banks to individuals or Governments have more stringent conditions than those of the loans from Central Government. Government sources are mostly from taxes which are not repayable whereas amount of bank loans is sourced from public deposits which are to be repaid with interest. Moreover, the decisions of Government loans and grants may be more influenced by social and political considerations while bank loans are influenced more by the factors which ensure their repayments. Some of the important constraints in providing bank loans to individuals and even to governments in the NES are discussed ahead.

Lack of Valid Security Documents

To ensure repayment, a banker's first and foremost requirement is the valid security documents like land, houses, etc which can sold if the borrower defaults. As discussed earlier, the Tribal dominated States of Arunachal Pradesh, Nagaland, Mizoram and Meghalaya, and the hill districts of Assam, Manipur and Tripura are still governed by customary laws of the communities. In these regions, penetration of bank credit is hindered by non-establishment of transferable property rights on land (Bezbaruah, 2007). The author has the firsthand experience of Arunachal Pradesh where large scale horticulture development has taken place but it is either with Government assistance or own resources of the farmers with little share of bank credit. As discussed earlier, the customary land laws have to be replaced with land tenure laws and the records are to be computerised with grant support from the Central Government (dolr.nic.in/ hyperlink/LRC). Moreover, bank should be in a position to sale the security in case of default. In Tribal society, it may be difficult to transfer assets of even individual owners within the tribe due to the sentimental attachment. Hence, lagging of the NES in bank credit may be largely attributed this constraint (ibid). It requires some dedicated 'Todar Mals' (Finance Minister of Akbar the great and known for land records) to carry out the task of computerising the records of revenue in the NES.

Restriction on Land for Industry/Business

As stated earlier, manufacturing is hardly around 2 percent of GDP in most of the NES. As per economic theory and empirical studies, overall growth is led by industrial development (UNO, 2013). Moreover, it has a positive impact in reducing poverty and inequality (Kniivilä, 2007). As discussed earlier, outsiders cannot purchase land in tribal areas for any purposes including establishing industry or service units and hence industry development is largely left to local entrepreneurs who lack vision and access to technology and above all the marketing outside the NEI. Unlike trade, setting up of an industrial unit requires huge investment and hence bank loan is sine qua non, but it will not be available if an entrepreneur does not own the project land. Realizing this constraint some NES have announced industrial policy with provision of long lease periods of 50 years (Arunachal Pradesh, Industrial Policy 2008) and 30 years by Manipur (Govt. Manipur, Industrial Policy 2013). But still the industrial investment is not picking up in NES. Big investment not only requires permanent ownership of the project land but some other conditions too as discussed ahead.

Restrictions for Trading/Service Units

Licence for Trading/Service units is not issued to outsiders in the NES except Assam and Sikkim, though; actual trading and service units are run by the outsiders by paying royalty for the trading licences in the names of locals. Even banking facilities will not be available to actual traders as the shop and licence is not in their name. All these expenses are added to the cost of traded items which is ultimately paid by the people of these states. Such restricted entry in the business allows monopoly in many items to a few traders who in turn charge exorbitant prices to be paid by the locals. One can easily see the price difference in the states other than Assam and Sikkim. The author knows that all entry points (check gates) to Arunachal Pradesh, there are big markets inside Assam where the customers are mostly from Arunachal Pradesh. Similar is situation for other Assam bordering NE states. Thus, those states are losing vat/sale taxes, though their own people are paying the same to Government of Assam through their purchases. The NES other then Assam and Sikkim have to think over this issue in their own interest.

Ban on Free Entry

The entry of residents of other States is regulated through Inner Line Permits (ILP) in states like Arunachal Pradesh, Nagaland and Mizoram under the Bengal Eastern Frontier Regulation ACT, 1873. The ILP was introduced at that time by British Rulers to keep the violent tribal isolated from the main land. Presently, it is used otherwise even though; the rich residents of these states are purchasing property and going for education and service to all parts of the country. This entry ban suits the leaders and the rich to keep the population in general isolated so as to maintain their hegemony at the cost of non-development of public at large. Why any established industrialist/entrepreneur would like to invest his money in a place, where he is treated as outsider with no stake in ownership of the project site and faces personal faces risks of all sorts.

Land Locked and Poor Connectivity

The road length per 100 sq. km. is much higher in NES but their maintenance is extremely poor either due to vast area or due to interstate route. To illustrate, a road in Assam used mainly by Arunachal Pradesh may not maintained by either of the state. Further, the passage to most the NES without the territory of Assam is still a challenge which is to be taken up through the neighboring countries. However, in view of about 5000 km. International Boarder of the NES with Bhutan, China, Myanmar and Bangladesh, the new National Highways are under construction for inter/intra state linkages. The total rail length of NES is 2525 km. which is about 3.8 percent of all India while its geographical area is 7.9 percent. Moreover, most of the lines are meter gauze lines which are now being upgraded.

Pathetic Law and Order

As stated earlier, the NES are linked through the State of Assam which has the highest crime rate as per records and the unrecorded crimes may be still higher. Historic ethnic rivalries among different tribes are frequent occurring to disturb law and order in the NES. The large International Border also allows terrorists and law breaking groups to survive by crossing across the border. Even the efficacy of police in these states is very low where one has to ‘fend for himself’ in adverse situations. The industrial/business capital created can be taken by outlaws overnight or even during day time. In such situations, the usual theory of higher the profit rate higher the investment will not be applicable. It is said that unlawful payments by industrialists/traders/tea-companies are regular to protect their interest. The activity of tourism has the maximum scope in NES but efficient law and order is the primary requirement. All over India too, the states which have better law and order are attracting more investment.

Section IV: The Way Ahead

The section-I, brings out that most of the NES are lagging behind in comparison to all India in social and economic indicators of growth, though historically, it was not so as revealed from higher agricultural productivity and less poverty in Assam till 1970-73. The slow embedment of capital investment in all traditional factors of productions appears to be the main reason for slippage of the NEI in development. In private capital formation, bank credit plays a pivotal role and the paper brings out that the NEI is far behind in availing bank credit as compared to all India. The pathetic law and order in the NES along with restrictions on entry, trade licensing and land owning has rendered the theory predicts "higher rate of profits attracts further investment" as inapplicable in the region. The risk of losing the capital itself and stake on personal security have greater weight than the rate of profit while taking investment decisions.

To mitigate these risks to a large extent, firstly, built and lease out policy by the State Governments may be one of the effective strategies. State Governments can easily have access to loan from RIDF and other Central Schemes at lower rate of interest for big processing and manufacturing projects. To illustrate, the agro-industries, market yard including shops, cold storage, godowns can be built by getting loan from RIDF and availing Central subsidy in the schemes. But the states have to make it abundantly clear at project preparation stage itself that on completion, it will be immediately leased out to private entrepreneurs to ensure operational success. It was observed by the author in Arunachal Pradesh that a few agro processing units and restaurants were non functional liabilities to the State Government which become functional on leasing out to private parties. If leasing out policy is transparent and competitive for entrepreneurs than Government can get enough rent to repay the loan. Moreover, it will generate employment for locals and generate additional tax for State Governments. In this policy, even the outside entrepreneur will get the working capital loans from banks on the basis of lease agreement and he will not have the risk of losing the capital as its security will be responsibility of State Government. Such strategy was adopted in Japan during the Meiji period also known as the Meiji Era (1868 to 1912, Christensen) which is known as Japan's first great age of wealth-creation. Once agro-processing and other raw material based industries start through this policy, it will have effect in improving the investment climate which will pave way for flow of more bank credit in the NES. Moreover, the momentum of development will even address the issue of security (Rakhi Bhattacharya, ibid).

Secondly, improvement in physical connectivity with the rest of India especially through Rail network requires more focused attention. Rail is not only cheaper but it can ensure safe delivery of goods at desired destination once loaded from the origin as compared to trucks which have to pay extortions to outlaws and the police in addition to taxes of other states. Thirdly, to widen the market for North East production, the Pan-Asian idea has to be put into practice. In view of this, recently, a decision on linking of power grids among ASEAN countries was taken. Now, it is time to act upon with renewed vigor the 'Look East Policy 'to link the NES with Myanmar, Bangladesh, Thailand and beyond (Sailo, 2014).

Fourthly, it is time to come out with liberal industrial policy by the Tribal dominated States in their own interest to allow purchases of land by outsiders for setting industrial and big service units. Lastly, computerization of land records has to be taken in time bound manner to enable rural people to avail bank credit.

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70th All-India Debt and Investment Survey Implications for Rural Banking

M. R. Das*

Macro research, the obsession with many policy makers today, is no doubt important, but in a vast country like ours with immense diversity, Micro research carries equal value, if not more, to help draw and implement policies for various regions and States. Viewed against this backdrop, the decennial All-India Debt and Investment Surveys, since the Seventies, have been a fountainhead of a huge micro-level database for framing 'practical' policies with significant potential for improving the financial standards of the rural and urban households.

On December 19, 2014 the National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation, Government of India released the key indicators of debt and investment in India emerging outof its 70th Round Survey. The Survey was conducted during January-December 2013. NSSO has been collecting household level data under its All-India Debt and Investment Surveys(AIDIS) decennially starting from the 26th Round (1971-72). The last survey was conducted in the 59th Round (January-December, 2003).

The objective of AIDIS is to make available data on debts and assets of households, separately for the rural and urban areas, States/UTs and different socio-economic groups. These indicators serve as important input for planning the credit needs in the economy both in macro and micro ways.

The key indicators are based on the central sample consisting of 4,529 villages in rural areas and 3,507 urban blocks spread over all States/UTs. Two visits were made to each household in order to collect the required information. Information was collected from 62,135 rural households and 48,665 urban households in Visit 1 (January - July 2013) and 61,650 rural households and 46,771 urban households in Visit 2 (August - December 2013).

In this paper, an in-depth analysis of the indicators pertaining to the rural households has been made with a view to arriving at some practical policy conclusions. The rural households are divided into two major categories: (a) Cultivator households and (b) Non-cultivator households.

The paper is organized into three sections: Section I presents the important findings of the Survey; Section II discusses an array of policy options based on the Survey findings; and Section III concludes.

Section I. Salient Findings

Assets and Composition

All the cultivator households owned assets, whereas only 2% of the non-cultivator households did not have any asset. Even if the discrepancy was wafer thin, Average Value of Assets (AVA) per non-cultivator household at INR 0.67 million was almost a quarter of that for the cultivator households at INR 2.87 million. Thus, the former was relatively poor. The overall AVA was INR 1.01million.

'Land and buildings' constituted the most of the total assets for both the cultivator (95%) and non-cultivator households (93%). Expectedly, the proportion of land in the total assets was more in respect of the cultivator households than that for the non-cultivator households. Conversely, the proportion of 'buildings' in the total assets was higher for the non-cultivator households than that for the cultivator households. This goes to explain the huge difference in AVA between the two categories, as 'Land' is valued at higher rates than buildings.

Financial assets were nominal constituting less than 2% in the total assets – the cultivator households at below 1% and the non-cultivator households at about 2.5%.

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Huge disparity marked the ownership of assets as exemplified by the fact that AVA in the top decile households was nearly 227 times that in the bottom decile and its Coefficient of Variation (CV) over the decile groups was as large as 169.7%.

Indebtedness

I**n aggregate,** one in three rural households was indebted. The proportion of households indebted, i.e., Incidence of Indebtedness (IOI) was higher at 45.9% for the cultivator households than that for the non-cultivator households at 28.8%. Average Amount of Debt (AOD) per non-cultivator household at Rs.25,741 was about 64% less than that for per cultivator household. The gap narrowed down to nearly 42% if AOD were computed for only the indebted households, i.e., AOD per household with outstanding loan (AODL).This indicates that farming was debt-intensive.

Figure1 presents the State-wise AOD according to which 15 States had AOD higher than the all-India average and 21 States below.

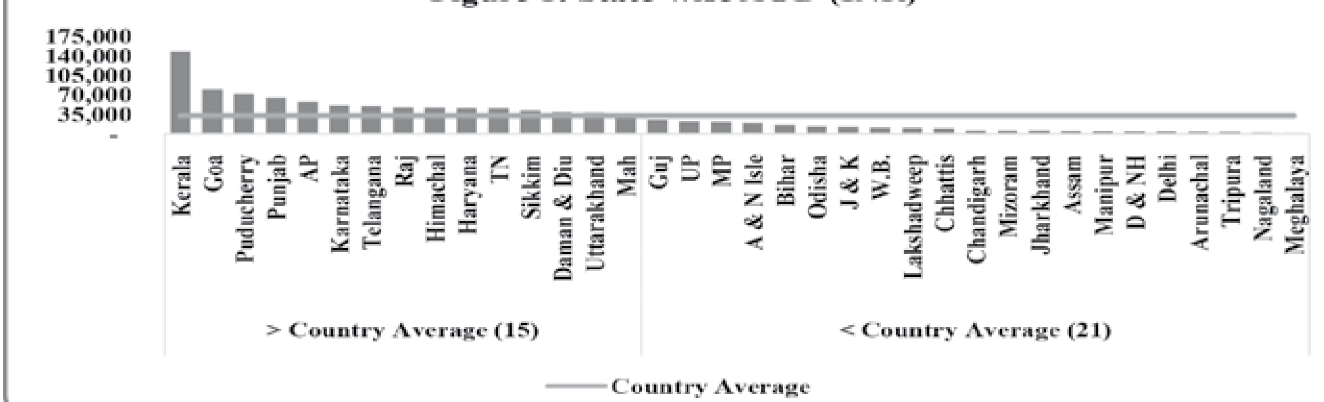


Figure 1: State-wise AOD (INR)

The States below the country average included the poorer States like 4 States from the Eastern region, all the North-Eastern States and 3 States from the Central Region.[1] This highlights the high degree of regional disparity to the neglect of especially Eastern and North-Eastern States.

Social group-wise analysis of indebtedness revealed that indebtedness both in terms of IOI and AOD was the highest in the case of OBC followed by SC and ST in succession implying that as one went into increasingly interior areas, supply and/or demand for credit (from whatever source) became lower and lower (See Figures 2 and 3).

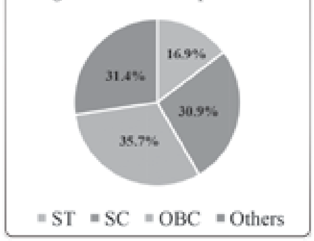


Figure 2: Social Group-wise IOI

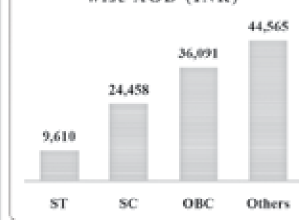


Figure 3: Social Group-wise AOD (INR)

Inequality in terms of IOI across the assets decile groups was low (CV = 24.2% and the IOI in the top decile was 2.1 times that in the bottom decile). The inequality in terms of AOD was high - total (96.7%) and AODL (74.7%). In the total, AOD in the top decile was 11.5 times that in the bottom decile and in respect of AODL, the top decile was 5.5 times the bottom decile.

Loan Agency-wise, a major finding of the Survey was that while the 'non-institutional' agencies had given loans to 19.0% of the rural households, the 'institutional' agencies to 17.2%. Quantitatively, the difference may not look significant; but the point to be underscored here is that after several decades of rural orientation by institutional agencies the ratio should have been much higher for them compared to the non-institutional agencies instead of being lower, albeit by a small margin

[1]Grouping of States into Regions as per RBI classification.

(180 basis points). Average loan outstanding comprised 56% from institutional agencies and 44% from non-institutional agencies.

Within the institutional agencies, co-operative societies/ banks and commercial banks (including Regional Rural Banks - RRBs) were dominant. While 6.9% of the households were indebted to the former, 6.6% to the latter. Average loan outstanding comprised 24.8% and 25.1% respectively from co-operative societies/banks and commercial banks (including RRBs). Self-Help Groups (both bank-linked and NBFC) were active to some extent: 3.4% of households borrowed from them with 2.2% share in total loan outstanding.

Among the non-institutional players, professional moneylenders had the lion's share with 10.3% of the households indebted to them which was followed by friends and relatives (6.3%). Average loan outstanding comprised 28.2% from professional moneylenders and 8% from friends and relatives.

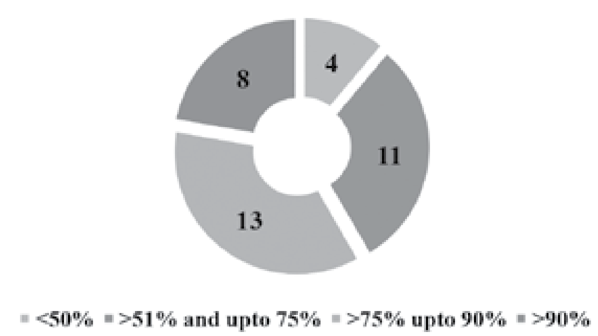
Another significant observation was that, in the case of institutional agencies, IOI went up as one moved up the decile groups in terms of assets of the households. CV was 50.5% and the IOI in the top decile was 4.1 times that in the bottom decile. It implied that the relatively wealthy households were enjoying more of institutional credit than the relatively non-wealthy. The skewness was much less pronounced in respect of non-institutional agencies (CV = 15.1% and IOI in the top decile was just 1.1 times the bottom decile). Since wealthy households were sourcing most of their credit needs from the institutional agencies (at rates of interest lower than the rates offered by the non-institutional agencies), there was no need for them to go to the non-institutional ones. This would have led to banks achieving their credit targets easily and fast, leaving little room for relatively non-wealthy sections of the rural society. This, though based on the well-accepted collateral-driven lending principle, is to some extent a distortionary phenomenon.

Indebtedness with simple interest was dominant (20.3%) followed by interest-free (6.5%) and compound interest (6.3%). A nominal proportion was given concessional loans. 'Interest-free loans' comprised mainly those taken from friends and relatives.

The **rate of interest** charged by the institutional agencies varied between 6% and 15% which the Survey terms as 'moderate'. In contrast, the non-institutional agencies charged exorbitant rates of interest at 20% and above. Statistically speaking, about 89% of the households were provided loans at below 15% interest rates by the institutional agencies. As for the non-institutional agencies, 69% of the households had availed of loans at 20% and above rates of interest.

A majority of the households (65%) had taken loans for less than two years' **duration**. Medium-term loans (i.e., 2 to 5 years' duration) and long-term loans (i.e., more than 5 years' duration) constituted 25% and 10% respectively. The pattern was hardly different from that observed in the previous three Rounds of the survey.

Figure 4: Bank Accounts: State-wise Incidence



Four-tenth of the debt was used for productive or business **purposes** and the rest six-tenth for non-business purposes.[2] Households with less assets used more debt for non-business purposes. The share of debt for productive purposes varied in the range of 11% to 56% among the assets decile classes.

The **Debt Asset Ratio** (DAR), i.e., the percentage of AOD for a group of households to AVA owned by them was 3.2%. There was a perfect negative correlation between DAR and assets decile groups (Rank correlation = -1.0), i.e., people with more assets or the relatively rich had relatively less DAR and vice versa. The ratio was 39% for the lowest decile class and tapered off to 2% for the top decile class and above.

Financial Inclusion

- About 69% of the rural households had a bank account. The State-wise distribution is illustrated in Figure4. Out of the 15 States where less than 75% of the rural households had a bank account, 11 belonged to the Eastern and North-Eastern regions.
- While 14% had a Post Office account, over 9% had other deposit accounts.

[2]The term 'business purposes' comprises capital and current expenditure on farm or non-farm business, while financial investment expenditure, expenditure on education, medical treatment, housing, litigation, repayment of debt, etc.,are clubbed under 'non-business expenditure'.

- Nearly 7% had a Kisan Credit Card (KCC) and over 13% received remittance during last 365 days.
- Amount of credit received from KCC in 365 days per household having KCC was ₹46,711. The State-wise position is depicted in Figure 5.

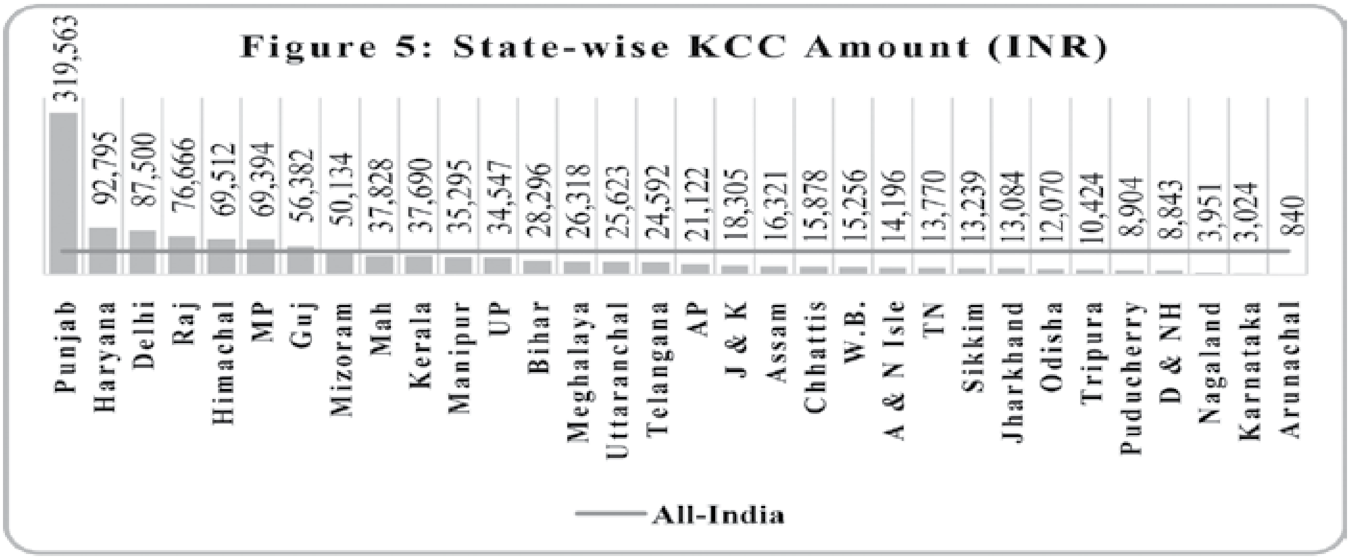


Figure 5: State-wise KCC Amount (INR)

The KCC amount was above the country average only in 8 States, once again exemplifying the skewness referred to earlier. Haryana was a distant second from Punjab, the number one.

Section II. Policy Implications

The most important implication emerging from the Survey data is that the rural India is still dependent on the 'non-institutional' agencies even if these agencies charge much higher rates of interest than their institutional counterparts. This unfavourable situation is due to several socio-economic reasons as has been traditionally debated. Thus, a multi-pronged assault needs to be launched and it should be pursued ceaselessly.

One potent weapon is comprehensive Financial Inclusion programme through which rural people should be enlightened about the pros of borrowing from institutional agencies and cons of borrowing from non-institutional agencies. And, this can happen if and only if (a) Financial Literacy drive under the comprehensive Financial Inclusion programme is taken seriously and sincerely to its logical conclusion, (b) Banks increase the consumption loans to the needy rural people in emergencies thereby precluding the need for the latter to resort to private moneylenders, and (c) Micro Insurance aiming at protecting the rural people against risks arising out of weather truancy, health misfortunes, livestock issues, etc., makes worthwhile penetration. In the long-run, Micro Insurance will make the rural people pragmatically risk-sensitive and their elevated risk perception will prepare them for self-defence, on one hand and minimize the need for frequent government assistance adversely affecting the exchequer on the other.

In the above-mentioned context, *Pradhan Mantri Jan-Dhan Yojana* which aims at making comprehensive Financial Inclusion 'durable' can be a game changer, if pursued with farsightedness, honest interest and in a defined manner by all its stakeholders. Institutional agencies including the governments have to intensify their actions if the rural India has to be rescued from the clutches of the non-institutional agencies, especially money-lenders.

The institutional agencies should foray increasingly into interior areas to enrol the inhabitants of geographically and topographically backward areas, e.g., STs as their customers. The combined approach should be technology and agency driven. Brazil which provides a glittering example of this blended approach may be emulated.

Owing to the collateral-driven lending policy of banks, the wealthy individuals who are capable as well as willing to provide collaterals take a major chunk of the rural loans pie as the Survey demonstrates (referred to earlier). Banks are not to be blamed for this principle-based approach, since from the viewpoint of maintaining safety and soundness of the banking system, they have to take collaterals. However, simultaneously, they should launch a variety of innovative micro-credit products in order to cater to a wide spectrum of needs of the rural people as many Micro Finance Institutions and Non-Government Organizations do. Empirical research reveals that the needs of the poor, unlike the rich, are more variant, unplanned, irregular and complex. Therefore, one cannot just replicate the products meant for the rich. Banks may have to encourage startups to innovate micro-credit products for them.

Similarly, even if almost 69% of the rural households owned bank accounts, bank deposits constituted an insignificant proportion of their assets. This should prompt banks to bolster their campaigns for mobilizing deposits from the rural households. Maybe, rural people are diverting their savings to physical assets like gold ornaments or unauthorized deposit mobilizers like moneylenders (who have been observed to be the largest lender in the non-institutional channel according to the Survey) or chit funds(many of which are illegal) or even keeping with themselves. Recurring Deposit scheme by the banks is a very good option for rural people to save regularly in small amounts for specific purposes.

Banks should try to nurture saving habits among the rural people. But prior to that they should inspire a sense of confidence among the villagers to trust the banks and part with their deposits for safekeeping and simultaneously earning interest thereon. Building confidence among the rural people who have never or rarely seen the face of a banker or Business Correspondent cannot be a sprint, it should be treated as a marathon. Sustained efforts need to be made.

Households should be motivated to avail of medium- to long-term loans, besides just short-term loans, with a view to increasing their engagement in productive ventures or building durable assets.

Rural India still depends a lot on land-based activities or agriculture as the main source of livelihood. This needs to be transformed in favour of secondary and tertiary activities which will diversify their risks of depending on land alone as well as increase their secondary sources of income. This has implications for loans by the financial institutions for Micro, Small and Medium Enterprises, especially agro- and forest products-based processing industries, handlooms and handicrafts, small repairing and servicing units, retail shops, rural transport, skill development centres, etc.

A lot of internal rural-to-urban migration of agricultural labourers occurs in the country, but the Survey points out that a paltry 13% of the rural households received remittance in the last 1 year. This indicates huge untapped potential for banks in remittance business which can be harnessed with the help of information and mobile technology. Payments Banks will likely exploit the opportunity which may eat into the traditional banks' fee income pie.

The Survey has brought to fore the huge regional and/or State-wise disparity in many aspects relating to banking facilities, especially to the disadvantage of the Eastern and North-Eastern States (See Figures 1, 4 and 5). It may be recalled that the epicentre of the recent chit fund imbroglio was in these two regions, perhaps owing to lack of adequate banking facilities. Therefore, the gap needs to be bridged and special care needs to be taken of these regions independent of political and economic ideologies. Perhaps one may think of establishing a special banking outfit for the North-Eastern region, somewhat on the lines of Bharatiya Mahila Bank which is almost exclusively for women, though it is yet to make perceptible headway.

High inequality in distribution of assets is one of the major culprits of many socio-economic ills. This needs to be ironed out by adopting an appropriate land development and redistribution policy. A modest attempt can be made by developing and/or redistributing the fallow land which is estimated at 25,381 thousand hectares constituting roughly 8% of the geographical area among the landless. However, the major push has to come from the implementation of meaningful employment generation policies in lieu of highly subsidized employment guarantee schemes which only proliferate a cadre of lazy labour force and weaken the productivity-wage correlation.

As 'Buildings' constitute a relatively small proportion of the rural assets (a little over one-fifth) compared to 'Land', there is a visible need for providing economical rural housing. Efforts at mitigating the housing shortage would open up opportunities for massive investment and employment in the rural areas which will also help rejuvenate the industrial sector at large.

Section III. Concluding Remarks

On the whole, the survey has unfolded many interesting aspects of rural debt, which need to be studied by all the agencies including the apex banks involved in rural development and translated into workable policy actions for uplift of the rural areas and citizens living there. In addition, the survey is notable because most of its findings are directly relevant for upscaling the Financial Inclusion movement that has been taking shape, rather aggressively, in our country.

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मौद्रिक नीति रिपोर्ट - मुद्रास्फीति लक्ष्य का प्रसार माध्यम

मुद्रास्फीति लक्ष्य (आईटी) ढांचे को इस प्रतिबद्धता के साथ बनाया गया है कि एक निर्दिष्ट अवधि के दौरान मुद्रास्फीति के स्तर पर एक निश्चित और स्पष्ट रूप से संप्रेषित संख्यात्मक लक्ष्य लंबी अवधि में मुद्रास्फीति को स्थिर करने में सहायक होगा। इस ढांचे के सफल होने के लिए आवश्यक है कि लक्ष्य के नजदीक मुद्रास्फीति प्रत्याशाओं को स्थिर रखकर इसके साख का निर्माण किया जाए। इसके लिए केंद्रीय बैंक और जनता के बीच एक प्रभावी संवाद रणनीति की आवश्यकता है। इस संवाद रणनीति का मूल तत्व मुद्रास्फीति का पूर्वानुमान उपलब्ध कराना, इन पूर्वानुमान के लिए मजबूत विश्लेषण प्रदान करना और केंद्रीय बैंक द्वारा लिए गए नीति निर्णयों में निहित तर्क की जानकारी देना है। इसलिए ढांचे की विश्वसनीयता निर्माण और इसे अक्षुण्ण रखने में उच्च गुणवत्तायुक्त रिपोर्ट्स में अत्यधिक पारदर्शिता को आवश्यक तत्व माना गया हैं (सवेंशन २००२)। नतीजतन, जो केंद्रीय बैंक मुद्रास्फीति को लक्ष्य बनाते हैं, वे मौद्रिक नीति को पारदर्शी, सुबोध और उम्मीद के मुताबिक बनाने के उद्देश्य से आमतौर पर मुद्रास्फीति या मौद्रिक नीति रिपोर्ट (एमपीआर) प्रकाशित करते हैं, और इसलिए जहां तक संभव हैं, इसे विश्वसनीय बनाते हैं (सारणी 1)।

वास्तव में, विगत कुछ वर्षों से पारदर्शिता और संप्रेषण मौद्रिक नीति के प्रभावी और सफल संचालन की एक अपरिहार्य शर्त है; यहां तक कि मुद्रास्फीति को लक्ष्य नहीं बनाने वाले केंद्रीय बैंक जैसे फेडरल रिजर्व भी एमपीआर के माध्यम से संवाद करते हैं।

भारत में, मौद्रिक नीति के ढांचे को संशोधित और मजबूत करने संबंधी विशेषज्ञ समिति की सिफारिशों पर, अप्रैल २०१४ से पहले द्विमासिक मौद्रिक नीति वक्तव्य से मौद्रिक नीति ढांचा का अब लचीले मुद्रास्फीति लक्ष्य (एफआईटी) में परिवर्तित होना प्रारंभ हो गया। इस परिवर्तन के साथ, सितंबर २०१४ से छमाही मौद्रिक नीति रिपोर्ट लागू किया गया। एफआईटी ढांचे को औपचारिक रूप से अपनाने के बारे में फरवरी २०१५ में भारत सरकार और रिजर्व बैंक के बीच हस्ताक्षरित समझौते के फलस्वरूप अब रिजर्व बैंक के लिए छमाही रिपोर्ट प्रकाशित करना अनिवार्य हो गया है जिसमें मुद्रास्फीति के स्त्रोत के बारे में व्याख्या करनी होगी और अगले छह महीने से लेकर अगले १८ महीने तक की मुद्रास्फीति का पूर्वानुमान लगाना होगा। समझौते के तहत पहली रिपोर्ट अप्रैल २०१५ में दुसरी मौद्रिक नीति रिपोर्ट के तौर पर प्रकाशित हुई। मुद्रास्फीति को लक्ष्य बनाने वाले अन्य देशों की तरह यह प्रयास है कि भारत में मौद्रिक नीति के संचालन में पारदर्शिता और विश्वसनीयता लाने के लिए मौद्रिक नीति रिपोर्ट को संवाद का एक मुख्य साधन बनाया जाए। यह मौद्रिक नीति रिपोर्ट रिजर्व बैंक द्वारा भविष्य के लिए किए गए आकलन के आधार पर समष्टि-आर्थिक दृष्टिकोण का आकलन और बेसलाइन आकलनों और जोखिमों के संतुलन के साथ मॉडल आधारित पूर्वानुमान को सामने लाती है। यह रिपोर्ट आर्थिक और वित्तीय स्थितियों की विस्तृत मूल्यांकन भी करती है जो समग्र समष्टि आर्थिक परिदृश्य के बारे में जानकारी प्रदान करती है।

संदर्भ:

सवेंशन, एल.ई.ओ. (२००२), 'मॉनिटरी पॉलिसी एंड रियल स्टैबलाइजेशन', 'रिथिंगकिंग स्टैबलाइजेशन पॉलिसी : ए सिंपोजियम बॉय द फेडरल रिजर्व बैंक ऑफ कान्सास सिटी। ट एमओ: फेडरल रिजर्व बैंक फॉर कान्सास सिटी'

भारतीय रिज़र्व बैंक (२०१४), मौद्रिक नीति ढांचे को संशोधित और मजबूत करने के लिए विशेषज्ञ समिति की रिपोर्ट, जनवरी।

सारणी 1: मुद्रास्फीति को लक्ष्य बनाने वाले देश और मौद्रिक नीति रिपोर्ट का लक्ष्य

देश	*रिपोर्ट*	*मुख्य उद्देश्य*	*देश*	*रिपोर्ट*	*मुख्य उद्देश्य*
१	२	३	४	५	६
आर्मेनिया	आईआर	पारदर्शिता	न्यूजीलैंड	एमपीएस	संवाद
ऑस्ट्रेलिया	एसएमपी	पारदर्शिता	नॉर्वे	एमपीआर	संवाद
ब्राजील	आईआर	पारदर्शिता	पेरू	आईआर	संवाद
कनाडा	एमपीआर	पारदर्शी संवाद	फिलीपींस	आईआर	पारदर्शिता
चिली	एमपीआर	पारदर्शी संवाद	पोलैंड	आईआर	संवाद
कोलंबिया	आईआर	पारदर्शिता	रोमानिया	आईआर	पारदर्शिता
चेक गणराज्य	आईआर	पारदर्शीता संवाद	रूस	एमपीआर	पारदर्शिता
घाना	एमपीआर	पारदर्शिता	सर्बिया	आईआर	संवाद
ग्वाटेमाला	एमपीआर	पारदर्शिता	दक्षिण आफ्रिका	एमपीआर	पारदर्शिता
हंगरी	आईआर	पारदर्शिता	दक्षिण कोरिया	एमपीआर	संवाद
आइसलैंड	मौद्रिक बुलेटिन	जवाबदेही	स्वीडेन	एमपीआर	संवाद
इंडोनेशिया	एमपीआर	पारदर्शिता और जवाबदेही	थाईलैंड	एमपीआर	संवाद
इसराइल	एमपीआर	पारदर्शिता	तुर्की	आईआर	संवाद
मैक्सिको	तिमाही रिपोर्ट	पारदर्शिता	युगांडा	एमपीआर	संवाद
मोल्डोवा	आईआर	पारदर्शिता	युनाईटेड किंगडम	आईआर	संवाद

स्रोत: केंद्रीय बैंकों की वेबसाइट और आईएमएफ।

टिप्पणी: एसएमपी: मौद्रिक नीति पर वक्तव्य: एमपीएस: मौद्रिक नीति वक्तव्य, आईआर: मुद्रास्फीति रिपोर्ट: एमपीआर= मौद्रिक नीति रिपोर्ट/समीक्षा

स्रोत: भारतीय रिज़र्व बैंक वार्षिक रिपोर्ट के माध्यम से

Legal Decisions Affecting Bankers

M. G. Kulkarni *

M/S. Deccan Chronicle Holdings .....Petitioner

Versus

Canara Bank .....Respondent

(Madras High Court- decided on 12 June, 2015)

Issue:

Whether the order of possession passed by Chief Metropolitan Magistrate (CMM) or District Magistrate, as the case may be in exercise of power u/s 14 of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) can be challenged before Debt Recovery Tribunal u/s 17(1) of SARFAESI Act?

Brief Facts:

Canara Bank (Bank) had given financial assistance to M/s Deccan Chronicle Holdings (Deccan). Deccan failed to comply with the terms and conditions governing the said financial assistance and thereby became defaulter. Bank issued demand notice u/s 13(2) of SARFAESI Act calling upon Deccan to make the payment of outstanding dues. On the failure of Deccan to comply with the notice, Bank issued possession notice u/s 13(4) of the SARFAESI Act. Further, Bank proceeded with issue of sale notices in respect of the secured assets/properties. Consequently, Bank filed an application before the Chief Metropolitan Magistrate (CMM) seeking physical possession of the properties. CMM allowing application of the Bank ordered possession of properties with the assistance of police station concerned.

Aggrieved by the aforesaid order of CMM, Deccan preferred an application u/s 17(1) of the SARFAESI Act (i.e. Right to Appeal) before the Debt Recovery Tribunal (DRT) challenging the validity of the said order. DRT after hearing the parties came to the conclusion that no appeal is maintainable against the order of possession passed by the CMM u/s 14 (i.e. Chief Metropolitan Magistrate or District Magistrate to assist secured creditor in taking possession of secured asset) of the SARFAESI Act, hence dismissed the same.

Against the aforesaid order of DRT dismissing Application filed u/s 17(1) of SARFAESI Act, Deccan challenged the same by filing a Writ Petition under Article 226 of the Constitution of India, before Madras High Court.

Observations and Decision:

(i) The expression "**any person**" used in section 17(1) of the Act has wider import or amplitude. It takes within its sweep not only the Borrower but also the Guarantor or any other person who may be affected by the action taken u/s 13(4) or Section 14 of the Act. Debt Recovery Tribunal and Appellate Tribunals have the power to pass interim orders u/s 17 and 18 and are required to decide the matters within a time schedule. Hence, aggrieved person can avail the said remedy under the SARFAESI Act since both are expeditious and effective also.

(ii) CMM takes action u/s 14 of the Act only after the stage of an action taken u/s 13(4) in as much as it is continuation of the measures taken u/s 13(4). Therefore, same could be called in question by way of an Appeal u/s 17 of the Act. This is an efficacious remedy for the borrower or any person affected by an action taken u/s 13(4).

(iii) The remedy by way of appeal u/s 17 is available to the borrower against any measures taken u/s 13(4). Taking possession of secured asset is one such measure and alienate the said asset by lease or sale and appointing a person to manage the same are some possible measures. Magistrate has the power only to take possession of the property and forward the same to the secured creditor/bank. Borrower therefore, is always entitled to prefer an appeal after the possession of secured asset is handed over to secured creditor. It is immaterial how the possession of the asset is taken by the secured creditor; may be directly or by availing

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procedure provided u/s 14 of the Act or without resorting to such process. Obtaining of the possession of a secured asset may be symbolic or otherwise, is always a measure against which remedy is provided u/s 17 of the Act.

Hence an Appeal u/s 17 of the SARFAESI Act is maintainable against the order passed by CMM u/s 14 of the Act. High Court thereby set aside the order of DRT and remanded the matter back to DRT for a decision in accordance with a law and on its own merits.

Writ Petition filed by the Deccan the petitioner was allowed.

Authorised Officer, Kotak Mahindra Bank Limited, Pune ......Petitioner

Versus

M/s. Brahmo Construction Pvt. Ltd., Pune ......Respondent

Bombay High Court- Decided on 16/04/2015

Issue:

Whether nondisclosure by the bank of Income Tax Department's attachment over the property/secured assets put up for public auction confers any right on the auction purchaser to invoke Civil Courts jurisdiction by a Civil Suit?

Brief Facts:

M/s. Pratam Motors had availed loan from the Kotak Mahindra Bank Ltd., (Bank) and had offered certain property as security for the said loan as required by the Bank. On commission of default by M/s Pratam Motors in paying regular installments, Bank issued notice calling upon dues to the tune of ₹ 3.93 crore with interest under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Consequent upon failure to comply with the said notice by M/s. Pratam Motors, Bank took measures u/s 13(4) of the SARFAESI Act and took possession of property offered as a security for the said loan. The bank thereafter put up the said property for sale by way of public auction subject to certain terms and conditions. Since the Bank did not receive offer pursuant to the said auction, fresh auction was held by issuing public notice. The auction was conducted on "as is where basis and" also on "as is what is basis". M/s. Brahmo Construction Pvt. Ltd, (Brahmos) was declared as successful bidder who had made the highest offer and paid Earnest Money Deposit (EMD). Since Brahmos committed default in paying balance sale consideration, Bank forfeited EMD by cancelling the said sale and proceeded to resale again by public auction.

Aggrieved by the act of Bank putting the said property for re-auction, Brahmos filed a civil suit seeking permanent injunction against the Bank from re-auctioning the property. It was alleged by the Brahmos that before paying balance sale consideration it came to know that the property is under statutory attachment of the Income Tax Department and sought explanation for the same from the bank. Further contended that, although there is no bar to sell the property with attachment, however, bank suppressed the said fact and accepted its bid. But for the want of explanation it withheld balance payment towards sale consideration. Since substantial interest is created in its favour, bank with deliberate intention of deceit, put up the property for re-auction. Therefore the act of Bank is totally ultra vires, unlawful, illegal, against Security Interest (Enforcement) Rules 2002 and further amounts to criminal breach of trust.

Bank, appearing in the said civil suit raised a preliminary issue as to jurisdiction u/s 9A of the Code of Civil Procedure, 1908 in view of the bar created u/s 34 of SARFAESI Act. Bank contended that, since it has taken measures u/13(2) and 13(4) of SARFAESI Act in respect of the property, as such no suit will lie except a remedy by way of appeal/application u/s 17 SARFAESI Act before the Debt Recovery Tribunal (DRT). But the Court considered the application of Brahmos and held that it has jurisdiction to try the suit since they have challenged the very conduct of auction on the ground of Fraud and hence DRT lacks jurisdiction in such situation. Aggrieved by the decision of Civil Court, Bank filed a Revision Petition and challenged the same before the High Court, Bombay.

Observations & Decision:

As per section 13 of SARFAESI Act, creditor may enforce any security interest created in its favour without intervention of Court or Tribunal. Creditor can take further steps by way of lease, sale etc. of secured assets if borrower fails to discharge liability in full within the specified period. A duty is imposed by Section 17(2) of SARFAESI Act on the Debt Recovery Tribunal to go into the application by 'any person' that any measures taken u/s 13(4) of SARFAESI Act by the secured creditors are in accordance with the said Act and Rules made there under.

Any matter over which DRT and Debt Recovery Appellate Tribunal are empowered to determine under SARFAESI Act; will automatically bar the jurisdiction of Civil Court over such matters as per section 34 of said Act.

In the plaint filed before the civil court, Brahmos have pleaded that the Bank had failed to disclose attachment over the secured assets by the income tax department. But the plaint does not contain complicated facts to show how the non disclosure of attachment of Income Tax Department by the Bank is fraudulent. There are no complicated issues of facts which are to be tried. The auction was on "as is where basis" and "as is what is basis". Intending participant in the said auction has to make necessary inquiries having regard to the general practice. Brahmos admit in the plaint that the existence of attachment of Income Tax Department is no bar for sale of the property. If the said allegation of fraud is averred just for the purpose of maintaining the suit ousting jurisdiction of DRT, Court has a duty to see such allegations. Moment civil suit is filed two consequences ensue viz., (i) Banks agree for one time settlement out of frustration, or (ii) third party rights get created by taking advantage of the situation. "Therefore, Courts have greater responsibility to scan the pleadings and see an allegation of fraud is actually product of fraud and is there collusion between the borrower and those making such claims."

Rule 8 (f) of the Security Interest (Enforcement) Rules 2002 provides for how the sale of secured asset is to be carried out and creditor is obliged to disclose any other thing which the authorized officer considers material. Indeed the rule is mandatory and failure to follow the same is illegal. Then the question that arises is, whether measures taken by the bank u/s 13(4) of SARFAESI Act in violation of the said Rule can be called in question before Civil Court? Even if there was non-disclosure of attachment of Income Tax Department by the Bank at the time of auctioning secured assets, the same at the highest amount to auction being conducted in violation of said Rule 8 and for the said reason also the suit is not maintainable before the Civil Court. The reason being that in such situations, Section 17(2) of SARFAESI Act confers jurisdiction on the Debt Recovery Tribunal to consider whether measures taken by the Bank are in accordance with provisions of said Act and Rules made there-under.

Hence, civil court has committed a jurisdictional error by coming to the conclusion that the suit is maintainable before it. High Court setting aside the order of civil court held that the suit filed by the Brahmos is not maintainable and accordingly dismissed. However it would be open for the Brahmos to take appropriate steps u/s 17 of SARFAESI Act before the Debt Recovery Tribunal.

The Court allowed the Revision Application filed by the Bank the Petitioner.

Book Review: How to Make the Right Decision
Author: Arnab K. Laha
Year of Publication: 2015
Publisher: Random House India
Price: ₹ 299/-
Genre: Non-Fiction
Reviewed by: Deenanath Jha, Chief Manager (Research), SBIICM.

About the Author

Prof. Arnab Kumar Laha is a member of the faculty at the Indian Institute of Management, Ahmedabad (IIMA). He received his Ph.D. degree from the Indian Statistical Institute. He has a strong interest in the field of business analytics, quality management and risk management and teaches several courses on the subjects at IIMA. He has published several research papers in national and international journal of repute.

Prof. Laha was featured among India's best business school professors by Business Today in 2006 and Business India in 2012. In August 2014, he was named as one of the '10 Most Prominent Analytics Academicians in India' by Analytics India Magazine. He is the convener of IIMA series of conferences on Advanced Data Analysis, Business Analytics and Intelligence, which is held biennially since 2009. He has been associated as a consultant with several reputed organizations, both in private and public sector.

About the Book

How to make Right Decision is a book of the IIM Ahmedabad's Business Books series. The series brings key issues in management and business to a general audience, with a wealth of information and illustrations from contemporary Indian Business. The book is written by Prof. Arnab Kumar Laha. The book is published by Random House India in 2015.

Book Review

According to Author, credit scoring forms an important tool in new age credit risk analytics. While various techniques are available to develop the score, logistic regression is the most popular among them. The technique dwells on the assumption that the past predicts the future. If certain features in the past have led to a particular outcome, the occurrence of the same features in the future may again lead to the same outcome. The tool helps the bank to decide whether prospective borrower is creditworthy or not.

Author says that financial decisions involving alternative choices pose a significant challenge to the investor. Everybody wants to have the best return on an investment. The techniques like discounting, opportunity cost, NPV, scenario analysis, etc. can help decision makers evaluate the possibilities of various outcomes and take informed decisions involving money. The book underlines that risk is omnipresent and omniscient. For decisions involving money, it is imperative to understand, assess and manage risk before money is invested, lest an investor loses all his wealth. The book also discusses the concept of risk, its various types and some standard frameworks that financial institutions employ to manage financial risk. Portfolio management is critical to any investor or financial institution having assets

BOOK REVIEW

or investments across different products. There are clear gains that one can derive by effectively managing the portfolio. The author explains this by touching upon the modern portfolio theory and its constituents.

The book highlights the importance of 'Customer Life-time Value (CLV)', which is a powerful tool that business can leverage to assess the value of their customers. The same can be used to either offer loyalty programs, discount schemes or cross-sell offers to high – valued customers. In addition, this can generate insights into customers who are less engaged with the business and whether there is any value in taking remedial action.

Author says that three factors – segmentation, targeting and positioning are critical to achieve marketing objectives. To identify segments, CHAID, RFM and logistic regression techniques are extremely useful. There are many software like SAS, SPSS, Minitab, etc. are available to perform predictive modeling. Marketing mix modeling is a powerful tool which, if used effectively can help determine the strength and the degree of relationship between sales and various marketing activities such as promotion, advertising, pricing and so on.

Writer says that demand forecasting is a critical input in determining the optimal level of production. Availability of data as well as quality of data are important determinants for success of any predictive model.

Business Analytics is an emerging technology with immense potential. The author has explained a complex subject in a very simple and lucid manner, which makes it worth reading. He has not only narrated the nuances of various tools and techniques of analytics but also demonstrated the applications of these tools and techniques effectively in taking various business related decisions.

INDIAN INSTITUTE OF BANKING & FINANCE (IIBF)
Micro Research papers for the year 2015

Indian Institute of Banking & Finance (formerly The Indian Institute of Bankers) was established in 1928 and is working with a mission "to develop professionally qualified competent bankers and finance professionals primarily through a process of education, training, examination, consultancy/ counselling and continuing professional development programme". One of the objectives of the Institute is to promote research relating to operation, products, instruments, processes, etc. in banking and finance and encourage innovation and creativity among finance professionals. 'Micro Research' is a sort of an essay competition for members of the Institute (bankers) to present their original ideas, thoughts and best practices on areas of their interest. This initiative was started in 2004-05. Since then, the Institute invites Micro Research papers every year, on topics identified by the Research Advisory Committee of the Institute.

The competition is open to life members of IIBF, who are presently working in banks and financial institutions. Members of the Institute are free to submit papers on original ideas on any topic including the following topics for Micro Research, 2015. (See important clause on copyrights below)

1. Corporate Governance and Ethics in Banking & Finance
2. New Paradigms in Retail Banking
3. Payments & Small Finance Banks – Their Role in Banking Space
4. Deployment of Big Data Analytics in Banking
5. Financing Infrastructure Projects
6. Improving Customer Service through technology
7. Domestic Systemically Important Banks

The essays/papers will be judged on their content/relevance and originality. The authors of the accepted papers will be rewarded with a citation and cash prize ranging from Rs. 3,000/- to Rs. 10,000/- depending on the merit of the paper.

All the interested members of the Institute may submit micro research papers in English with the word limit of 5000 words or 10 – 12 pages (A4/ Times New Roman / Font size 12).

The last date for submission of the paper is 26th February 2016. Details should include the Membership number, bank address, mobile no. /landline no. and email ID of the member submitting the paper. Applications without membership numbers will not be considered. The micro research paper, along with a soft copy in CD, may be sent by courier or post to:

The Director of Academic Affairs,
Indian Institute of Banking & Finance,
Kohinoor City, Commercial-II,
Tower – I, 2nd Floor, Behind Kohinoor Mall,
Off. L.B.S. Marg,
Kurla (West),
Mumbai 400 070
Tel: 022-25039604/9746/9907.
(E-mail papers will not be considered unless backed by a mail confirmation)

Candidates may please note that copying materials as it is from various sources should completely be avoided wherever information used in the essay is taken from other sources the author should acknowledge and provide complete reference of the source. It should be ensured that there is no violation of copyrights, if any.

Indian Institute of Banking & Finance

Macro Research Proposals for the year 2015-16

Indian Institute of Banking & Finance (Estd: 1928) is working with a mission “to develop professionally qualified competent bankers and finance professionals primarily through a process of education, training, examination, consultancy/counselling and continuing professional development programmes. One of the objectives of the Institute is to promote research relating to Operations, Products, Instruments, Processes, etc. in Banking and Finance and to encourage innovation and creativity among finance professionals. With this in view, in 2003 the Institute had started to fund research studies on selected areas in banking and finance, known as ‘Macro Research’, the term macro suggesting the scope of the research and to distinguish it from the other research initiative of the Institute namely the ‘Micro Research’. Under the Macro Research scheme, the Institute invites proposals from research scholars from universities, colleges and banks to take up research in identified areas.

Topics for Macro Research:

The Institute encourages empirical research in which the researchers can test their hypothesis through data (primary/secondary) from which lessons can be drawn for the industry (banking & finance) as a whole. In this regard, the Institute invites Macro Research Proposals for year 2015-16.

1. Consolidation of Banks
2. Workforce Challenges in Banking
3. Risks from foreign currency exposure of Indian Corporates & its impact on Banks
4. An assessment of PMJDY & future roadmap
5. Corporate Financing : Banking v/s Capital Markets (including Bond Markets)
6. Banking Perspectives on Transmission of Policy Rate changes

Who can participate?

Teams sponsored/identified by research organizations/institutes, as well as individuals (with a Ph.D. degree) affiliated to research organizations/institutions/banks having a proven track record, are eligible to apply. The winners of the macro research award during the last two years (2013-14 and 2014-15) are not eligible to apply for the research award. If the research is undertaken by individuals, the proposal should be routed through their organizations after taking requisite permission, wherever applicable.

Research Proposal:

The Research Proposal/s submitted should, among others, focus on the research objective/s, hypothesis, research design, methodology and execution plan of the proposed project.

Evaluation:

Research proposals will be evaluated in terms of objective, relevance and methodology. The track record of the research organizations/researchers submitting the proposal is also taken into account for awarding the research. All the research proposals will be prima facie considered for suitability and final selection will be made after the short listed researchers make a presentation to the members of the Research Advisory Committee (RAC) of the Institute.

Research Grant:

The selected research project carries a cash award of Rs.2,50,000/- (Rupees two lakh and fifty thousand only). On commencement of the project a part (25%) of the award money will be given by way of advance as per the request of the researcher. The balance will be disbursed only on acceptance of the final report. In case a report is found unacceptable during the midterm review and final review, the research organization / researcher will not be paid the balance amount. In case a research organization/researcher abandons the project mid way, they would be required to refund the advance availed together with interest at the prevailing Base Rate of the State Bank of India (SBI).

Size of research report:

Around 200-250 pages.

Time frame:

After completing the research work, the final research report should be submitted within a maximum period of six months from the time the project is awarded.

Applicant research organizations/researchers are required to submit typed proposals in English along with a brief bio-data highlighting their experience in conducting similar research.

Applicants must quote the full address, mobile no. /landline no. and email ID of the researcher. The last date for submission of the proposal is 26th February 2016.

Applications may be sent via post or courier to: The Director of Academic Affairs, Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Behind Kohinoor Mall, Off. L.B.S. Marg, Kurla (West), Mumbai-400 070. Tel.:022-2503 9604/9746/9907.

Bank Quest Articles - Guidelines For Contributors

Contributing articles to the Bank Quest : (English/ Hind)

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

Articles should be sent to:

The Editor: Bank Quest
Indian Institute of Banking & Finance,
Kohinoor City, Commercial-II, Tower-1,2nd Floor, Kirol Rd., Kurla (W), Mumbai - 400 070, INDIA.

Objectives:

The primary objective of Bank Quest is to present the theory, practice, analysis, views and research findings on issues / developments, which have relevance for current and future of banking and finance industry. The aim is to provide a platform for Countinuing Professional Development (CPD) of the members.

Vetting of manuscripts:

Every article submitted to the Bank Quest is first reviewed by the Editor for general suitabillty. The article may then be vetted by a subject matter expert. Basec on the expert's recommendation, the Editor decides whether the article should be accepted as it is, modified or regected. The modifictions suggested, if any, by the expert will be conveyed to the author for incorporation in case the article is considered for selection. The author should modify the article and resubmit the same for the final decision o the Editor. **The Editor has the discretion to vary this procedure**.

Features and formats required of authors :

Authors shoud carefully note the following before submitting any articles:

1) *Word lengh:*
   Articles should generally be around 5000 words in length.
2) *Title:*
   A title of , preferably, ten words or less should be provided.
3) Autobiographical note and photograph:
   A brief autobiographical note should be supplied including full name, designation, name of organization, telephone and fax numbers, and e-mail address (if any) or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.
4) *Format:*
   The article, should be submitted in MS Word, Times New Roman, Font Size 12 with 1½ line spacing. A soft copy of the article should be sent by e-mail to francis@iibf.org.in
5) *Figures, charts and diagrams:*
   Essential figures, charts and diagrams should be referred to as 'Figures' and they should be numbered consecutively using Arabic numerals. Each figure should have brief title. Diagrams shuld be kept as simple as possible. in the text, the position of the figure should be shown by indicating on a separate line with the words: 'Insert figure 1'.
6) *Tables:*
   Use of tables, wherever essential, should be printed or typed on a separate sheet of papar and numbered consecutively using Arabic numerals (e.g. Table-1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.
7) *Picture / photos/ illustrations:*
   The reproduction of any photos, illustration or drawings will be at the Editor's discretion. Sources should be explicitly acknowledged by way of footnote. all computer-generated printouts should be clear and sharp, and should not be folded.
8) *Emphasis:*
   Words to be emphasised should be limited in number and italicised. Capital letters should be used only at the start of the sentences or for proper names.

Copyright:

It is important that authors submitting articles should declare that the work is original and does not infringe on any existing copyright. He/ she should undertake to indemnify the Institute against any breach of such warranty and consequential financial and other damages. Copyright of published article will vest with publisher (Institute).

DECLARATION FORM

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Indian Institute of Banking & Finance,
Kohinoor City, Commercial II,
Tower I, 2nd floor, Kirol Road,
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I have submitted an article "______________________________"
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Further, I hereby agree and undertake without any demur; to indemnify and keep the Institute (IIBF) indemnified against all actions, suits, proceedings, claims, demands, damages, legal fees and costs incurred by the Institute arising out of infringement of any copyright / IPR violation.

Yours faithfully,

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Please Note :

- The Institute has decided to discontinue the quarterly journal 'Bank Quest' to all Life Members of the Institute and in its place the 'IIBF Vision' will now be provided every month without any extra charge to all Life Members of the Institute at the address recorded with the Institute.
- Subscriptions will be accepted for a maximum period of 2 years only.
- Bank Quest & IIBF VISION with back issues also available for reading on our website : **www.iibf.org.in.**
- Subscriptions will be accepted by demand draft only; drawn in favour of Indian Institute of Banking & Finance, payable at Mumbai.
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Books added to the IIBF Corporate Library			
No	Title	Author	Publisher & Year of Publication
1.	13 bankers: The Wall Street takeover and the next financial meltdown	Simon Johnson & James Kwak	Vintage, 2011
2.	3 Power Value: How commitment, integrity and transparency clear the road blocks to performance	David Gebler	Jossey – Bass, 2012
3.	Accelerate: Building strategic agility for a faster – moving world	John P Kotter	Harvard Business School, 2014
4.	Accidental Prime Minister: The making and unmaking of Manmohan Singh	Sanjaya Baru	Penguin (India), 2014
5.	Art of thinking clearly	Rolf Dobelli	Hodder & Stoughten, 2013
6.	Beyond the idea: Simple, powerful rules for successful innovation	Vijay Govindrajan & Chris Trimble	Macmillan. 2013
7.	Capital in the twenty – First century	Thomas Piketty	Belknap Press, 2014
8.	Choosing Change: How leaders and organizations drive results one person at a time	Walter McFarland & Susan Goldsworthy	McGraw Hill Education(India), 2014
9.	Coaching: The art of developing leaders	Santhosh Babu	Wiley (India), 2012
10.	Corporate Valuation: A guide for analysts, managers and investors	Prasanna Chandra	Tata McGraw Hill, 2014
11.	Crusader or Conspirator: Coalgate & other truths	P C Parakh	Manas Publications, 2014
12.	Death of money: The collapse of the international monetary system	James Rickards	Portfolio Penguin, 2014
13.	Flashboys: cracking the money code	Michael Lewis	Allen Lane, 2014
14.	Good Struggle: Responsible leadership in an unforgiving world	Joseph L Badaracco	Harvard Business School, 2013
15.	Guide to Financial Management: Principles & Practice, 2nd Edition	John Tennent	Profile Books, 2013
16.	How I did it: Lessons from the front line of business	Daniel McGinn (Editor)	Harvard Business, 2014
17.	India Uninc.	R Vaidyanathan	Westland, 2014
18.	Juggad Innovation: A frugal and flexible approach to innovation for the 21st century	Navi Radjou & others	Random House (India), 2012
19.	Keynes's way to wealth: timeless investment lessons from the great economist	John F Wasik	McGraw Hill Education (India), 2014
20.	Leadership 2.0	Travis Bradberry & Jean Greaves	Talent Smart, 2012
21.	Leading from the heart: Sufi principles at work	Moid Siddiqui	Sage Response, 2014
22.	Successful strategy execution: How to keep your business goals on target	Michel Syrett	Profile Books, 2012
23.	Taxmann's law & practice to securitisation & reconstruction of financial assets and enforcement of security interest, 6th Edition	M R Umarji	Taxmann, 2014
24.	Technical analysis explained 5th Edition.	Martin J Pring	Tata McGraw Hill, 2014
25.	Warren Buffet way, 3rd Edition	Robert G Hagstrom	Wiley (India), 2014

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- Certificate in Quantitative Methods for Bankers
- Certificate in Credit Cards for Bankers
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- Certificate Examination in SME Finance for Bankers
- Certificate Examination in Customer Service & Banking Codes and Standards
- Certificate Examination in CAIIB - Elective Subjects
- Certificate Examination in Basics of Banking / Credit Card Operations / Functions of Banks for employees of IT Companies
- Certificate Course for Business Correspondents / Business Facilitators
- Certificate Examination for Debt Recovery Agents / DRA / Telecallers
- Certificate Examination in IT Security
- Certificate Examination in Rural Banking Operations for RRB Staff
- Certificate Examination in Prevention of Cyber Crimes and Fraud Management
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