IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking

Dear Stakeholders,

This month's publication reaches you when the JAIIB examinations are over and CAIIB exams are commencing. Having been associated with the examination process for more than a decade, my thoughts dwell on the content enhancement that has happened last year and the immediate apathy from career aspirants that has translated into significant drop in enrolments for the exam. The intent of IIBF in upskilling the bankers and the demotivated response from the aspirants, stemmed by low pass percentages, can be seen in different perspectives. The efforts from the Institute have been a long drawn process with intent to keep the aspirants updated and competent to handle their assignments in a dynamic environment. Beyond the efforts of the Institute, the commercial banks are also investing heavily in Learning & Development of their employees. Yet, the aspirants fail to shrug off their predilection that this is just another university examination than a professional certification. Hence the pursuit of short cut approaches like video-based learning, working out some questions without reading the recommended material and understanding the concepts. The resultant knowledge gap manifests as frustration and tension at the desk. Against this background, my fervent entreat to all aspirants would be to get back to the learning mode thoroughly with full intensity that instils passion in the whole process.

I would encourage everyone to read Sashi Taroor's article in The Week of 19th November 2023 that delineates on the need and benefit of serious reading than just cursory reading on the mobile phone. It is also appropriate to recollect what Lord Krishna says about the importance of reading in the concluding chapter of Bhagavad Gita.

adhyeṣhyate cha ya imam dharmyaṃ saṃvādam āvayoḥ
jñāna-yajñena tenāham iṣhṭaḥ syām iti me matiḥ (18:70)

(And I proclaim my view that those who study this sacred dialogue of ours (Mine and Arjuna) will worship Me with their intellect.)

In Verse 18:71, Lord places those who listen to Gita lower in order of assimilation than those who read the text with their intellect. He places "Manasa yajnam" (reading with the mind) as most effective than vaidikakriya yajnam, japa yajnam and upamsu yajnam.

Lord has not insisted on any one form of pursuit, but only encouraged us to follow the more effective ones. Similarly, banks can also not insist that you get the IIBF Certifications, but only nudge you to be professionally competent, which is beyond the immediate monetary incentive that the certification brings with it.
Looking forward to a sustaining engagement with all.

Sincerely Yours

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Curated Cube

The pandemic let loose a scare on liquidity. Central Banks across the globe let loose liquidity into the system, relegating attendant inflationary pressures to the back. Slowly and steadily, pandemic subsided and inflation kept rising. Now Central Banks are back to withdrawing liquidity to reign in inflation. RBI Governor, on 6th October 2023, at the bimonthly Monetary Policy Committee meeting, chose to continue to remain focused on withdrawal of accommodation. On 16th November 2023, RBI has chosen to follow up the concerns expressed by the Governor on 6th October on unbridled growth of consumer credit with prescriptions of higher risk weightages. Accordingly, consumer credit excluding housing loans, educational loans, vehicle loans and gold loans which hitherto attracted 100% risk weight would now attract 125% risk weightage, extended by scheduled commercial banks as well as NBFCs. Risk weightage for credit card receivables has been increased from 125% to 150% for banks and 100% to 125% for NBFCs. Risk weightage on Banks' exposures to NBFCs above BBB rating has been increased by 25 percentage points. The very next day the stocks of card companies and some BFSI entities took a beating.

To add some perspective to the regulator's concerns, it would be apposite to revisit the concept of quantitative easing. Lowering of interest rates is a tool with the Central Bank to bolster a slowing economy. When the room for lowering interest rates is almost zero, Central Banks resort to quantitative easing by infusing liquidity into the system.

Consumer credit is one such proxy of quantitative easing at the granular level. In current circumstances, when the central bank is grappled with rising inflation, expansion in consumer credit runs counter to its objective of pulling back inflation. Hence the quantitative prescription of higher risk weightage on consumer credit. To RBI's credit, we must acknowledge that they have excluded housing, educational, vehicle and gold loans from the enhanced risk weightage prescription. This reflects RBI's acknowledgement that these are more basic needs in society than setting the chase for white goods and consumption credit.

The regulatory retail portfolio, which enjoys lesser risk weightage prescriptions, is already subjected to four criterion rules: Quantitative – Annual turnover less than ₹ 50 crores, Product – traditional products like CC, OD, TL, Bills, BG. LC, Loan Value – not to exceed ₹ 7.50 crores and granularity – individual loans at each bank level not to exceed 0.20% of respective bank's total regulatory retail portfolio.

Let us wait to watch the interplay between inflation and money supply and if it will validate RBI's actions.

(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)

FOURTH PILLAR

GDP & INFLATION OUTLOOK: Real GDP posted a growth of 7.8% y-o-y in Q1:2023-24 (April-June). GDP growth for 2023-24 is projected at 6.5%. CPI inflation is projected at 5.4% for 2023-24, with Q2 at 6.4%, Q3 at 5.6% and Q4 at 5.2%, with risks evenly balanced. CPI inflation for Q1:2024-25 is projected at 5.2%.

HYBRID/PARTIAL COLLATERAL SECURITY: CGTMSE has introduced a "Hybrid/Partial Collateral Security" product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of ₹500 lakhs, can be covered under Credit Guarantee Scheme of CGTMSE.

DISPLAY OF INFORMATION - SECURED ASSETS POSSESSED UNDER THE SARFAESI ACT, 2002: To enhance transparency in handling of secured assets under financial transactions, RBI has mandated to display of information related to secured assets under SARFAESI 2002. The REs are required to upload such information on their respective websites. Such information is to be updated on monthly basis by the REs.

NEW CLAIM SETTLEMENT PROCEDURE OF CGTMSE: In the existing process a claim is settled in 2 ways; (i) 75% of the eligible amount as first instalment and, (ii) balance 25% as second instalment. Henceforth, CGTMSE has come up with the following 2 option of settlements. OPTION 1: Single instalment of claim settlement with reduced extent of guarantee by 15%. i.e., in respect of extent of coverage of 75%, reduced coverage would be 60%, 80% would be 65% and likewise. OPTION 2: Two instalments i.e., 75% of eligibility amount as first instalment and balance 25% as second instalment. Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)

INQUISITIVELY SPEAKING

1. According to RBI guidelines, the Regulated Entities shall release all the original movable/immovable property documents and remove charges registered with any registry within a period of ___ after full repayment/settlement of the loan account.
a) 15 days
b) 30 days
c) 45 days
d) 60 days

2. In case of delay by the bank in releasing of original movable/ immovable property documents or failing to file charge satisfaction form with relevant registry beyond the prescribed period of 30 days after full repayment/settlement of loan, the bank shall compensate the borrower at the rate of ₹..... for each day of delay.
a)1000
b)2000
c)5000
d)10000

3. Ways and Means Advances (WMA) for Govt of India for the second half of the financial year 2023-24 (October 2023 to March 2024) will be ₹..... crore.
a) 50000
b) 75000
c) 80000
d) 90000

4. The maximum limit in case of Contactless Card, payments raised to:
a) Rs.2000
b) Rs.5000
c) Rs.7000
d) None

5. The repayment period of Restructured Agricultural Term Loan in case of Natural Calamity:
a) Up to two years including the moratorium period of one year if the loss is between 33% and 50%,
b) Up to five years including the moratorium period of one-year if the crop loss is 50% or more,
c) a & b both,
d) None of these

ANSWER KEY

1.b 2.c 3.a 4.b 5.b

Stretch n Speak

MPC: Monetary Policy Committee

EME: Emerging Market Economy

CDS: Credit Default Swap

IGRS: Internal Grievance Redressal System

PIDF: The Payment Infrastructure Development Fund

IFRS: International Financial Reporting Standards.

FVTPL: Fair Value Through Profit & Loss.
ICRR: Incremental Cash Reserve Ratio