



For instance, Andhra Bank launched its 'Retail Rhythm' and mega vehicle loan carnival last month, which will continue till the end of this month. It is offering processing fee waiver and a 0.25 per cent cut in housing loans if the borrowers also go in for a vehicle loan.

According to R Bhaskaran, an official at the retail loans division of Andhra Bank, loans sanctioned under this scheme are about ₹475 crore till date. "We are expecting more demand in the coming weeks," he told *BusinessLine* here.

Some customer segments are also being targeted specially. Punjab National Bank is offering loans at lower interest rates for central and state government employees as well as customers from the Defence and paramilitary forces.

"Demand for retail loans during this festive season is high. There has been an uptake in housing and vehicle loans," Santanu Mukherjee, Managing Director, State Bank of Hyderabad, said, adding that his bank will be launching a special retail campaign in a couple of days.

### **The drivers**

In the recent past, almost all banks have been focusing on retail loans. "In the absence of corporate credit offtake, retail loans, if they are qualitatively good, make a good business proposition for banks," Mukherjee said.

The Reserve Bank of India data too show lack of corporate appetite for credit. Till September, non-food credit grew 8.6 per cent over the last one year to ₹65,51,500 crore. But credit to industry was a shade negative, de-growing at -0.2 per cent over the last one year to ₹26,18,100 crore. However, the situation on the retail loans front has been different.

Retail (personal) loans grew a robust 18 per cent to ₹14,56,300 crore. Within that segment, housing grew at 16.7 per cent to ₹7,86,900 crore and vehicle loans at 21 per cent to ₹1,58,900 crore.

Other personal loans grew fastest at 27 per cent to a level of ₹3,13,100 crore.

The latest 25 bps reduction in policy rates by the RBI also provided some space for banks to pass on the benefit to customers; its positive impact on EMIs is not much though.

Post-policy, many banks have announced rate cuts. These include ICICI Bank, Bank of India, Bank of Maharashtra, Punjab and Sind Bank, and Indian Overseas Bank. State Bank of India has hinted at likely rate cuts in the near future.

This is expected to see more customers taking loans in the current season, say bankers.

In the last two quarters of this fiscal, all leading banks have registered substantial growth in retail lending.

SBI's retail portfolio had grown 20 per cent in the first quarter compared to the year-ago period. This was driven by home and auto loans, followed by personal loans.

So has been the case with, among others, ICICI Bank and HDFC Bank.

### **2. YES Bank to wow app customers with location-based offers**

## NS VAGEESH

About two lakh customers of YES Bank who have downloaded the bank's mobile application may be in for a surprise soon.

In a bid to create a 'wow' factor for customers, the bank proposes to shortly unveil 'location-based' offers. This will be done for select customers.

So, for example, if you are in the vicinity of a top restaurant, a sudden offer of a handsome discount may pop up on your mobile screen. Or it may be a reduced rate at your favourite movie theatre. Or if you are at a mall, you may suddenly get an offer of a hefty discount on purchase of garments or books and related material from the book-store there. While discounts and offers through partnerships are already a common feature offered by banks to all customers, this service aims at providing them on a selective basis and as a 'surprise' — to trigger impulse purchases.

The bank is able to make this offer based on the customer location which is provided by the signals from the bank's mobile app that has been downloaded earlier.

Using analytics, the bank has also built a platform that can map the places you visit frequently and help make appropriate offers.

The roll-out of this new service is expected to be done by Diwali, a fortnight from now, Ritesh Pai, Head of Digital Banking, YES Bank, said. What is in it for the bank? Ritesh explains that the strategy behind this offering is to enhance engagement with the customer and improve his/her 'stickiness' with the bank. With many young customers operating two or three bank accounts, there is a fight for a bigger share of their wallets among these banks.

Ritesh says that the objective is to make YES Bank their 'primary' bank and also to activate dormant customers. As customers begin using the bank's wallet, card or other instruments, the level of engagement increases. It is likely that they will start maintaining a higher balance in their YES Bank savings accounts, says Ritesh.

### **3. Interest income lifts DCB Bank net 31% in Q2**

#### OUR BUREAU

DCB Bank reported a 31 per cent increase in net profit at ₹48 crore in the July-September quarter, against ₹37 crore in the year-ago period.

The bank's bottomline was supported by a healthy growth in net interest income and other income.

Net interest income (the difference between interest earned and interest expended) was up 27 per cent year-on-year (y-o-y) at ₹190 crore (₹150 crore in the year-ago quarter).

Other income, comprising commission, exchange & brokerage, profit on sale of investments, and profit on exchange transactions, was up 27 per cent at ₹62 crore.

Net advances grew 29 per cent y-o-y to ₹14,436 crore. Deposits were up 30 per cent at ₹17,685 crore.

Net interest margin for the reporting quarter improved to 3.96 per cent as against 3.79 per cent in the year-ago period.

Murali M Natrajan, MD and CEO, attributed the bank's profitability to consistent delivery by the retail, SME and agriculture segments, resulting in advances increasing by 29 per cent. "We have been able to keep the NIM stable primarily because we have been able to grow our CASA book by 19 per cent....Last year in the same quarter, our provision for credit loss was approximately ₹19 crore. This quarter also the provision for credit loss is about ₹19 crore. So, we have grown the (loan) book, yet the quality of the book has remained stable," he said.

Referring to his bank's size and the distribution network it has put in place, Natrajan said: "We are confident that we can aim to double our loan book in three to three-and-a-half years."

Gross non-performing assets increased to ₹255.40 crore from ₹231.30 crore in the preceding quarter.

DCB Bank shares closed at ₹122 apiece, down 1.09 per cent over the previous close on the BSE.

#### **4. Dakshina Kannada banks witness 10% business growth in Q1**

##### OUR BUREAU

Banks in Dakshina Kannada district achieved a total business of ₹56,445.57 crore during the first quarter of 2016-17 as against ₹51,082.71 crore in the corresponding period of the previous fiscal, recording a growth of 10.5 per cent.

Speaking at the district consultative committee meeting of banks in Mangaluru on Friday, Raghava Yajamanya, Chief Manager of Lead Bank of the district (Syndicate Bank in Dakshina Kannada), said that the total deposits of the banks in the district stood at ₹36,106.35 crore (₹32,777.80 crore), and advances at ₹20,339.22 crore (₹18,304.91 crore) during the period.

Stressing the need for improving credit-deposit ratio in the district, NSR Somayaji, Deputy General Manager of Syndicate Bank, said that the ratio stood at 56.33 per cent during the first quarter of 2016-17. He urged the banks to achieve a minimum CD ratio of 60 per cent in the coming quarters. Dakshina Kannada has 634 branches of various banks.

He said the disbursement under the agriculture sector stood at ₹975.61 crore in the first quarter of 2016-17. The achievement was 23.38 per cent of the annual target of ₹4,172.44 crore during the fiscal. The disbursement under MSME (micro, small and medium enterprises) was ₹468.50 crore during the first quarter. This was 55.19 per cent of the annual target of ₹848.87 crore.

Yajamanya informed the meeting that a special drive on financial inclusion initiatives of the Government is being conducted from September 15 to October 31 in the district.

Financial Express

#### **5. Bank investment in private corporation bonds hits all-time high**

With a record increase of Rs 11,746 crore over the preceding quarter, banks' investments in private corporate bonds and debentures have hit an all-time high of Rs 1.54 lakh crore in the fortnight ended September 30, data released by the Reserve Bank of India (RBI) showed.

By: Shakti Patra

With a record increase of Rs 11,746 crore over the preceding quarter, banks' investments in private corporate bonds and debentures have hit an all-time high of Rs 1.54 lakh crore in the fortnight ended September 30, data released by the Reserve Bank of India (RBI) showed.

Moreover, fresh corporate debt issuance for the quarter ended September hit a record high of Rs 2.1 lakh crore. Total outstanding corporate debt, as a result, stood at a record Rs 21.94 lakh crore at the end of the second quarter of the current fiscal, Sebi data showed.

Incidentally, the surge in banks' investment in corporate debt comes at a time when they are sitting on record deposits. As of September 30, total deposits in the banking system was at an all-time high of Rs 101.43 lakh crore, having increased by a record Rs 5.32 lakh crore over the preceding month.

Bankers said given the low demand for bank credit and adequate liquidity in the system, banks are finding higher-rated corporate bonds as the preferred destination for their surplus funds.

VS Narang, CFO of Bank of Baroda, said given the large difference between banks' marginal cost of funds-based lending rates (MCLR) and the yield on highly rated bonds, corporates are finding the bond market more lucrative. "Banks, in turn, are increasingly investing in these bonds given the low demand for credit from the industry and the fact that they still offer reasonably higher yields than G-Secs," Narang said.

While an FIMMDA benchmark for AAA-rated 10-year corporate bond is currently at 7.59%, the same for AA-rated bonds is 8.16%. The yield on 10-year G-Secs, on the other hand, is 6.76%. As compared to this, the lowest one-year MCLR currently being offered by banks is at 9.05%.

Bank credit to the industry fell by 0.2% (y-o-y) in the month ended August 19, the RBI data revealed. This was its first contraction in bank credit to the industry since in at least a decade.

Interestingly, while non-banking financial companies have been dominating debt issuance in recent months, manufacturers jumped on the bandwagon in the second half of September.

First, M&M said it had approved raising Rs 475 crore via issuance of rated, listed, unsecured and redeemable NCDs at a coupon of 7.57%, and then Tata Steel said it has raised Rs 1,000 crore by issuing similar instruments at a coupon of 8.15%.

## **6. ICICI Bank, after going through rough patch, goes in for top level managerial changes**

The country's largest private sector lender, ICICI Bank on Friday announced some top-level changes.

By: FE Bureau

The country's largest private sector lender, ICICI Bank on Friday announced some top-level changes. Rajiv Sabharwal, executive director in charge of the

lender's retail business, will be replaced by Anup Bagchi, currently managing director and CEO, ICICI Securities. Bagchi's place will be taken by Shilpa Kumar, at present group executive and head of markets and proprietary trading at ICICI Bank. The bank's treasury operations will now be overseen by B Prasanna, currently Managing director and CEO ICICI Securities Primary Dealership.

Sabharwal, who was responsible for retail banking, business banking, rural banking and financial inclusion, will be leaving ICICI Bank to pursue opportunities outside the company, effective January 31, 2017. Bagchi, meanwhile, will take over as head of retail banking effective November 1, and his appointment to the board will be effective February 1.

The lender recently offloaded a stake in its life insurance arm ICICI Prudential, raising Rs 6,057 crore. ICICI Bank has been through a rough patch recently with its asset quality deteriorating. For the three months to June, the lender reported a 25% year-on-year fall in earnings thanks to a very small operating profit growth, up 3.5% on an annual basis, and large provisions for bad loans that rose 163% year-on-year.

The top line grew a weak 6% year-on-years notwithstanding treasury gains which increased around 180% year-on-year. Net interest income was virtually flat, up just 1% over the previous year because of high interest reversals from bad loans. Net margins at the lender dropped for the second consecutive quarter by 21 basis points quarter-on-quarter to 3.2%.

## **7. Situation in India's banking sector is not grim at all: K V Kamath**

Interview with President, New Development Bank (NDB)

Archis Mohan

New Development Bank (NDB) President **K V Kamath** says the Beijing-based institution will lend over a \$1 billion this year and hopes to raise this to about \$2.5 billion next year. He tells *Archis Mohan* that the BRICS Bank, as it is popularly called, will come out with the rupee-denominated bonds next year in offshore markets. Amid demand for more capital infusion in public sector banks, Kamath says interest rate cuts and consequent correction in bonds would lead to gains for these lenders. He says a year or 18 months down the line, investments will pick up in India, but not through lending. Excerpts:

### **How has it been building a new organisation?**

It's a start-up (laughs). It has been a great experience. I always love learning. When ICICI was built, I had a core team from which it was scaled up, not built up. The superstructure was there, we had to only scale it up. Here you had to start from the foundation.

Having said that, we received tremendous cooperation from the Chinese government. They provided all the start-up material that you require, including people. Other member-countries came in, including support from several banks and institutions and governments. All of this allowed us to get off the ground quickly.

We set a target that we would be in the business in the first year, lend and raise money in the first year. I think we were able to do all three.

### **How much have you lent so far?**

So far, we have lent a little over \$900 million. We will do some more this year. I don't want to put a number because the board has to meet next month. So, it will be well over a \$1 billion for the current year. Next year, we are setting a target of roughly doubling it to \$2.5 billion.

**The focus has been on renewable...**

In the first year the focus was on green and renewable energy because that underscores our objective of sustainable development and infrastructure. But we will venture into more areas of sustainability in the coming years.

**Will the Bank lend beyond BRICS members? Which could be other areas?**

We will lend just to BRICS. As for areas, I think water becomes key habitat conservation; roads, urban rejuvenation and environmental issues relating to cities are important. There is a wide variety within a sustainable platform.

**How much of the \$900 million has come to India so far?**

Around \$250 million.

**You worked in a multilateral agency earlier and have come back to a multilateral agency in two and a half decades. How much has the world changed during this time?**

Enormously. I would think, in a way, enormous change in the world puts (NDB) in a unique position. For example, in 1988, even if I just talked of China and India, on the development curve we were at the bottom rung. Probably, our other member-countries were further up that rung. It's a sea change today. Every country has progressed. But the biggest change is that all the five countries together now contribute to more of the incremental growth in the world than any other country or bloc.

To me, probably that was in the minds of the founding fathers, that we need to say that countries of the global south can stand on their own feet.

**In that context, BRICS growth has been above five per cent, while that of the rest of the world was around three per cent. Is there a case for greater market integration within BRICS?**

If you look at that growth it has been impacted by a few things, particularly events of the last two years. These are all transitional and would correct, and when they do, growth will come back to an even keel. And you will have strong drivers that will propel this bloc forward. I would think growth will happen on its own.

On greater integration between the five members, I am sure that is happening in other fora in this summit.

**Brexit (the UK's exit from the European Union) will probably have ramifications on growth. Where does NDB come into the picture?**

We can do very little in that context. Again, I don't know if the impact of Brexit will be even across all BRICS member-countries. But I am not too worried about it for most of our member-countries.

**You also had a stint in the Asian Development Bank. There is a sense that multilateral agencies are much more focused on lending to the private sector or have a greater say on how private sector works compared to 10 years back, is that a fair assessment?**

No, not entirely. The reason I am saying not entirely is that most multilaterals have a ceiling on how much they would do with the private sector, and that is about 30 per cent. That is what we are aiming at. Some of them are lower than that, except the World Bank, which has the IFC window as an arm that only does private sector.

Clearly, it is an interesting situation, where there could be value addition that development lending institutions globally can bring to the private sector in the context of developing countries. But there is such a large need for core development of investments that I think the institutions find that it keeps them busy. For example, articulated figure of \$1.5 trillion in terms of development assistance that is required for infrastructure itself in the developing world, all institutions put together do 15 per cent of that. So, it is not as if we are already meeting a large part of it or a major part of it. So, I think the private sector would be at the margins. I think market mechanisms will have to support private sector initiatives.

**On fund raising, do you look at local currency-denominated bonds, say in rupee?**

Let me give you a picture on this. The strategy we articulated at the very beginning was that we see merit in local currency funding in all member-countries. Initially, all countries borrowed hard currency funding. Our message was that if you look at the life cycle of a loan and take the exchange rate into account, the actual borrowing cost is probably in the mid-teens.

And then, the events of the past year and a half, when several member country currencies came under pressure, have created a situation where every member country wants to borrow in the local currency. China is happy to borrow in local currency. India has now said they will look at it and so would other members. So that is the reason why we said the first issue will be a bond issue in a member country and we went into China because that market was readily open and we had on-shore access and could hit the market very quickly. It is a sizeable approval, they gave us 10 billion Renminbi, roughly a \$1.5 billion, we have done about 30 per cent of that in the first tranche. We will do rest as we go along.

Next will be India because now it is open to receiving rupees. We would look at the offshore market in India. We don't want to crowd out anybody in any of the markets. We would look at what incrementality we bring and where we can access it.

**So, offshore could be London?**

We don't know which offshore market we would access. We would talk to the government and regulatory agencies here and take the approach that is most appropriate.

**There are demands for a rating agency for BRICS. Is that needed?**

It is something I need to understand more in detail. On the rating side, I think we need to look at the existing system because if you want to raise money outside your own market you require external rating. In some of our member-countries, even raising money on-shore requires an external rating, so it is in a

state

of

flux.

There is a general feeling that rating agencies have been tight as far as developing countries are concerned, so this issue needs to be understood in a holistic manner and a decision taken later.

And one other thing that we also need to see is if countries or institutions from these countries are looking at hard currency issue or if a rating from a member institution will be acceptable to a marketplace. All these issues will need to be looked at.

My view is that we should be looking at, understanding and then taking a decision. I am sure that is what is being done.

**You talked about the support you have received from China. With the Asian Infrastructure Investment Bank (AIIB) coming in, do you think the focus will be diluted on NDB?**

Not at all, because AIIB's focus is primarily Asia and we are in the BRICS countries - that is one key differentiator. The second point that needs to be underscored is that the development opportunity is so large that if all institutions put together do 15 per cent of the needs there is scope for cooperation and collaboration. I think that is how we look at AIIB.

**How grim is the situation in the banking sector in India?**

Honestly, it is not grim at all. If you had asked me this question six month back, I would have said it looks a little grim. But today, it doesn't look grim for the very simple reason that several factors seem to have corrected in India in the past six months. First, I think the trajectory of inflation has changed. Second, it is now reflected in the correction in the interest rate.

For any banking sector revival this, to me, is a ground condition. So, the rupee bond has corrected from a high to below 6.5 per cent today. The lowest in my memory was 5.5 per cent in 2001. So, we are tending towards that.

Now, the little I have seen in the past two days indicates to me that interest rate cuts that have been put in place have created a market to market gain for treasuries of about a hundred thousand crores of rupees, realised or not I don't know, but it is there for the taking.

And if the trajectory continues - and I am reasonably sure given the good monsoon and the things that have been done to control distribution challenges in distribution - inflation should cool. If that happens over the next year, we should expect for every one per cent cut - I don't want to speculate how much the cut would be - Rs 1,500 crore of gains for banks. So, if you add the two, we are looking at Rs 2.5 lakh crore of gains, to be realised or not by banks in their books. I would expect owners to ask banks to find capital through making appropriate choices on balance sheet management. So, that is the first thing.

The big worry of where the capital would come from has been addressed by the marketplace, by the adjustments that are happening in the system.

The third is resolution. I entirely agree that resolution is key. We need to boldly say that we need to resolve. Not talk in terms of incremental recoveries. We need to put assets that are not in use into productive use. For that, banks need to come together and work on resolution. If necessary, the government, either as owner or because it has the keenest interest in growth, or the regulator need

to ensure that banks resolve this, because the sense is that the resolution process needs to gather much more steam.

### **Will a bad bank help in cleaning up?**

If resolution is done by banks themselves, and this scheme by RBI (Scheme for Sustainable Structuring of Stressed Assets) where the sustainable part of the debt becomes performing, you may not need a bad bank.

### **The concern about health of companies and their inability to borrow... How big a concern is that for the economy as a whole in terms of growth, job generation, etc?**

I think in the growth paradigm there are several drivers. Government is spending on roads, rail and several other initiatives. So the government becomes a driver. With benign interest rates, I think the retail consumer is going to be a big driver. And, when that retail demand picks up, I would think that the private sector would have better capacity utilisation, cash flows and would look at capacity creation. It will happen in sequence. If I remember, the last capacity increase happened between 2003 and 2005-6, and a large part of it happened through internal cash generation with better profitability. So, as a bank, we were lending to retail and infrastructure but not to corporate India. I think something like that might happen here, and a year or 18 months down the line investment will happen but not through the lending route.

### **How critical is the recent talk of consolidation in the public sector banking space for the next stage of reforms?**

I would leave that to the experts. But I would broadly say that the process needs to be looked at in the context of all the developments that have been happening in the banking space, particularly technology and digitisation. I am sure that will be looked at holistically by the team that is in place and the board that has been set up.

### **New banks, like payments banks, are coming up. How do you view this?**

There is a sea change that is happening. Banks will have to be more nimble, completely technology integrated and able to move with the times.

The challenge that will happen is whether there is regulatory arbitrage between these new players and older players. I am sure the regulator will keep an eye on that to make sure that each one can operate in its space in the most competitive manner.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**