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Dear Comrades,

19th July, 2016

News of Interest 19th July

QUOTE OF THE DAY

"IT'S A WONDERFUL THING TO BE OPTIMISTIC. IT KEEPS YOU HEALTHY AND IT KEEPS YOU RESILIENT."

DANIEL KAHNEMAN

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9. BANKS, FIS PROVIDE OVER RS 78K CR FOR CLEAN ENERGY PROJECTS

Financial Express

1.RBI, small fin banks licensees discuss regulatory concerns

In September last year, the RBI had given in-principle approval to 10 entities for setting up small finance banks. The 10 entities included Au Financiers, Capital Local Area Bank...

By: PTI

The newly appointed deputy governor N S Vishwanathan today met the entities that have received in-principle approval for setting up small finance banks and discussed their concerns over the regulatory requirements.

“They have been given in-principle approvals subject to their meeting certain conditions to become small finance banks. We reviewed what they are doing as part of this journey to meet those requirements and also what would be the regulatory framework. Whatever clarifications they wanted, I gave them,” RBI’s newly appointed deputy governor N S Vishwanathan told reporters here after meeting the entities.

However, he did not give further clarifications on the discussion.

In September last year, the RBI had given in-principle approval to 10 entities for setting up small finance banks. The 10 entities included Au Financiers, Capital Local Area Bank, Disha Microfin, Equitas Holdings, ESAF Microfinance and Investments, Janalakshmi Financial Services, RGVN (North East) Microfinance, Suryoday Micro Finance, Ujjivan Financial Services, Utkarsh Micro Finance.

So far, only one entity Capital Small Finance Bank has started operations. Recently, the Reserve Bank has given final approval to Equitas Holdings to launch a small finance bank.

The Chennai-based ESAF Microfinance has applied for the final approval to Reserve Bank.

2. Moody’s flags Yes Bank asset quality issues

Moody’s said the bank has a proven track record in raising fresh equity both domestically and internationally. Further, it also has the necessary approvals to raise

By: PTI

A high incidence of corporate loans in Yes Bank’s books could further worsen its asset quality and the private lender could face operating challenges as it expands retail presence, Moody’s Investors Service today said

Moody’s outlined a rapidly-expanding franchise with dominance of corporate loans, a higher dependence on corporate deposits relative to peers and a growing retail deposit base as credit challenges to Yes Bank.

“Given the high concentration risk and the dominance of corporate loans, we are still concerned about the asset quality and expect some further deterioration, given the pressure on Indian corporates,” Moody’s said in its credit opinion update on Yes Bank.

It said the bank’s asset quality has deteriorated in recent quarters, with gross non-performing loans increasing 139 per cent in 2015-16 to Rs 750 crore, from Rs 310 crore a year ago. Restructured loans also increased 37 per cent to Rs 520 crore as of end-March 2016 from Rs 380 crore a year ago.

It said the bank’s client base is mostly corporates whose leverage has increased dramatically over the past three years, and the sector now faces increased credit risk owing to higher refinancing costs.

“Furthermore, the loan book is relatively unseasoned – the bank’s loan book has grown by 108 per cent over the past 3 years (March 2013- March 2016) and we

expect some downside risk to asset quality from a relatively unseasoned loan book as evidenced from the recent deterioration.

Yes Bank has mitigated this risk by reducing infrastructure lending, structuring loans to secure cash flow, and prioritising loans for working capital to provide more control over borrowers' liquidity situations.

Nevertheless, the corporate sector has already undergone some restructuring and additional weakness is probable, it added.

"As Yes Bank expands its retail presence, it could encounter operating challenges. As of end-March 2016, the bank's network consisted of 860 branches and 1,609 ATMs," it said.

Moody's listed high profitability and focus on efficiency, sound buffers that are able to absorb additional asset quality weakness and adequate capitalisation given rapid loan growth will be the bank's credit strengths.

Yes Bank's largest exposures are to large corporates, which accounted for 65 per cent of its loan book at end-March 2016, with the remaining 35 per cent consisting of loans to retail, SME, micro SME and loans to mid-corporates.

Yes Bank launched operations in May 2004 as a wholesale bank, with mainly corporate loans and liabilities. Over the last few years, Yes Bank has focused on building its branch network and its retail banking franchise.

Moody's said the bank has a proven track record in raising fresh equity both domestically and internationally. Further, it also has the necessary approvals to raise new capital amounting to USD 1 billion in this financial year.

"While the bank is adequately capitalised, we expect the new capital will be important to sustain the credit growth," Moody's said.

Business Line

3. Unified payment interface to be functional by month-end: Rajan

G NAGA SRIDHAR

The Unified Payment Interface (UPI) will be functional by the end of this month, according to Raghuram Rajan, Governor, Reserve Bank of India.

"I have been assured by the NPCI in this regard and we are on the verge of solving some problems," Rajan said during a seminar on financial inclusion at the National Institute of Rural Development and Panchayati Raj here on Monday. UPI, he said, will eliminate the need for going to bank branches.

Under such an interface, a bank provides the user with a virtual address, which could be shared with the payee. This eliminates the need to share the mobile number or the account number, thus ensuring privacy and promoting a cashless economy.

Financial outreach

On financial inclusion, he felt that the approach based on mandates and subventions (such as priority sector norms and interest subventions) had "positive" social benefits that were not captured by the service provider and

were “reasonable” from a societal perspective though there were some risks associated with them.

“So while acknowledging the value of mandates at the RBI, we have tried to make them more effective. For example, the list of sectors eligible for priority sector treatment has been revised, with emphasis on targeting the truly excluded,” Rajan said.

Likewise, creating right institutions such as local financial institutions and going beyond a credit-driven approach to focus on easing payments and remittances could be of help, he added.

While managing the process of financial inclusion, some important issues, including Know Your Customer (KYC) requirements, encouraging competition to prevent exploitation, ensuring some flexibility and forgiveness in financial arrangements, encouraging financial literacy and ensuring consumer protection should be kept in mind, Rajan said.

Rupee value

Later, while responding to queries from the audience, Rajan said, the rupee’s exchange value was “pretty reasonable” at present and any move to devalue the rupee to boost exports had to be examined well as it could lead to other consequences such as inflationary pressures.

On whether the Indian economy could overtake that of the Chinese, he said China’s GDP per capita was now four times higher than India’s; the figure in the two countries had been almost the same in the 1960s.

“We need many more years of sustained growth,” he said, adding that GDP numbers apart other factors such as sustainable and equitable development are important indicators.

To expand credit reach, Rajan said banks could also explore collaborating with moneylenders without ‘reputational risks’ and who do not indulge in unethical practices.

(This article was published on July 18, 2016)

4. Kerala House moves resolution against SBT merger with SBI

OUR BUREAU

The Kerala Assembly has passed a resolution against the proposed merger of the home-based State Bank of Travancore (SBT) with State Bank of India (SBI) even as the lone BJP member dissented.

The House resolved on Monday to convey to both the Centre and the Reserve Bank of India its apprehensions over the merger move which it said was against the larger interests of the State. Both the ruling Left Democratic Front and the Opposition United Democratic Front were unanimous in expressing a spirited resistance against the proposed merger.

BJP charge

O Rajagopal, the lone member of the BJP, said that what precipitated the resolution was not so much the protest against the merger as the ill-will for the Narendra Modi-led government at the Centre.

Speaker P Sreeramakrishnan asked Chief Minister Pinarayi Vijayan to move the resolution after a calling attention motion by K Suresh Kurup of the CPI(M) put the issue in perspective.

Kurup requested that the Assembly stand as one to urge the Centre to take steps to withdraw the merger decision, which had far-reaching implications for the economic future of the State.

Maximum business

Replying to the motion, Finance Minister Thomas Isaac shared the member's concern and noted that SBT has over 800 branches in Kerala and has disbursed maximum loans to farmers and small traders.

The bank has also been playing a pivotal role in government's transacting treasury-related business, he said. If the merger were to become a reality, the State would suffer, the minister said, and suggested that the House pass a unanimous resolution against it.

Opposition leader Ramesh Chennithala was quick to concur with the Minister's views and the Speaker asked the Chief Minister to move the resolution.

While piloting it, the Chief Minister said the history of SBT has been inseparably linked with that of the State and the bank has been handling a lion's share of the banking business in the State.

5. Incentivise electronic payments: Rajan

G NAGA SRIDHAR

RBI Governor Raghuram Rajan said on Monday that merchants and individuals should be incentivised to use the electronic payments channel.

"Merchants with increasing electronic transactions should be given tax credits by authorities," Rajan said, adding that individuals can be rewarded by various means such as periodic lotteries.

"Cash usage has gone up in recent months and we are trying to understand the reasons," he said. A possible reason could be the intention to avoid being tracked by formal systems of payments, he said at the 12th IDRBT Banking Technology Excellence Awards function here.

Help for MSMEs

"Another significant area has been the Trade Receivables Discounting System (TReDS), which ought to be a game-changer for meeting the financing needs of the micro, small and medium enterprise (MSME) segment," he said.

MSMEs are getting squeezed all the time by their large buyers, who pay after long delays. All would be better off if the MSME could sell its claims on the large buyer in the market.

The MSME would get its money quickly, while the market would get a claim on the better rated large buyer instead of holding a claim on the MSME.

"All this will happen as the three Trade-Receivables Discounting Systems, which the RBI has licensed, start later this financial year. The key is to reduce transaction costs by automating almost every aspect of the transaction so that even the smallest MSMEs can benefit," he added. The country was in the midst of a payment revolution, Rajan said, adding that there is 'tremendous' opportunity to solve some of the critical problems of the financial system such as financial inclusion.

R Gandhi, Deputy Governor, RBI, said financial technology companies were direct competitors to banks and banks need to handle them carefully without inhibiting innovations. "Banks have to find ways to cooperate, co-opt and compete with the FinTech companies," he said.

6. Max Life launches new cancer cover plan

OUR BUREAU

Max Life Insurance, a private life insurer, has announced the launch of a new product — 'Max Life Cancer Insurance Plan'.

This is a protection plan that is designed to provide financial assistance across all stages of cancer. In addition, the plan provides guaranteed income benefit of up to 50 per cent of sum assured.

Speaking at the launch, Rajesh Sud, Executive Vice-Chairman and Managing Director, Max Life Insurance, said that financial planning for cancer incidence is critical in today's time.

"The Max Life Cancer Insurance plan has been designed carefully to provide complete protection to the customer and is amongst the most comprehensive cancer plans available today," he said.

Economic Times

7. Bandhan bank cuts micro loan rates by 60 basis points

By ET Bureau

Bandhan Bank, one of the two new universal banks, reduced micro loan rates by 60 basis points to 19.9 per cent, making the sub-20 per cent rate a reality for a wider section of bottom of the pyramid customers.

The benefit will be available to some 88 lakh borrowers with immediate effect.

Bandhan's cost of fund has come down significantly as it has access to funds from savers, which is cheaper when compared to bank loans. Earlier, as a microfinance company, Bandhan used to borrow from banks for on-lending.

Bandhan Bank started its journey in August last year and now operates across 29 Indian states and union territories through a network of 688 branches.

It has a customer base of 88 lakh. Since inception, it has raised close to Rs

15,000 crore of deposits. Bandhan now offers a maximum 8.25 per cent rate of interest to its depositors, significantly lower than its previous borrowing costs of 12 per cent a year.

With the latest round of lending rate cut, Bandhan has pared micro loan rate by 250 bps in three stages since it started operations as a universal bank. A 100 basis points is equal to one percentage point.

Microfinance firms are also reducing lending rates with the Reserve Bank's accommodative monetary cycle making bank loan rates softer.

Bharat Financial Inclusion, erstwhile SKS Microfinance BSE 0.35 %, lends at 19.75 per cent.

Last month, Bengaluru-based Grameen Koota Financial Services reduced rates by 200 basis points to 18 per cent for education, water and sanitation.

The MFI has also cut core income generation loan rate by 100 bps to 22 per cent, following low operational and reduced borrowing costs.

Business Line

8. Centre releases ₹100 cr for Atal Pension Yojana

OUR BUREAU

The Centre has released nearly ₹100 crore as its share of contribution for members of the Atal Pension Yojana.

"Government through the Pension Fund Regulatory and Development Authority has released co-contribution for 2015-16 for 16.96 lakh eligible subscribers amounting to ₹99.57 crore," said the Finance Ministry on Monday.

The social security scheme aimed at universalising pension coverage provides for a co-contribution from the government for subscribers who joined before March 31, 2016, for a period of five years. The government will pay a co-contribution of up to 50 per cent of the subscriber's contribution up to a maximum of ₹1,000.

The scheme had over 30 lakh subscribers by June 30 and the Finance Ministry estimates that about 5,000 new subscribers are added every day.

9. Banks, FIs provide over Rs 78K cr for clean energy projects

Overall, as many as 23 public sector and 7 private sector banks as well as 4 public sector and 2 private sector non-banking financing companies (NBFCs) have committed for financing renewable energy projects of 76,350 MW in the country with an outlay of Rs 3,72,240 crore.

By: [PTI](#)

Banks and financial institutions have sanctioned about Rs 78,830 crore funding for clean energy projects, of which Rs 33,482.83 crore has been released till March end this year, Parliament was informed today.

"Banks and financial institutions (FIs) have supported (renewable energy) projects of 30,983.70 MW capacity with sanction and released an amount of Rs 78,829.69 crore and Rs 33,482.83 crore respectively as on March 31, 2016,"

Power, Coal, Mines and New & Renewable Energy Minister Piyush Goyal said in a written reply to Rajya Sabha today.

Overall, as many as 23 public sector and 7 private sector banks as well as 4 public sector and 2 private sector non-banking financing companies (NBFCs) have committed for financing renewable energy projects of 76,350 MW in the country with an outlay of Rs 3,72,240 crore.

Goyal said the World Bank has also approved a loan of USD 620 million (Rs 4,228 crore) and a grant of USD 5 million (Rs 34.50 crore) from clean technology fund for the grid connected rooftop solar programme in May 2016.

Public sector banks have provided Rs 19,639.52 crore finance for 12,619.83 MW renewable projects and have already released Rs 7,333.35 crore.

Private sector banks have provided Rs 18,660.01 crore for 6,905.24 MW projects, and have released Rs 8,615.07 MW.

Public sector NBFCs have provided finance of Rs 20,802.01 crore to fund 6,121.68 MW projects, and released a total amount of Rs 9,442.71 crore.

Similarly, private NBFCs financed 5,336.95 MW projects and sanctioned Rs 19,728.15 crore. These firms released Rs 8,091.70 crore for these clean energy projects.

Among the public sector banks, State Bank of India has financed the largest renewable capacity of 1,832.93 MW and provided fund to the tune of Rs 5,418.81 crore. It has released Rs 1,634.47 crore.

Among the private banks, Yes bank has financed the largest capacity of 2,364.28 MW and provided finance of Rs 8,764.90 crore. It has released 3,904.72 crore for these projects.

Among public sector NBFCs, Indian Renewable Energy Development Agency Ltd (IREDA) has provided maximum finance of Rs 8,489.72 for 2,337.30 MW projects. IREDA has released Rs 4,526.50 crore.

Similarly, L&T Infrastructure Finance Company Ltd is a private NBFC which has sanctioned maximum finance of Rs 14,863 crore for 3,434.05 MW projects. It has released Rs 5,962.90 crore.

These clean energy projects of 30,983.70 MW include 16,040.09 MW of wind power, 13,773.81 MW solar power and 700.95 MW of small hydro power projects (of up to 25 MW capacity).

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY