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Dear Comrades,

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News of Interest 14th MAR

MOTIVATIONAL QUOTES

“OPTIMISM IS THE FAITH THAT LEADS TO ACHIEVEMENT. NOTHING CAN BE DONE WITHOUT HOPE
AND CONFIDENCE. “

HELEN KELLER

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Business Standard

1. Small loans, big impact: Microfinance now big business at banks

High margins and volumes are two reasons why banks are exploring the market in thrift credit

Namrata Acharya

From being passive lenders to microfinance institutions (MFIs) till about five years earlier, banks have turned out to be active players in the business of small loans.

As on end-December 2016, banks accounted for 37 per cent (Rs 36,683 crore) of microfinance portfolio of Rs 98,625 crore; five years earlier, a handful of MFIs accounted for more than half.

High margins and volumes are two reasons why banks are exploring the market in thrift credit.

Most of them in MFI lending are private sector ones. A majority of this portfolio is with 11 banks — Axis, Bandhan, DCB, Equitas, HDFC, ICICI, IDFC, Kotak Mahindra, RBL and YES.

This apart, several public sector banks have increased their MFI exposure, through business correspondents (BCs).

“We see a lot of synergies with the microfinance sector. More, it is quite well-regulated and growing at a fast rate, providing a lot of business opportunities,” said an official in charge of a bank’s microfinance operations.

Also, over the past 18 months, banks have also been aggressive in taking equity stakes in MFIs. Last year, Kotak Mahindra Bank acquired Bengaluru-based BSS Microfinance.

RBL acquired 10 per cent in Utkarsh Micro Finance, which recently graduated into a small finance bank (SFB).

In July last year, IDFC Bank acquired Trichy-based Grama Vidiyal Microfinance, its second deal in the MFI space. Earlier, IDFC had taken 10 per cent in east-based ASA International India Microfinance.

In March last year, DCB Bank had acquired a 5.81 per cent stake in Odisha-based Annapurna Microfinance. Earlier, RBL had acquired 30 per cent in Swadhaar FinServe, a company acting as a BC.

Non-banking financial companies (NBFCs) have also shown interest. In 2015, Manappuram Finance had acquired Asirvad Micro Finance, a Chennai-based NBFC-MFI.

With a number of MFIs graduating to SFBs, the number in the MFI space is likely to further increase. And, even after graduating into a bank, they are likely to keep much of their lending to microfinance. Bandhan Bank, earlier an MFI, has even after close to two years into operation as a bank still got over 80 per cent of its lending portfolio concentrated in microfinance.

“Over the past three years, banks have shown a high level of interest in microfinance, part of a diversification strategy. Also, at least for two to three years, the new SFBs are likely to focus on microfinance as they build their deposit base,” says Ratna Vishwanathan, chief executive officer, Microfinance Institutions Network.

Seven of the proposed SFBs, some of which have transformed to a bank, together account for 46 per cent of the MFI portfolio, amounting to Rs 26,228 crore.

2. Non-life insurers' premium income grows over 33% in February

Gross premium income stood at Rs 10,288 cr in Feb 2017, up from Rs 7,711 cr a year ago

Non-life insurance companies posted over 33 per cent increase in their gross premium income (direct premium income underwritten) to Rs 10,287.7 crore in February as compared to Rs 7,710.81 crore in the year-ago month.

According to data compiled by the Insurance Regulatory and Development Authority of India (IRDAI), private sector general insurers' gross direct premium income underwritten in February stood at Rs 4,425.51 crore, up by 31 per cent from Rs 3,391.03 crore.

The same for four public general insurers in the last month was at Rs 4,398.87 crore, registering a 25 per cent growth, from Rs 3,523.45 crore.

Standalone private health insurers' gross direct premium income underwritten was at Rs 573.13 crore in February from Rs 398.64 crore in the year-ago month.

As many as 29 non-life insurers, in the first 11 months (April-February) of the current fiscal, reported 31.69 per cent increase in their gross direct premium income underwritten to Rs 1,13,942.28 crore as compared to Rs 86,526.19 crore in the corresponding period last year.

In fact, public non-life insurers gross premium income during April-February stood at Rs 61,096.32 crore, up by about 30 per cent from Rs 47,124.95 crore in the corresponding period last year.

Similarly, private players' premium income in the period (April-February) was at Rs 52,845.96 crore, registering a 34 per cent growth over Rs 39,401.23 crore in the same period last year.

Public general insurers have the market share of 53.62 per cent while private players have 46.38 percent.

3. All individual cash withdrawal limits removed from today

RBI had announced last month that the restrictions would be lifted on March 13

IANs

All limits on savings bank cash withdrawals post-demonetisation ended on Monday, as had been announced by the Reserve Bank of India (RBI) last month.

In a two-stage process, the weekly withdrawal limit per account had been raised to Rs 50,000, from Rs 24,000, with effect from February 20, and all limits on ATM withdrawals were slated to cease from March 13.

The announcement had been made by RBI Deputy Governor R. Gandhi following the fiscal's last monetary policy review announcement by the central bank in February, when it kept its key interest rate unchanged at 6.25 per cent, saying it awaited data on the full impact of the government's demonetisation drive.

On January 30, the RBI had ended all curbs on withdrawals from Current Accounts, Cash Credit Accounts and Overdraft Accounts.

The limits were placed following the November 8 demonetisation of Rs 1,000 and Rs 500 notes. The upper limit at ATMs was just Rs 2,500 initially and was later raised to Rs 4,500.

In January, the RBI had hiked the daily ATM withdrawal limit to Rs 10,000 and doubled the weekly Current Account withdrawal limit to Rs 1 lakh.

The upper limit for weekly withdrawal from bank accounts had been raised to Rs 24,000 from Rs 20,000 in November.

While lifting of ATM withdrawal limits represents coming full circle for these machines in respect of demonetisation, the return to normalcy in terms of cash available in them is still awaited, indicating the slow pace of remonetisation.

Economic Times

4. RBI to now open up UPI for digital wallets like Paytm and MobiKwik

By Mugdha Variyar & Pratik Bhakta

Digital wallets such as Paytm and MobiKwik are set to become inter-operable as Reserve Bank of India (RBI) prepares to open up the Unified Payment Interface platform for them as part of the government's digitisation campaign.

RBI is expected to issue guidelines shortly on interoperability and 'know your customer' (KYC) norms for digital wallet companies, according to two people familiar with the developments.

RBI will also decide on the interchange fees between the wallets for them to be able to access the UPI framework, they said, declining to be identified.

"The opening up of the UPI framework and, in turn, the permission to allow interoperability between wallets is something the RBI is looking into very seriously and should be able to activate in 2-3 months," one of them said. Digital wallets can currently access the UPI network through partner banks to facilitate bank-to-bank money transfers. Allowing direct access will mean that a PhonePe or a MobiKwik user will be able to send money directly to, say, a merchant with a Paytm or a FreeCharge digital wallet, expanding the usability of these instruments.

Although digital wallets are older and more widely used, UPI, which currently allows only transfer of money across banks, is gaining in popularity because of the government's high-decibel campaign as part of its efforts to transform digital economy. The government is also promoting an Aadhaar-based payment platform and another instrument for transactions using QR codes. RBI did not reply to an email sent on Saturday.

Bipin Preet Singh, chief executive of MobiKwik, said the company "is keen to partner with other financial networks to develop a collaborative financial services platform." MobiKwik's digital wallet has about 50 million users.

Interoperability "will strengthen the business model of a wallet since the players will not need to acquire both merchants and customers," said Bhavik Vasa, chief growth officer at payment and wallet company ItzCash. "Gradually, the market will start expanding as the ecosystem is built."

Banking industry executives expect interoperability to make the battle for the retail payments pie fiercer, similar to what happened in the ATM space when banks were

instructed to allow users of other banks to withdraw money from their cash dispensing machines.

"We are hearing that the process (of opening up UPI for digital wallets) is likely to be fast-tracked," said Ritesh Pai, country head for digital banking at Yes BankBSE 1.02 %, which has partnered with Flipkart-owned payments venture PhonePe. "Since the (prepaid payment instruments, or digital wallets) are also issued licences by RBI, the logical step is to open the UPI infrastructure to them and make it more inclusive."

This would make digital wallets less dependent on banks but the partnerships will likely hold since the movement of money will continue to be from underlying bank accounts, Pai said. "The bank's role will continue will also need to hold on to their partnerships for escrow management, settlement and reconciliation, grievance redressal, etc."

RBI's move follows recommendations by the government-constituted Ratan Watal committee in its December report to open up access to government-backed payment networks to non-bank payment service providers.

The regulator could also have been compelled by the slow adoption of banks-led UPI apps and the poor technical ability of mid-sized and small banks to innovate with such platforms, banking industry executives said. On the other hand, digital wallet companies, powered by their strong tech teams and innovation, can bring more people to the system, they said.

The PhonePe app, which enables UPI transactions through a partnership with Yes Bank, has been downloaded more than 10 million times on Google Play store. Paytm, which does not presently facilitate UPI transfers, has 200 million wallet users.

Compare that with the Axis Pay and SBI Pay UPI apps, which have about 1 million downloads each, and ICICI Pockets UPI, which has about 5 million users. That said, the government-backed BHIM app for UPI transactions has been downloaded 17 million times since it was introduced on December 30, 2016.

RBI data show that the UPI network logged about 4.2 million transactions worth Rs 1,900 crore in February and a similar 4.2 million transactions worth Rs 1,660 crore in January, indicating increasing comfort in using the platform for larger transactions. But RBI data also show that digital wallets logged 261.67 million transactions worth Rs 8,350 crore in January.

Business Line

5. Canara HSBC OBC Life to launch term insurance with return of premium

OUR BUREAU

Canara HSBC Oriental Bank of Commerce Life Insurance Company plans to launch a pure term insurance product, with return of premium, in April in the wake of the insurance regulator coming out with guidelines for the same.

The Gurugram (Haryana)-headquartered life insurer will shortly approach the Insurance Regulatory and Development Authority of India (IRDAI) to get approval for the product, said a top official.

IRDAI guidelines

Referring to IRDAI's November 2016 guidelines on point of sale for life insurance products, Anuj Mathur, Chief Executive Officer, Canara HSBC OBC Life, said: "With term return of premium (ROP), if nothing has happened (no insured event — death

— occurs during the policy tenure), whatever premium you have paid you will get it back.”

For example, for a 20-year term policy with a sum assured of ₹50,000, the annualised premium could be, say, ₹2,000. If the insured event does not occur, the policyholder will get back the premium paid (₹24,000) over the 20-year period.

“In this particular product, the upper limit for sum assured is ₹15 lakh. And (there is) no underwriting. You just walk into the branch and give your particulars to the branch manager. So, this product will be technology driven, with online submission of particulars, online (Aadhaar-based) authentication and across the counter policy issuance.

He added that no medical (test) is required because the company has that kind of risk appetite and the (policy) volumes will be big too.

“We are talking of big numbers. So, there the mortality also gets spread out. So, we are keeping it (policy) very simple, which will click with the common man in Canara Bank or in OBC. That is how we are targeting this product,” said Mathur.

Biz outlook

The company is expecting to end FY17 with new business income of about ₹630 crore as against ₹445 crore in the previous year. It is targeting new business income of about ₹800 crore in FY18.

The CEO said gross written premium will touch ₹2,400 crore (new business plus renewals) in FY17 as against ₹1,850 crore last year.

6. Ahead of merger with SBI, loan processing and banking services at associate banks may be delayed

G NAGA SRIDHAR

The associate banks of State Bank of India (SBI) will see some delay in loan processing and banking services during the month-end, ahead of their merger with SBI.

“The associate banks have been asked to treat March 25, as a cut-off date for disbursements of their loans and individual banking products to facilitate business transition,” a top SBI official told *Business Line* on Monday.

The Government has already notified that April 1, will be the date for the merger. With this all shares of the associate banks would cease to exist as individual entities and would stand transferred to SBI, according to the gazette notification dated February 22, 2017.

This will mark the end of business as individual entities of the five associate banks — State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Hyderabad (SBH) and State Bank of Patiala (SBP).

While there is no official notification in this regard apparently to avoid any loss of business and migration of customers to other banks, customers are being informed at the branch level about the delay/or temporary halt in businesses, said a senior SBBJ executive.

“The rationale behind the move is to ensure procedural correctness in aspects such as mortgages and legal formalities,” explained an official of SBH.

There are also differences among the product offerings of the associate banks and SBI. To ensure uniformity, all individual/customised products of associate banks will be discontinued and the existing products of SBI will be sold by banks.

There is a rush to clear all existing loan proposals and complete disbursements by March 25 by different agencies that work for associate banks.

“We are working over time to get legal opinion on home loan proposals to facilitate approval by the deadline. But not sure if all could be completed,” said a senior legal counsel for SBH in Hyderabad.

Meanwhile, bankers insist that there is no need for panic among customers. “It will be temporary delay. Any normal transactions will be hit a little by the annual closing of accounts. The merger procedures will add a little more delay after which every thing will be normal,” said SBI official.

7. Airtel Bank opens over 1 lakh savings accounts in TN

OUR BUREAU

Airtel Payments Bank has enabled 100 villages across Tamil Nadu to go cashless to take its banking services deep into rural/unbanked areas and contribute to financial inclusion.

These villages now have access to basic banking services and the option of making digital payments, making them less reliant on cash, says a company press release.

Till date, over one lakh savings accounts have been opened with Airtel Payments Bank across Tamil Nadu. A network of over 16,000 neighbourhood Airtel stores across the State act as banking points and offer basic banking services to customers, the release said. Airtel Payments Bank is a fully digital and paperless bank with a network of over 250,000 neighbourhood Airtel retail stores that also function as banking points. This is more than the total number of ATMs in the country. The bank aims to scale its network to 600,000 banking points across the country.

8. OpenTap now eyes Coimbatore, Tirupur

LN REVATHY

Alternate finance service provider OpenTap is eyeing the market potential in the industrial hubs of Coimbatore and Tirupur for offering its services.

The Chennai-headquartered start-up arranges finance for the salaried workforce, with particular focus on individuals earning between ₹7,000 and ₹25,000 a month.

“This segment of the workforce invariably finds it extremely difficult to borrow money from the organised sector, forcing them to get assistance from a local money lender or pawn broker at high interest rate. We facilitate by bringing the lender and borrower to the table and the rates are competitive,” Senthil Natarajan, Chief Executive and co-Founder of OpenTap told *BusinessLine*.

Aims at ₹600-cr loan book

Clarifying that the company is not an NBFC but provider of tools in the peer-to-peer lending space, arranging finance for blue-collared workers, he said "we have served around 650 people in the last couple of months. The loan book stands at ₹1.2 crore. Our plan is to increase it to ₹600 crore or more in two years. We have already registered demand for ₹10 to ₹15 crore from different regions." "We have not handled contract workers yet. The average ticket size is ₹20,000, but there have been instances of borrowing up to ₹50,000 with the support of the management. These are for short-term tenure —not exceeding 12 months. The borrower can avail shorter tenure assistance too."

"Prospective borrowers should register online with necessary identity, address proof documents and salary certificate. After verification of the same, the application will be processed and forwarded to the lender and the borrower informed. The processing time is about 5-7 working days. There have been instances of less turnaround time in emergency situations," he said.

OpenTap has officially partnered with a company in Tiruchi and is close to inking a bigger deal with another firm in the next four weeks.

It has established its presence in Chennai, Tirupur, Gobichettipalayam, Nasik and Bengaluru. Natarajan said that OpenTap's sub-sales office in Chennai would be inaugurated next week.

App facility soon

The company plans to introduce an app very soon, so that people can upload details on the go and get alerts as well.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY