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Dear Comrades,

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News of Interest 17th NOV

MOTIVATIONAL QUOTES

“THE BIGGEST RISK IS NOT TAKING ANY RISK... IN A WORLD THAT CHANGING REALLY QUICKLY, THE ONLY STRATEGY THAT IS GUARANTEED TO FAIL IS NOT TAKING RISKS.” MARK ZUCKERBERG

HIGHLIGHTS

- 1. BANK E-WALLETS MAY DIE EARLY DEATH: TIE-UPS WITH NICHE PLAYERS MORE VIABLE**
- 2. NEXT BIG MOVE BY MODI? BANK CHEQUE FACILITY MAY BE WITHDRAWN TO PUSH DIGITAL TRANSACTIONS, SAYS CAIT OFFICIAL**
- 3. NARENDRA MODI GOVERNMENT GIVES BIG HOME LOAN BOOST TO HOUSING IN INDIA; DEMAND SET TO SOAR**
- 4. RBI GETS READY TO TRAIN ITS GUNS ON 50 MORE STRESSED ACCOUNTS**
- 5. ICICI BANK, PAYTM TEAM UP TO OFFER SMALL DIGITAL LOANS**

Business Standard

1. Bank e-wallets may die early death: Tie-ups with niche players more viable

Given the expertise, focus and core competency of mobile wallet players like Paytm and Mobikwik, it makes more sense for banks to partner such players than building or pushing own e-wallet apps

[Nikhat Hetavkar](#)

An accelerated digital adoption in India, especially after the Narendra Modi government’s November 2016 move to demonetise high-value currency notes, and the subsequent spike in electronic payments, are credited with scripting a success story for mobile wallet companies. And,

with a loss of market share in the payments space that ensued, banks also jumped on the bandwagon and launched their own e-wallets. Now, however, with their wallet customer base, user interface and innovation not matching well enough with the numerous offers that niche wallets provide, banks are struggling to compete.

On the post-demonetisation digital drive, Ritesh Pai, chief of digital office, YES Bank, says: "Some users who never had an active interface with the banking system also embraced prepaid wallets and joined the less-cash drive".

But today, with a number of banks partnering niche mobile wallet players, there is a fear that banks' own wallet products might die an early death. According to analysts, it is more lucrative for banks to partner existing mobile wallet players than building their own wallets.

"Technology is changing at a fast pace. It is beneficial to embrace new digital products quickly by striking partnerships with fintech firms. So, many banks are going for tie-ups with tech firms for developing applications," says Vijay Mani, partner, Deloitte India.

When private lender Axis Bank acquired Freecharge, it chose to retain the brand and not integrate it into its existing wallet. "Consumers typically use wallets for high-frequency and low-ticket transactions. This is a great tool for enhancing engagement with consumers. At the same time, the Bank is able to extend the relationship with the consumer beyond initial payments by offering well targeted and segmented banking products," explains Sangram Singh, head of retail lending and payments at Axis Bank.

Similarly, IDFC Bank, which had earlier launched its own wallet 'Ziggit', recently partnered Mobikwik for e-wallet services. According to IDFC Bank Executive Director Avtar Monga, "On a standalone basis, we don't want to push Ziggit. In our case, we were not buying the footfall by spending marketing dollars on it."

Both IDFC Bank's Ziggit and Axis Bank's Lime are now unavailable on the Apple App Store and Google Play Store.

"It is difficult for banks to keep track of the technological evolution and stay in sync. E-wallet companies are more innovative, since it is their core business," says DD Mishra, research director, Gartner India, emphasising that 'it is no longer about doing everything by yourself but about adding value to the ecosystem'.

While some of the major e-wallet players have more than 10 million downloads on Google Play Store – Paytm leads the pack with 50 million – banks' wallets mostly have small numbers to show. Only State Bank of India's wallet State Bank Buddy seems to have done well, with 10 million downloads. ICICI Bank's Pockets and HDFC Bank's PayZapp follow at 5 million each.

IndusInd Bank chose to partner Mobikwik to launch a co-branded wallet instead of bringing its own wallet product. "The data from a user's history of transactions, etc, enables us to gauge their creditworthiness and helps us offer them newer products, such as lending and insurance", says Upasana Taku, co-Founder, Mobikwik.

Both banks and e-wallet companies call such partnerships a 'win-win' proposition. They enable both the parties to offer ubiquitous experience to customers. The bank is able to tap into the mobile wallet's larger customer

base, while the wallet gets a wider reach for merchant payments, both online and offline, by associating with the bank's card network.

While private banks have been quite prompt in adopting changes, most of their public-sector peers have taken time to make amends. Of course, there are exceptions like SBI, the country's largest lender, given its robust IT backbone and relationship with the developer community.

Executives at public-sector banks (PSBs) say intense competition leaves us with no option but to stay updated on digital banking. At the same time, many PSBs face constraints of resource, talent and time for building in-house fintech capabilities. So, it makes sense to forge partnerships with entities that have expertise in developing applications and products and cut down on time to market.

Sunil Kulkarni, co-chair for pre-paid committee at Payments Council of India, says the model of banks having their own wallets is not useful; inherent benefits with e-wallets will not be possible. He adds: "E-wallet companies have been focused on consumer experience for payments and service delivery, while banks' main focus have been deposits and loans. Working with e-wallet companies complements banks' core business (banking) with payments and services delivery."

Financial Express

2. Next big move by Modi? Bank cheque facility may be withdrawn to push digital transactions, says CAIT official

A senior functionary of industry body CAIT today said the Centre may withdraw the bank cheque book facility in the "near future" to encourage digital transactions

By: [PTI](#)

A senior functionary of industry body CAIT today said the Centre may withdraw the bank cheque book facility in the "near future" to encourage digital transactions. Confederation of All India Traders (CAIT) Secretary General Praveen Khandelwal said the government needs to encourage use of debit and credit cards. "In all probability, the Centre may withdraw the cheque book facility in the near future to encourage digital transactions," he said. Khandelwal was talking to reporters at the launch of 'Digital Rath', a joint initiative of the CAIT and MasterCard to encourage traders to adopt different modes of digital transactions and promote cashless economy. The CAIT secretary general said, "The government spends Rs 25,000 crore on printing of currency notes and another Rs 6,000 crore on their security and logistics. "Moreover, banks charge 1 per cent on payments through debit card and 2 per cent through credit cards. The government needs to incentivise this process by providing subsidy directly to the banks so these charges can be waived."

Khandelwal said only 5 per cent of the total 80-crore ATM-cum-debit cards are used for cashless transactions, while 95 per cent of them are used for cash withdrawals. Mastercard Executive Director (Global Community Relations) Ravi Aurora said this initiative with the CAIT will provide a "major fillip in our endeavour to move towards a less-cash society". "Under the digital literacy campaign, we have held about 450 conferences during the past three years. By the end of next month, we have set the target to reach to 10 lakh merchants to support the government's target of powering 2,500 -crore digital transactions," Aurora said.

Aurora said 'Digital Rath' would further strengthen the nationwide movement of 'Cashless Bano India' in line with the government's vision of digital India. "We believe small traders and merchants are an important constituency to help India transform into a knowledge economy." He said MasterCard has invested about USD 500 million in India during the past couple of years and it plans to pump in another USD 700-800 million. CAIT president B C Bhartia said a sizeable part of the Indian population consists of youths. "Youths prefer digital transactions. Even temples have put up machines for digital transactions. Now, the government needs to make digital transactions more attractive," he added.

3. Narendra Modi government gives big home loan boost to housing in India; demand set to soar

Cheaper loans should boost demand and help revive real estate sector; apply to slightly bigger homes as well

By: FE Bureau

The government on Thursday made loans cheaper even for slightly bigger homes bought by middle-income groups in a move that should boost demand and help kick-start the real estate sector. The pace of home purchases has tapered off sharply for several reasons; while buyers have been waiting for prices to come off, the roll-out of rules under Real Estate Regulatory Authority (RERA) in July has held back new launches. Demonetisation too is believed to have hurt home sales; the inventory of unsold apartments across India is estimated at close to Rs 6 lakh at the end of September. Keki Mistry, vice-chairman, Housing Development Finance Corporation, noted the lower interest for larger homes should spur purchases. However, the caveat that those already owning a property would not be eligible to a lower interest, Mistry felt, should be done away with as there were several buyers wanting a second home. The Cabinet on Thursday approved a proposal that will allow those with an annual income of up to Rs 12 lakh to buy or build a house of up to 1,200 sq ft; earlier the area was capped at 900 sq ft. Those with an annual income of up to Rs 18 lakh are now eligible for loans at a softer rate to buy or build a home covering 1,500 sq ft; this was 1,100 sq ft earlier. Purchases in the secondary market are also covered by the scheme.

PK Gupta, managing director, State Bank of India, said the new rules would encourage more purchases at a time when buying had slowed somewhat. Gagan Banga, vice-chairman and MD, India Bulls Housing Finance, said given how buyers preferred slightly larger homes in the Tier-II and Tier-III cities, several potential buyers had not been able to take advantage of the soft loans. "We expect many of them will not use the opportunity to buy homes now," Banga said, adding sales could see a spurt in cities such as Pune, Chandigarh, Ludhiana and some pockets in south India. Crisil Research wrote recently that demand for residential property was unlikely to revive in the next 12-18 months.

"Though capital values have been under pressure over the past few quarters, a significant chunk of supply in many micro markets remain unaffordable," analysts at the ratings agency observed. The total outstanding of mortgages with banks at the end of September was 12.8% higher than those in September 16. This was slower than the increase in outstanding between September 2015 and September 2016, when they had grown 18%. Since demonetisation the pace moderated to a monthly average of 15%. That's despite an effective asset price correction of around

5-10% in H12017. However, housing finance companies have, over the past year, disbursed at a fairly fast pace.

Earlier this year, the government had allowed buyers with annual incomes of between Rs 6 lakh and Rs 18 lakh to borrow at concessional interest rates. Approximately 3.5 lakh homes of the registered 6.7 lakh apartments in Mumbai Metropolitan Region have not found buyers so far, according to data on the MahaRERA website. Experts say developers are looking for more affordable locations to make homes affordable. "Developers are building smaller apartments because compact two-bedroom homes are selling faster at the moment. The interest subsidy for slightly bigger homes will help clear off inventory from older projects," said Rohit Gera, MD, Gera Developments.

Economic Times

4. RBI gets ready to train its guns on 50 more stressed accounts

By Dheeraj Tiwari

The Reserve Bank of India is likely to come up with a fresh list of around 50 loan accounts that are either under stress or close to being classified as nonperforming assets. The regulator may set a March 31 deadline for banks to find a resolution on these or commence bankruptcy proceedings against the borrowers, a finance ministry official said.

These accounts are in addition to the 41 that the central bank has already identified, including several against which banks have now started bankruptcy proceedings.

This new list of accounts had come up during discussions on the recapitalisation of state-run banks. These assets identified by the RBI have been accounted for in the Rs 2.1-lakh crore bank recap plan announced last month, and so will not bloat the capital requirement of lenders beyond what has been estimated, the official said. But classifying the loans as NPA will dent the profitability of banks, as they must set aside more funds against such accounts.

"We are in discussion with the RBI over the modalities of the recapitalisation scheme and this is also being looked at given that the provisioning requirements of banks may rise in these cases too," the official said, speaking on the condition of anonymity.

The official didn't give details of the accounts.

The RBI didn't respond to an email seeking comment. State-run banks held Rs 7.33 lakh crore of NPAs at the end of June.

This is blocking their capital, hurting the ability to lend. Large provisioning against suspected accounts had also caused several lenders to report deep losses.

"The next list will be of those accounts where a majority of the lenders in a consortium have put them under the SMA-2 category," a bank executive said. This classification implies a 60- to 90-day delay in loan repayments.

Of the 41 accounts identified by the RBI, lenders have already classified most as bad loans and commenced steps for a time-bound resolution.

In May, the RBI identified 12 stressed accounts, each having more than Rs 5,000 crore of outstanding loans and together accounting for 25% of the total NPAs of banks for immediate referral for resolution under the

bankruptcy law. In a June 15 circular, the central bank noted that for accounts identified for resolution under the insolvency law, lenders must make a minimum provision of 50% for the secured portion of the outstanding amount, plus an additional 100% on the unsecured part.

In August, it identified another 29 accounts that banks were asked to resolve by December 13, failing which those would have to be taken for insolvency proceedings.

"There has been little success on these accounts and now it looks that most of these will go to the National Company Law Tribunal (where insolvency proceedings take place)," said a second senior bank executive, adding that most banks were making provisions towards such accounts.

In a recent report, ratings firm ICRA said the surge in credit provisioning had hit capital ratios for public sector banks.

Business Line

5. ICICI Bank, Paytm team up to offer small digital loans

PRIYANKA PANI

India's largest private bank ICICI Bank has entered the instant micro-credit segment. Experts feel this would help bring more credibility and trust and, at the same time, expand the market by bringing in more competition.

ICICI Bank has entered into a partnership with e-commerce and mobile wallet company Paytm to offer small interest-free loans up to ₹20,000 to customers who are common to both Paytm and the bank.

The product, 'Paytm-ICICI Bank Post-paid', a first of its kind in the country, will enable customers to get access to instant credit for common purchases such as movie and flight tickets, and to make bill payments.

Talking to newsmen via a conference call on Thursday, Anup Bagchi, Executive Director, ICICI Bank, said that the product is intended for lakhs of new consumers who don't have any credit history or have just entered the workforce and hence, are looking for small loans to upgrade their lifestyle.

Lately, dozens of start-ups such as Kist, happy loans, Krazybee and Smart coin have come up targeting the pay-day loans or micro loans.

Paytm-ICICI Bank Post-paid is a digital credit account that can be opened instantly on Paytm's website without any need of submitting physical documents. The loan can be applied on Paytm's website on its "pay later" feature.

No joining fees

There is no transaction, joining or hidden administration fees. However, several data points, including the purchase history and financial and digital footprint of the customer, are looked at before offering the loan.

For now, the loans are being offered to only ICICI Bank account-holders but soon it would be extended to customers of other banks, Bagchi said, adding that the bank is also looking at similar partnerships with other major e-commerce platforms and mobile wallets. "This can be looked at as a private

online credit card," Bagchi said, adding that there is no restriction on the number of loans as long as the customer repays on time.

Available on all days at any time with a quick checkout with an Paytm Passcode, the credit will remain interest-free for 45 days, after which the bank will charge 3 per cent interest per month.

He further added that the credit limit for a customer is set after a consolidated bill is generated on the first day of the next month, which has to be paid by the 15th day of the same month.

Customers can use their Paytm wallet, debit card or internet banking of any bank for easy repayment of their dues.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY