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Dear Comrades,

17 th July , 2018

News of Interest 17th JUL

MOTIVATIONAL QUOTES

‘THE HISTORY OF THE PAST IS BUT ONE LONG STRUGGLE UPWARD TO EQUALITY. ‘

ELIZABETH CADY STANTON

HIGHLIGHTS

- 1. FEW BRANCHES, ATMS: HOW INDIA'S BANKING REVOLUTION LEFT VILLAGERS BEHIND**
- 2. LIC BOARD GIVES APPROVAL TO ACQUIRE 51% STAKE IN DEBT-RIDDEN IDBI BANK**
- 3. BAD LOAN IN INDIA SHOCKER! 5-FOLD SURGE IN ARREST OF BANK OFFICERS; A REALITY CHECK**
- 4. WEALTH MANAGEMENT IS THE NEW BUZZWORD IN FINANCIAL SERVICES SECTOR**
- 5. NOW, UNIQUE NUMBER TO CHECK AUTHENTICITY OF CA-CERTIFIED DOCUMENTS**

Business Standard

1. Few branches, ATMs: How India's banking revolution left villagers behind

Many Indians were forced to get bank accounts when Modi demonetized 86 percent of India's cash overnight in November 2016

Bibhudatta Pradhan & Vrishti Beniwa

A shortage of bank branches and ATMs across India's hinterland is holding back Prime Minister Narendra Modi's financial inclusion efforts and risks angering rural voters ahead of elections next year.

After taking office in 2014, Modi set an ambitious target to open a bank account for every household to ensure welfare funds flow directly to India's poor, while improving access to credit and insurance programs. He pushed

policies that helped bring 310 million people into the formal banking system in just four years, according to the World Bank.

But many of India's villages still lack bank branches or ATMs to help service these new customers, while the pace of building new financial infrastructure has actually slowed.

Because Modi's government effectively forced poor citizens into the banking system by linking some welfare benefits to bank accounts, villagers have ended up stuck in long queues and struggling with ATMs that often run out of cash or break down. With an election due next year, the mismatch between the government's policies and the rural banking system is generating frustration among a key slice of India's electorate.

"In rural areas, we have found a serious and debilitating shortage of banking infrastructure," said associate professor Reetika Khera of the Indian Institute of Management in Ahmedabad, Gujarat, who has conducted research in India's villages. "A very large number of poor laborers and social security pensioners are affected by these issues on the ground, so it won't be surprising if people are angry."

Banking Blues

A spokesman for the Prime Minister's Office did not return a call seeking comment. Finance ministry spokesman D.S. Malik said the government has taken steps to ensure Modi's financial inclusion policies are enacted, including empowering individuals such as teachers and shopkeepers to provide some banking services as well as improving rural banking infrastructure.

'Take Away My Money'

While India gained about 25,000 bank branches and 45,000 ATMs in the four years to March 2018, growth has not kept up with a surge in new customers.

India's banking system "lags in terms of physical infrastructure and has failed to reach the poor," said a 2017 study from EY and the Associated Chambers of Commerce and Industry of India, which found 19 percent of the population still lacks access to the formal credit system.

The experience of villagers in Jogaliya in Rajasthan, India's largest state by area, is typical. The village of about 5,500 people has no bank branch or ATM, and the closest one is 15 kilometers away. That's a 60 rupee (87 cents) bus ride that would have been unnecessary before the government made it mandatory to have bank accounts to get old-age pensions and other welfare payments.

"They don't increase facilities, but they take away my money," said Rajuram Jat, 32, of Jogaliya, who complained in late May about endless text messages and charges from his bank. He said he wouldn't vote for Modi in 2019.

Banking Barometer

Basic accounts haven't grown much after initial success. A spokesman for the Prime Minister's Office did not return a call seeking comment.

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Demonetization

Many Indians were forced to get bank accounts when Modi demonetized 86 percent of India's cash overnight in November 2016.

The banking system struggled to keep up, while some gains proved temporary. Nearly half of Indian bank accounts were inactive in 2017, meaning they weren't used at all in the previous 12 months -- the highest share in the world -- according to a World Bank report.

With financial and digital literacy already low, cash shortages and "issues with direct benefit transfers further dent public faith in electronic payments and reinforce the demand for physical currency," said Saksham Khosla, a research analyst at Carnegie India.

Snail's Pace

Cash ban prompts more people to use digital payments, though value stays low

The displeasure is not limited to bank customers: Roughly 1 million bank employees went on strike in May demanding higher salaries. It hasn't helped that Modi began a bank bailout around the time public sector lenders were engulfed by a wave of corruption allegations.

"Banking infrastructure will always look inadequate to us because of our huge population and the difficulties in accessing cash," said Sumita Kale, an economist at Indicus Centre for Financial Inclusion. "Still, as so many people come into the banking system for the first time, there has to be a better monitoring and supervision framework."

2. LIC board gives approval to acquire 51% stake in debt-ridden IDBI Bank

The government owned 85.96 per cent in IDBI Bank at the end of June

Somesh Jha

Life Insurance Corporation of India (LIC) came a step closer in acquiring a majority stake in the government-owned IDBI Bank as its board gave an approval to the deal on Monday.

LIC's shareholding in IDBI Bank will stand at 51 per cent after it takes a series of approvals from the Reserve Bank of India, the Securities and Exchange Board of India (Sebi), the government and the bank's board, Department of Economic Affairs Secretary Subhash Chandra Garg said. Garg is a director on the board of LIC, which owned around 7.98 per cent in IDBI Bank at the end of June. The government owned 85.96 per cent in IDBI Bank at the end of June.

Stock prices of IDBI Bank fell 1.48 per cent to close on the BSE at Rs 56.45 on Monday. LIC will have at least four directors on the board of IDBI Bank

following the acquisition, an official said. The ailing bank will issue preferential shares to LIC to raise capital in one go.

"IDBI Bank needs capital, so they will issue preferential shares. The other way is that they (LIC) can buy from the government but that does not provide capital to IDBI Bank. That's why this (issuing of preferential shares) is the preferable mode to do it," Garg said. IDBI Bank is expected to get Rs 100-130 billion from LIC through acquisition of stakes, sources said.

However, the government did not provide much clarity on the issue of LIC making an open offer to IDBI Bank's shareholders.

"The open offer itself may or may not come about, as public shareholding is small. It is only about 5 per cent. The pricing formula may not be attractive. But they will go through that process. If necessary, they will make an open offer. It is not a very material issue in this context," Garg said.

According to Sebi guidelines, an acquisition of more than 25 per cent in a listed entity is termed control and requires an open offer. Under an open offer, the acquiring company must make an offer to existing shareholders to buy an additional stake in the company. It is aimed at providing the shareholders an exit option as there may be a management change after acquisition and investors may perceive potential risks in the business.

According to a government official, LIC will be able to reduce operating costs, diversify, deepen distribution, and create synergies between LIC's distribution network and the bank's network, "fulfilling the objective of providing both insurance and banking solutions".

LIC will be able to sell its products through 2,000 branches of IDBI Bank and the bank will be able to utilise the funds of the insurance behemoth. The bank would also get accounts of about 220 million policy holders and subsequent flow of fund.

The move will also help the bank access new funds as a result of payout of LIC claims.

IDBI Bank will become a subsidiary of LIC on the lines of LIC Housing Finance, LIC Mutual Fund and LIC Pension Fund.

LIC has a shareholding in all public sector banks and 13 private banks at present and it had investment assets worth Rs 25 trillion at the end of March 2017. On the other hand, IDBI Bank is in a bad shape with its gross non-performing assets (NPAs) soaring to 27.95 per cent of its loans at the end of March 2018.

The bank reported a net loss of Rs 56.7 billion in the fourth quarter of last financial year due to higher provisioning for NPAs.

Financial Express

3. Bad loan in India shocker! 5-fold surge in arrest of bank officers; a reality check

According to Finance Ministry data, there were 8,622 fraud cases in Public Sector Banks from 2014-15 to 16-17. Among them, staff were involved in 1,146 cases

By: [FE Online](#)

In a major development, more and more bank officials are being booked or facing charges for allegedly involving in extending loans which have turned "bad" subsequently. In last four months, law enforcement agencies have booked or charged over 50 bank officials, according to Indian Express report. Central Bureau of Investigation (CBI) is probing most of the cases and half of the bank officials hold key positions such as general manager and above. Shockingly among these officials, there are nine serving or former CMDs along with several former top Reserve Bank of India (RBI) officials are under the scanner, the report says.

According to Finance Ministry data, there were 8,622 fraud cases in Public Sector Banks from 2014-15 to 16-17. Among them, staff were involved in 1,146 cases. Private Sector Banks are not far behind either with 4,156 cases of fraud registered during 2014-15 to 16-17. In private banks, 568 cases came to the fore where staff were involved, the data says.

According to key Industry players, the "five-fold rise in the number of arrests" has taken place due as enforcement agencies have stepped up their investigation following the multi-core scam involving Punjab National Bank (PNB) and diamond czar Nirav Modi. CBI, which has been probing the much highlighted case, had stated in its charge-sheet that former PNB MD was aware of Nirav Modi fraud and also misled RBI.

Currently, CBI is probing a total of 292 cases across 44 public and private sector banks involving allegations of "cheating" and "fraud". Of these case, 10 cases are involved bank fraud amounts of Rs 1,000 crore or more while two cases involving bank fraud amount of over Rs 1,000 crore were pertaining to IDBI Bank and Canara Bank, according to date updated till March this year, the IE report says.

Economic Times

4. Wealth management is the new buzzword in financial services sector

By *Rica Bhattacharyya*

Demand for private bankers in India has surged in recent times with the emergence of new millionaires and burgeoning pools of shrewdly invested money in growing asset classes.

This is making wealth management the most sought-after profession within the financial services sector where a top banker managing an active investment book in excess of Rs 4,000 crore can consistently earn a total annual compensation of Rs 3-4 crore. Compared to this, investment bankers see compensation fluctuating every year in line with deal income.

"The amount of wealth creation is increasing in India, leading to a greater need for people to manage it," said Anshu Kapoor, head, Edelweiss Private Wealth Management. "As wealth is compounding at 12-14% per annum, more clients are seeking options of what to do with it."

There are more than 2,500 established private bankers in India, with 200 of them managing over Rs 1,000 crore, according to estimates by Vito India, a leading executive search firm.

Most wealth management firms increased their headcount last year, anticipating larger business volumes in the future. IIFL added 250, Centrum Wealth added 135, while Edelweiss, Aditya Birla and Kotak Wealth beefed up their wealth desks by 50 each.

"In the past 24 months, the industry has seen a massive surge in demand for professionals at the middle to senior level," said Naveen Tiwari, head, private banking practice, Vito. In the past six months, Vito has been retained for five CEO searches for existing and new wealth outfits.

"We have seen emergence of newer domestic wealth outfits including some global entrants and some of the existing large wealth firms going public. Demand of talent has grown exponentially," Tiwari said.

Wealth managers like Kapoor believe the opportunity for growth is significantly bigger from a longer-term career perspective in wealth management than in investment banking, with its larger market size and revenue pool. Plus, compensation is more attractive due to the dearth of quality talent.

"The industry is growing in leaps and bounds with lots of wealth and new money being created through different avenues such as selling of land parcels, unlocking equity or people doing successful business going in for IPOs (initial public offerings)," said Prateek Pant, head, product and solutions, Sanctum Wealth Management.

There are about 150,000 families in India with wealth of Rs 25 crore or more each, according to industry estimates. This is expected to rise to 500,000 by 2025. Cumulative wealth will increase to Rs 500 trillion by 2025 from Rs 160 trillion now.

However, the amount of wealth being managed by institutional players is less than 25%, leading to robust demand. Families have also witnessed the creation of wealth through capital markets, sparking the need for wealth managers.

"Many new entrants have been added and older institutions have wrapped up and pared down as savvy customers demand better service and pricing and are not as gullible as in the past," said Sraboni Haralalka, executive director, Wodehouse Capital Advisors.

Competition for talent is leading to job opportunities. Last week, ET reported that about 20 senior-level executives from the leadership team at Reliance Wealth Management quit the Reliance Capital subsidiary and joined Avendus Wealth, the wealth management arm of KKR-owned financial services firm Avendus Capital.

Indian wealth managers earn as much or even more than global counterparts — as much as 20-25% of revenue generated against 12-18% internationally, according to Vito data.

If a client has held a portfolio for a sustained period of time, revenue predictability is much higher for a private banker due to aspects such as trail revenue and performance-linked advisory fees associated with the investment book. This translates into the greater possibility of incentives or bonuses for the private banker without incremental effort on the investment book built.

A wealth manager's compensation consists of trail, advisory revenue and commission. Trail revenue is an annuity income which a private banking outfit earns from the cumulative mutual fund portfolio of its clients which is held for more than a year. (It is generally 0.4-0.6% of the total mutual fund holding.)

The increasing demand for wealth managers is also because many outfits are looking to penetrate newer territories by opening offices in tier two cities. Due to scarcity and out-pricing of talent, various wealth outfits are willing to look at personnel from alternate pools such as asset management, corporate banking and treasury businesses.

Business Line

5. Now, unique number to check authenticity of CA-certified documents

KR SRIVATS

Move to help banks, regulators tackle forged/wrong documents.

Banks and regulators will now have a mechanism to check the authenticity of various documents certified by practising chartered accountants.

To tackle the menace of forged certifications of financial statements and documents, the CA Institute has introduced an innovative concept of Unique Document Identification Number (UDIN).

The unique number will be generated for every document certified by a practising CA and registered with the UDIN portal. Regulators and banks can use the portal to check the authenticity of the documents.

The new system has gone live from July 1, but is only recommendatory to start with. This is expected to become mandatory in the coming days, sources said. It has come to the notice of the CA Institute that financial statements and documents are getting certified by "third persons" who are not actually CAs. This could mislead authorities/other stakeholders who rely upon them, it was felt. **The portal — <https://udin.icai.org>** — offers the facility to various regulators /banks/ authorities/other stakeholders to check the authenticity of the documents certified by practising Chartered Accountants who have registered on the said portal.

Tracing the documents

This would help them trace forged/wrong documents prepared by any third person in the name of chartered accountants, as a person other than the chartered accountant will not be able to upload the documents on the portal.

The CA Institute has now directed its members to register the documents certified by them and get them secured, sources added.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**